

VAKIF FAKTORİNG A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

(Convenience translation at publicly announced financial statements, related disclosures and audit report originally issued in Turkish)

(Convenience translation of a report on financial statements originally prepared and issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Vakıf Faktoring A.Ş.

A. Report on the Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vakıf Faktoring A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2022 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vakıf Faktoring A.Ş. as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance and Saving Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring, Finance and Saving Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

2. Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key Audit Matter Impairment of Factoring Receivables	How the Key Audit Matter Addressed in the Audit
The determination of impairment of factoring receivables and accounting of losses related to receivables is an important jurisdiction for management due to the importance and timing of balances and the complexity and subjectivity in determining the credit worthiness for receivables that do not comply with the timing specified in the BRSA Accounting and Financial Reporting Legislation. The mentioned risk is the inability to determine the factoring receivables which are impaired and not to allocate reasonable impairment provision for the related receivables. Provisions for factoring receivables are disclosed in Note 5.	In addition to our current audit procedures, our audit procedures include the assessment and testing of the operational effectiveness of key controls in place to determine the allocation, accounting, monitoring, derecognition of factoring receivables and impaired factoring receivables and their provisions. In addition, in accordance with our risk assessment, whether the factoring receivables selected through sampling is subject to impairment according to the BRSA Accounting and Financial Reporting Legislation, and the adequacy of the provision for related receivables in case of impairment is evaluated.

4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the “BRSA Accounting and Financial Reporting Legislation”, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Company’s financial reporting process.

5. Auditors’ Responsibilities for the Audit of the Financial Statements

In an independent audit, as auditors our responsibilities are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Report on Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code (“TCC”); no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January - 31 December 2022 are not in compliance with TCC and provisions of the Company’s articles of association in relation to financial reporting.
2. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

The partner in charge of the audit resulting in this independent auditor’s report is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Emre Çelik, SMMM
Partner

15 February 2023
Istanbul, Turkey

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1-2
OFF-BALANCE SHEET ITEMS.....	3
STATEMENTS OF PROFIT OR LOSS.....	4
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS.....	7
STATEMENT OF PROFIT DISTRIBUTION.....	8
NOTES TO THE FINANCIAL STATEMENTS	9-51
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS	9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	10-25
NOTE 3 CASH AND CASH EQUIVALENTS	26
NOTE 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NET)	26
NOTE 5 FACTORING RECEIVABLES	26-28
NOTE 6 TANGIBLE ASSETS	29
NOTE 7 INTANGIBLE ASSETS	30
NOTE 8 DEFERRED TAX ASSETS AND LIABILITIES.....	31
NOTE 9 INFORMATION ON ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCOUNTED OPERATIONS.....	32
NOTE 10 OTHER ASSETS	32
NOTE 11 DERIVATIVE FINANCIAL INSTRUMENTS.....	32
NOTE 12 FUNDS BORROWED	32
NOTE 13 SECURITIES ISSUED	33
NOTE 14 TAXES AND DUTIES PAYABLES.....	33
NOTE 15 PROVISIONS	34-35
NOTE 16 SHAREHOLDERS' EQUITY	35-36
NOTE 17 OPERATING INCOME.....	36
NOTE 18 FINANCING EXPENSES	37
NOTE 19 OPERATING EXPENSES.....	37
NOTE 20 OTHER OPERATING INCOME/EXPENSE	38
NOTE 21 TAX PROVISION FROM CONTINUING OPERATIONS	38-39
NOTE 22 RELATED PARTY DISCLOSURES	40-42
NOTE 23 COMMITMENTS AND CONTINGENCIES.....	42-43
NOTE 24 FINANCIAL RISK MANAGEMENT.....	43-50
NOTE 25 EARNINGS PER SHARE	51
NOTE 26 OTHER EXPLANATIONS.....	51
NOTE 27 SUBSEQUENT EVENTS.....	51

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 AS AT

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	ASSETS	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	3	143.643	31.350	174.993	62.663	32.658	95.321
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL ASSETS	11	-	-	-	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	4	26.191	-	26.191	8.157	-	8.157
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)	5	22.073.212	538.086	22.611.298	6.119.063	889.602	7.008.665
5.1	Factoring Receivables	5	22.073.212	538.086	22.611.298	6.117.335	889.602	7.006.937
5.1.1	Discounted Factoring Receivables (Net)		11.217.952	-	11.217.952	3.514.361	186.768	3.701.129
5.1.2	Other Factoring Receivables		10.855.260	538.086	11.393.346	2.602.974	702.834	3.305.808
5.2	Savings Financing Receivables		-	-	-	-	-	-
5.2.1	From the Savings Fund Pool		-	-	-	-	-	-
5.2.2	From the Equity		-	-	-	-	-	-
5.3	Financial Loans		-	-	-	-	-	-
5.3.1	Consumer loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	Leasing Transactions (Net)		-	-	-	-	-	-
5.4.1	Finance lease receivables		-	-	-	-	-	-
5.4.2	Operating Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		-	-	-	-	-	-
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non Performing Receivables	5	49.078	3.285	52.363	50.454	16.425	66.879
5.7	Allowance For Expected Credit Losses / Specific Provisions (-)	5	(49.078)	(3.285)	(52.363)	(48.726)	(16.425)	(65.151)
VI.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3	Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	6	4.027	-	4.027	2.558	-	2.558
VIII.	INTANGIBLE ASSETS (Net)	7	1.856	-	1.856	2.069	-	2.069
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS		203	-	203	158	-	158
XI.	DEFERRED TAX ASSET	8	-	-	-	51.219	-	51.219
XII.	OTHER ASSETS	10	182.855	1	182.856	10.969	111	11.080
	SUBTOTAL		22.431.987	569.437	23.001.424	6.256.856	922.371	7.179.227
XIII.	ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	9	220	-	220	220	-	220
13.1	Held for Sale		220	-	220	220	-	220
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		22.432.207	569.437	23.001.644	6.257.076	922.371	7.179.447

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 AS AT STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	LIABILITIES	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	LOANS RECEIVED	12	19.237.832	921.157	20.158.989	4.613.722	869.858	5.483.580
II.	FACTORING PAYABLES		5.468	-	5.468	7.309	-	7.309
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASING PAYABLES		890	-	890	2.361	-	2.361
V.	MARKETABLE SECURITIES (Net)	13	1.513.520	-	1.513.520	767.915	-	767.915
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	11	-	-	-	221.062	-	221.062
VIII.	PROVISIONS	15	7.003	39.844	46.847	5.770	27.654	33.424
7.1	Provision for Restructuring		-	-	-	-	-	-
7.2	Reserves For Employee Benefits	15	4.686	-	4.686	2.280	-	2.280
7.3	General Loan Loss Provisions	15	2.317	39.844	42.161	3.490	27.654	31.144
7.4	Other provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	14	96.482	-	96.482	70.271	-	70.271
X.	DEFERRED TAX LIABILITY	14	137	-	137	-	-	-
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	14	24.775	236	25.011	2.522	329	2.851
	SUBTOTAL		20.886.107	961.237	21.847.344	5.690.932	897.841	6.588.773
XIII.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	EQUITY	16	1.154.300	-	1.154.300	590.674	-	590.674
14.1	Issued capital	16	450.000	-	450.000	350.000	-	350.000
14.2	Capital Reserves	16	-	-	-	-	-	-
14.2.1	Equity Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		22.501	-	22.501	5.595	-	5.595
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		135.079	-	135.079	118.793	-	118.793
14.5.1	Legal Reserves		29.005	-	29.005	23.191	-	23.191
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		106.074	-	106.074	95.602	-	95.602
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		546.720	-	546.720	116.286	-	116.286
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2	Current Period Net Profit Or Loss		546.720	-	546.720	116.286	-	116.286
	Total equity and liabilities		22.040.407	961.237	23.001.644	6.281.606	897.841	7.179.447

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 AS AT
OFF-BALANCE SHEET ITEMS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	OFF BALANCE SHEET ITEMS	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	RECURSE FACTORING TRANSACTIONS		1.127.137	1.707.246	2.834.383	117.441	277.394	394.835
II.	NON-RECURSE FACTORING TRANSACTIONS		1.249.634	2.744.871	3.994.505	848.668	240.990	1.089.658
III.	SAVING FINANCE AGREEMENTS TRANSACTIONS		-	-	-	-	-	-
IV.	GUARANTEES RECEIVED	23	18.400	-	18.400	-	-	-
V.	GUARANTEES GIVEN	23	1.987.377	-	1.987.377	1.003.788	-	1.003.788
VI.	COMMITMENTS	23	-	-	-	-	-	-
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS	23	-	-	-	475.450	668.341	1.143.791
7.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
7.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
7.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
7.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
7.2	Trading Transactions		-	-	-	475.450	668.341	1.143.791
7.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Buy/Sell Transactions		-	-	-	-	-	-
7.2.3	Options Buy/Sell Transactions		-	-	-	475.450	668.341	1.143.791
7.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY		5.241.583	1.857.127	7.098.710	3.206.369	1.436.675	4.643.044
	TOTAL OFF BALANCE SHEET COMMITMENTS		9.624.131	6.309.244	15.933.375	5.651.716	2.623.400	8.275.116

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

STATEMENT OF PROFIT OR LOSS		Note	Audited Current Period 1 January - 31 December 2022	Audited Prior Period 1 January - 31 December 2021
I.	OPERATING INCOME		2.429.221	772.176
	FACTORING INCOME	17	2.429.221	772.176
1.1	Interest received from Factoring Receivables		2.407.827	769.365
1.1.1	Discounted		1.238.374	352.805
1.1.2	Other		1.169.453	416.560
1.2	Fees and Commissions Received from Factoring Receivables		21.394	2.811
1.2.1	Discounted		5.971	1.003
1.2.2	Other		15.423	1.808
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from Lease Transactions		-	-
	SAVING FINANCE INCOME		-	-
1.8	Dividends Received from Savings Financing Receivables		-	-
1.9	Fees and Commissions Received from Savings Financing Receivables		-	-
II.	FINANCING EXPENSES (-)	18	(1.692.690)	(603.973)
2.1	Dividends Given to the Savings Fund Pool		-	-
2.2	Interest on Funds Borrowed		(1.317.612)	(481.958)
2.3	Interest on Factoring Payables		-	-
2.4	Financial Lease Expenses		(243)	(371)
2.5	Interest on Securities Issued		(161.062)	(94.790)
2.6	Other Interest Expenses		-	-
2.7	Fees and Commissions Given		(213.773)	(26.854)
III.	GROSS PROFIT/LOSS (I+II)		736.531	168.203
IV.	OPERATING EXPENSE (-)	19	(59.165)	(31.036)
4.1	Personnel Expenses		(31.141)	(15.889)
4.2	Provision Expense for Employment Termination Benefits		(1.797)	(682)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(26.227)	(14.465)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		677.366	137.167
VI.	OTHER OPERATING INCOME	20	1.286.478	1.141.711
6.1	Interest Received from Banks		14.469	9.536
6.2	Interest Received from Marketable Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Capital Market Transactions Profit		-	-
6.5	Interest From Derivative Financial Transactions		259.726	12.078
6.6	Foreign Exchange Gains		1.003.742	1.113.232
6.7	Other		8.541	6.865
VII.	PROVISIONS		(7.440)	(8.861)
7.1	Specific Provisions		(7.440)	(8.861)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	20	(1.233.939)	(1.109.218)
8.1	Impairment of Marketable Securities		-	-
8.2	Impairment of Property and Equipment		-	-
8.3	Capital Market Transactions Loss		-	-
8.4	Loss from Derivative Financial Transaction		-	(229.717)
8.5	Foreign Exchange Loss		(1.233.330)	(879.327)
8.6	Other		(609)	(174)
IX.	NET OPERATING INCOME/EXPENSE (V+...+VIII)		722.465	160.799
X.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XI.	INCOME/(LOSS) FROM INVESTMENTS CONSOLIDATED BASED ON EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN/LOSS		-	-
XIII.	PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI+XII)		722.465	160.799
XIV.	TAXATION ON INCOME FROM CONTINUING OPERATIONS (±) (±)	21	(175.745)	(44.513)
14.1	Current Tax Provision		(125.516)	(96.064)
14.2	Deferred Tax Expense Effect (+)		(50.229)	-
14.3	Deferred Tax Income Effect (-)		-	51.551
XV.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		546.720	116.286
XVI.	INCOME FROM DISCONTINUING OPERATIONS		-	-
16.1	Income from Assets Held for Resale		-	-
16.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
16.3	Other income		-	-
XVII.	EXPENSES FROM DISCONTINUING OPERATIONS (-)		-	-
17.1	Expenses from Assets Held for Resale		-	-
17.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
17.3	Other Expenses		-	-
XVIII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)		-	-
XIX.	TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
XXI.	NET PROFIT/LOSSES (XV+XX)		546.720	116.286
	Earnings Per Share	25	1,2149	0,2584

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Current Period 1 January- 31 December 2022	Audited Current Period 1 January- 31 December 2021
I.	CURRENT PROFIT/LOSS	546.720	116.286
II.	OTHER COMPREHENSIVE INCOME	16.906	1.197
2.1	Items not to be reclassified under profit and loss	16.906	1.197
2.1.1	Revaluation differences of property and equipment	-	-
2.1.2	Revaluation differences of intangible assets	-	-
2.1.3	Defined benefit plans remeasurement gains / losses	-	-
2.1.4	Other comprehensive income items not to be reclassified under profit and loss	18.033	1.260
2.1.5	Taxes on other comprehensive income not to be reclassified under profit or loss	(1.127)	(63)
2.2	Items to be reclassified under profit and loss	-	-
2.2.1	Foreign exchange differences from foreign currency transactions	-	-
2.2.2	Income/expenses on revaluation or reclassification of available for sale financial assets	-	-
2.2.3	Income/loss on cash flow hedge derivative financial assets	-	-
2.2.4	Income/loss from foreign investment hedge derivative financial assets	-	-
2.2.5	Other comprehensive income items to be reclassified under profit and loss	-	-
2.2.6	Taxes on other comprehensive income to be reclassified under profit or loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	563.626	117.483

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 FOR THE YEAR OF
STATEMENT OF CHANGES IN EQUITY**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY					Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						
	Paid in Capital	Capital Reserves	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income /(Loss)	Net Profit / Loss	Total Equity
Prior Period (1 January – 31 December 2021) (Audited)														
I. Period Opening Balance (1 January 2021)	250.000	-	-	-	-	51	4.347	-	-	-	120.687	-	98.106	473.191
II. Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balance (I+II)	250.000	-	-	-	-	51	4.347	-	-	-	120.687	-	98.106	473.191
IV. Total Comprehensive Income	-	-	-	-	-	-	1.197	-	-	-	-	-	116.286	117.483
V. Increase in Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Resources	100.000	-	-	-	-	-	-	-	-	-	(1.894)	-	(98.106)	-
VII. Inflation Adjustments to Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (31 December 2021)	350.000	-	-	-	-	51	5.544	-	-	-	118.793	-	116.286	590.674
STATEMENT OF CHANGES IN EQUITY					Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						
	Paid in Capital	Capital Reserves	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income /(Loss)	Net Profit / Loss	Total Equity
Current Period (1 January – 31 December 2022) (Audited)														
I. Period Opening Balance (1 January 2022)	350.000	-	-	-	-	51	5.544	-	-	-	118.793	-	116.286	590.674
II. Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balance (I+II)	350.000	-	-	-	-	51	5.544	-	-	-	118.793	-	116.286	590.674
IV. Total Comprehensive Income	-	-	-	-	-	-	16.906	-	-	-	-	-	546.720	563.626
V. Increase in Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Resources	100.000	-	-	-	-	-	-	-	-	-	-	-	(100.000)	-
VII. Inflation Adjustments to Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	16,286	-	(16,286)	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	16,286	-	(16,286)	-
Period End Balance (31 December 2022)	450.000	-	-	-	-	51	22.450	-	-	-	135,079	-	546,720	1.154.300

- (1) The accumulated revaluation increases/losses on property and equipment,
- (2) The accumulated remeasurement gains/losses on defined benefit plans,
- (3) Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement),
- (4) Foreign currency translation differences
- (5) The accumulated revaluation increases/losses on available for sale asset,
- (6) Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement)

The accompanying explanations and notes are an integral part of these financial statements..

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 FOR THE YEAR OF
STATEMENT OF CASH FLOW**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		
1.1 Operating Profit before Changes in Operating Assets and Liabilities	253.525	187.010
1.1.1 Interest Received/Factoring Income	2.226.469	570.734
1.1.2 Interest Paid/Leasing Expense	(1.588.750)	(515.777)
1.1.3 Dividend Received	-	-
1.1.4 Fees and Commissions Received	21.394	2.811
1.1.5 Other Income	-	6.865
1.1.6 Collections from Previously Written-off Doubtful Receivables	7.088	6.641
1.1.7 Payments to Personnel and Service Suppliers	(40.849)	(31.036)
1.1.8 Taxes Paid	(116.124)	(33.110)
1.1.9 Other	(255.703)	179.882
1.2 Changes in Operating Assets and Liabilities	(862.687)	(172.940)
1.2.1 Net (Increase) Decrease in Factoring Receivables	(15.425.263)	(1.096.481)
1.2.2 Net (Increase) Decrease in Finance Loans	-	-
1.2.3 Net (Increase) Decrease in Lease Receivables	-	-
1.2.4 Net (Increase) Decrease in Savings Financing Receivables	-	-
1.2.5 Net (Increase) Decrease in Other Assets	(138.698)	(58.717)
1.2.6 Net Increase (Decrease) in Factoring Payables	(1.841)	6.637
1.2.7 Net Increase (Decrease) in Lease Payables	-	-
1.2.8 Net (Increase) Decrease in Savings and Financing Debts	(1.471)	242
1.2.9 Net Increase (Decrease) in Funds Borrowed	14.632.789	899.872
1.2.10 Net Increase (Decrease) in Due Payables	-	-
1.2.11 Net Increase (Decrease) in Other Liabilities	71.797	75.507
I. Net Cash Used in Operating Activities	(609.162)	14.070
B. CASH FLOWS FROM INVESTING ACTIVITIES		
2.1 Acquisition of Investments, Associates and Subsidiaries	-	-
2.2 Disposal of Investments, Associates and Subsidiaries	-	-
2.3 Purchases of Property and Equipment	(4.121)	(1.894)
2.4 Disposals of Property and Equipment	-	120
2.5 Financial Assets Reflected in Revenue	-	-
Disposals of Fair Value Differences of Other Comprehensive		
Financial Assets Reflected in Revenue	-	-
2.7 Purchase of investment securities held to maturity	-	-
2.8 Sale of investment securities held to maturity	-	-
2.9 Other	-	(1.736)
II. Net Cash (Used in)/Provided from Investing Activities	(4.121)	(3.510)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
3.1 Cash Obtained from Funds Borrowed and Securities Issued	1.452.200	1.951.138
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(767.915)	(1.957.932)
3.3 Issued Capital Instruments	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	-	(1.766)
3.6 Other	-	-
III. Net Cash Provided from Financing Activities	684.285	(8.560)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	8.608	14.140
V. Net Increase in Cash and Cash Equivalents	79.610	16.140
VI. Cash and Cash Equivalents at Beginning of the Period	95.297	79.157
VII. Cash and Cash Equivalents at End of the Period	174.907	95.297

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Current Period (*) 31 December 2022	Prior Period 31 December 2021
I. DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1 CURRENT PERIOD PROFIT	722.465	160.799
1.2 TAXES AND DUTIES PAYABLE (-)	(175.745)	(44.513)
1.2.1 Corporate Tax (Income Tax)	(125.516)	(96.064)
1.2.2 Withholding Tax	(50.229)	-
1.2.3 Other taxes and duties (**)	-	51.551
A. NET PERIOD PROFIT (1.1-1.2)	546.720	116.286
1.3 PRIORS YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(5.814)
1.5 OTHER STATUTORY RESERVES (-)	-	(51.551)
B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	546.720	58.920
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 Participation in Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit /loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 Participation in Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit /loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	58.920
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 Participation in Redeemed Shares	-	-
2.3.4 To Profit Participated Bonds	-	-
2.3.5 To Owners of the profit /loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF STOCKS	1.2149	0,2803
3.2 TO OWNERS OF STOCKS (%)	121,49	28,03
3.3 TO OWNERS OF PREFERRED STOCKS	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) As of the date of finalization of the financial statements 31 December 2022 the General Assembly has not been held yet.

(**) Since it is considered by the Banking Regulation and Supervision Agency that the income amounts related to the deferred tax assets cannot be classified as cash or internal source and therefore the portion of the period income resulting from these assets should not be subject to profit distribution and capital increase. As of 31 December 2022, there is no the Company's deferred tax income, which will not be subject to profit distribution (31 December 2021: 51.551).

The accompanying explanations and notes are an integral part of these financial statements.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

1 - ORGANIZATION AND NATURE OF OPERATIONS

Vakıf Faktoring A.Ş. (previously Vakıf Finans Factoring Hizmetleri A.Ş.) ("The Company"), was incorporated on 28 January 1998 to provide factoring services to industrial and commercial firms. The Company provides factoring services, that is a financial product which ensure 'guarantee', 'finance' and 'collection' services by way of assignment to a company called 'factor' of the trade receivables arising from sale of goods and/or services by firms to within the country.

At the General Meeting held on 31 March 2015, the Company title "Vakıf Finans Factoring Hizmetleri A.Ş." was decided to change as "Vakıf Faktoring A.Ş." and the new title was registered to Turkish Trade Registry on 13 April 2015.

The Company serves both domestic and international factoring services.

The Company operates in accordance with "Financial Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and 'Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies' of Banking Regulating and Supervision Agency (BRSA).

As of 31 December 2022 and 31 December 2021, the compositions of the authorized and paid-in share capital are as follows:

	Share		Share	
	31 December 2022	(%)	31 December 2021	(%)
Türkiye Vakıflar Bankası T.A.O.	414.442	92,10	274.375	78,39
Türkiye Sigorta A.Ş. ^(*)	-	-	47.969	13,71
Vakıf Finansal Kiralama A.Ş.	17.076	3,79	13.281	3,79
Vakıfbank Per. Öz. Sos. Güv. Vakfı	11.451	2,54	8.906	2,54
Vakıf Pazarlama Sanayi ve Tic. A.Ş.	7.031	1,56	5.469	1,56
Share Capital	450.000	100	350.000	100

^(*) Güneş Sigorta A.Ş., which owns 13,71% of the company's capital, Ziraat Sigorta A.Ş. and Halk Sigorta A.Ş. with all its assets and liabilities, Güneş Sigorta A.Ş. The "Announcement Text", the amendment text of the articles of association and the issuance document regarding the merger of the Capital Markets Board ("CMB") It was approved by its decision dated 16 July 2020 and numbered 44/908. After the merger operations, Güneş Sigorta A.Ş. was named after Türkiye Sigorta A.Ş. title. T. Vakıflar Bankası T.A.O., one of the shareholders of the Company, has purchased all of the 13,71% Group A and B shares owned by Türkiye Sigorta A.Ş. in our Company. T. Vakıflar Bankası T.A.O.'s letter dated 30/12/2022 to the addressee of the Company and within the framework of the decision of the Board of Directors of the Company dated 30/12/2022 and numbered 93/1 taken in line with the decision of the BRSA dated 29/12/2022 and numbered 10461; T. Vakıflar Bankası T.A.O.'s share in the Company's capital increased from 78,39% to 92,10% and Türkiye Sigorta A.Ş. no longer had a share.

The Company has 56 employees as of 31 December 2022 (31 December 2021: 52).

The Company is registered in Turkey and located in the address below:
Şerifali Mahallesi, Bayraktar Bulvarı, No:62, Ümraniye/İSTANBUL.

The Company carries its operations mainly in one geographical region (Turkey). The Company has branches in Ankara and Izmir.

Approval of Financial Statements

Prepared financial statements as of 31 December 2022 dated and ended account term, the financial statements were approved by the Board on February 15, 2022. The General Assembly has authority to amend the financial statements.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements

The Company prepared the accompanying financial statements in an according to the ‘Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies’ and the ‘Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring Financing and Saving Financing’ published in the Official Gazette dated 29 June 2021 and numbered 31526 by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, preparations made according to the Turkish Financial Reporting Standards (“TFRS”) regulations included in; “BRSA Accounting and Financial Reporting Regulations”. The financial statements have been prepared on the historical cost basis except for the derivative financial instruments, which are measured at fair value.

The COVID-19 epidemic, which emerged in China, spread to various countries in the world, and caused potentially fatal respiratory tract infections, negatively affected both regional and global economic conditions, as well as causing disruptions in operations, especially in countries that were over-exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken and still continue to be taken in our country, as in the world, in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken in order to minimize the economic effects of the virus epidemic on individuals and businesses in our country and around the world. The Company Management anticipates that the effects of the current situation will not be at significant levels in the financial statements prepared as of 31 December 2022.

Preparation of financial statements requires the amounts of the reported assets and liabilities or disclosed conditional assets and liabilities and income and estimation and assumption which affects the expense amounts which are reported in the relevant period. These estimations are based on the management’s best opinion and knowledge and real consequences may be different than these estimations.

2.1.2 Reporting Currency

The financial statements are presented in the currency (functional currency) valid in the main economic environment in which the Company operates. The financial position and operating results of the business are expressed in thousand Turkish Lira, which is the functional currency of the Company and the presentation currency for the financial statements.

Financial statements have been prepared in thousands of TL, based on historical cost, except for financial assets and liabilities that are expressed with their fair values.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Adjustment of Financial Statements in High Inflation Periods

The financial statements have been adjusted for inflation in accordance with the “Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies” (“TAS 29”) until 31 December 2004. With the Circular dated 28 April 2005 published by the BRSA, it was announced that it was decided to terminate the inflation accounting application applied in the banking system and the inflation accounting application was terminated as of January 1, 2005 in the preparation of the financial statements.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

2.1.4 Netting/Offset

Financial assets and liabilities are shown net in cases where there is the necessary legal right, there is an intention to evaluate the said assets and liabilities clearly, or when the acquisition of assets and the fulfilment of liabilities are consecutive.

2.1.5 Going concern

The Company prepared its financial statements considering the going concern principal.

2.1.6 Comparative Information and Adjustment of Prior Period Financial Statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. When the presentation or classification of the items of the financial statements changes, the prior period financial statements are reclassified accordingly in order to ensure comparability.

2.1.7 Critical Accounting Evaluations, Estimates and Assumptions

Preparation of the financial statements should be in accordance with BRSA’s Accounting and Financial Reporting Standards along with estimates and judgments regarding the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company’s best estimates regarding current events and transactions; however, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

The main notes using estimates are as follows:

- Factoring receivables, non-performing receivables
- Employee benefits
- Provisions, contingent assets and liabilities

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.8 Changes and Errors in Accounting Estimates

Changes in accounting estimates are applied prospectively in the current period when the change is made, if the change is related to future periods, both in the period in which the change is made and in future periods. There has been no significant change in the accounting estimates of the Company in the current period. Identified significant accounting errors are applied retrospectively and prior period financial statements are restated.

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There have no major changes in the accounting policies of the Company in the current period.

2.3 Amendments in standards and interpretations

New and revised standards and comments

The accounting policies adopted in preparation of the financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and comments which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 must be applied prospectively.

The standard will not have an impact on the financial position and performance of the Company.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The standard will not have an impact on the financial position and performance of the Company.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The standard will not have an impact on the financial position and performance of the Company.

Annual Improvements - 2018-2020 Period

Improvements to TFRS standards / 2018-2020 Period was published by the POA in July 2020, with the following changes at the below:

- *TFRS 1- First Implementation of International Financial Reporting Standards – Associate as First Implementer:* The amendment allows a subsidiary to measure accumulated currency translation differences using amounts reported by the parent. The amendment also applies to the subsidiary or joint venture.
- *TFRS 9 Financial Instruments - Fees taken into account in the 10% test for derecognition of financial liabilities:* The amendment clarifies the fees that an entity considers when assessing whether the terms of a new or modified financial liability differ materially from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender, including fees paid by the parties on behalf of each other.
- *TAS 41 Agricultural Activities – Taxes in determining fair value:* With the amendment made, the provision in TAS 41 paragraph 22 that the cash flows made for taxation are not taken into account in determining the fair value of companies' assets within the scope of TAS 41 has been removed.

The standard will not have an impact on the financial position and performance of the Company.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. *The Company* will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The company will evaluate the effects of these changes after the mentioned standards are finalized.

TFRS 17 - The New Standard for Insurance Contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not valid for the Company and have not an impact on the financial position and performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2021 and January 2023, POA made amendments to TAS 1 to determine the principles for short-term and long-term classification of liabilities. According to the changes made in January 2023, if an entity's right to defer payment of an obligation is dependent on its compliance with the terms of the loan agreement at a later date after the reporting period, it has the right to defer the obligation at the end of the reporting period (even if it does not comply with the terms at the end of the reporting period). When a loan contract liability is classified as long-term and the entity's right to defer payment is dependent upon compliance with the terms of the loan agreement within 12 months, the January 2023 amendments require entities to provide a variety of disclosures. These disclosures should include information on loan contract terms and related obligations. Furthermore, the amendments clarified that the right to defer payment for long-term classification must exist by the end of the reporting period, regardless of whether compliance with contractual terms will be tested at the reporting date or at a later date. The amendments make it clear that the possibility of the entity not exercising its right to defer payment for at least 12 months after the reporting period will not affect the classification of the liability. The amendments are valid for annual accounting periods beginning on or after 1 January 2024. Changes made are applied retrospectively according to TAS 8. Early application is permitted. However, an entity that applies any of the changes early must also apply the other change early. The effects of the change on the financial position and performance of the Company are being evaluated.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

In general terms, the Company does not expect a material impact on the financial statements.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The effects of the change on the financial position and performance of the Company are being evaluated.

TAS 12 Amendments – Deferred tax on assets and liabilities arising from a single transaction

In August 2021, POA published amendments to TAS 12 that narrows the scope of the initial recognition exemption and thus ensures that the exemption is not applied to transactions that result in equal taxable and deductible temporary differences. Amendments to TAS 12 are valid for annual accounting periods beginning on or after 1 January 2023. Changes require a judgment (given applicable tax law) whether such deductions are attributable to the recognized liability (and interest expense) or related asset component (and interest expense) for tax purposes when payments made on a liability are tax deductible clarifies the issue. This judgment is important in determining whether there is any temporary difference in initial recognition of the asset and liability. Changes apply to transactions that occur at or after the beginning of the earliest period presented comparatively. In addition, at the beginning of the earliest comparatively presented period, deferred tax asset (provided there is sufficient taxable income) and deferred tax liability are recognized for all deductible and taxable temporary differences related to leases and decommissioning, restoration and similar liabilities. The effects of the change on the financial position and performance of the Company are being evaluated.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

TFRS 16 Amendments – Lease liabilities on sale and leaseback transactions

In January 2023, POA published amendments to TFRS 16. These amendments determine the provisions to be applied in the measurement of the lease liabilities arising from the sale and leaseback transactions by the seller-lessee, so that no gain or loss is recognized regarding the remaining right of use. In this context, while the seller-lessee applies the provisions of TFRS 16 under the heading of "Further measurement of the lease liability" after the actual commencement of the sale and leaseback transaction, "lease payments" or "revised lease payments" are not accounted for any gain or loss related to the remaining right of use. will determine the revised lease payments. The amendments do not contain specific provisions for the measurement of lease liabilities arising from leaseback. The initial measurement of the lease liability may result in the determination of payments other than those included in the definition of lease payments in TFRS 16 as lease payments. According to TAS 8, the seller-lessee will need to develop and implement an accounting policy that will provide reliable and relevant information. The amendments are valid for annual accounting periods beginning on or after 1 January 2024. Early application is permitted. The seller-lessee changes apply retrospectively to the sales and leaseback transactions entered into after the first application date of TFRS 16 in accordance with TAS 8. The standard is not valid for the Company and have not an impact on the financial position and performance of the Company.

2.4 Summary of Significant Accounting Policies

Valuation principles and accounting policies followed in the preparation of these financial statements are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months and that are not subject to significant change in value (Note 3).

Financial Instruments

Financial assets and liabilities if there is a legal party to these financial instruments of the Company is located in the Company's balance sheet.

Financial assets

As a result of the purchase or sale of financial assets that are subject to a contract with the condition of delivery of the investment instruments in accordance with the period determined by the relevant market, the related assets are recorded or removed from the records. Financial assets are classified as "financial assets at fair value through profit or loss", "financial assets whose amortized cost is measured", financial assets at fair value through profit or loss" and "loans". These financial assets are included or excluded according to the third part of TFRS 9 Financial Instruments, related to the classification and measurement of financial instruments published in the Official Gazette dated 19 December 2017 and numbered 29953 by Public Oversight Accounting and Auditing Standards Authority (POA).

The Company includes financial assets only when the Company is a legal party to those financial instruments. In the initial recognition of a financial asset, the business model determined by the Company management and the contractual cash flows of the financial asset are considered.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

(i) Financial assets at fair value through other comprehensive income

Financial assets at fair value through profit or loss are measured at fair value on the basis of fair value and discounted cash flows reflected in the financial statements as at the balance sheet date.

Securities representing a share in the capital, which are classified as financial assets at fair value through other comprehensive income, are accounted for at their fair values. Exceptionally, cost may be an appropriate estimation method in determining fair value. This is only possible if there is not enough recent information on the measurement of fair value or if fair value can be measured by more than one method and the cost best reflects the fair value estimation among these methods.

At initial recognition, an entity may irrevocably choose to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. Dividends from the investment in question are recognized as profit or loss.

Financial leasing transactions

"TFRS 16 Leases" Standard determines the principles regarding the recognition, measurement, presentation and disclosure of leases. The aim of the standard is to ensure that the tenants and lessors present these transactions in a truthful manner and provide the information appropriate to the need. This information constitutes the basis for the evaluation of the effect of leases on the financial position, financial performance and cash flows of the financial statement users.

(i) The lessor position

In financial leasing, the asset subject to lease is monitored in the financial statements as a receivable equal to the net lease investment. Financing income related to financial leasing is determined to bring a fixed periodic return to the net investment within the scope of financial leasing, and the portion of the interest income that is not accrued in the relevant period is followed in the unearned interest income account. Lease payments received are deducted from the gross lease investment amount, reducing the principal and unearned finance income.

(ii) The lease position

In accordance with the "TFRS 16 - Leases" standard, the Company calculates the "right of use" amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in "tangible fixed assets". In the calculation of assets entitled to use, the unpaid lease payment amounts have been discounted with the alternative borrowing interest rate, taking into account the remaining term in the lease contract with the property owner, and the net present value has been determined.

The Company has accounted the total of the lease obligations to be paid until the end of the lease contract as "Liabilities from Leasing Transactions" in the balance sheet liabilities, instead of directly expending the leases subject to TFRS 16 Leases standard or taking them into prepaid expenses. Changes that will affect the lease obligation are re-measured and reflected in the balance sheet accounts.

Based on the lease contract term, interest and depreciation are calculated monthly over the net present value and accounted in the income statement.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Factoring and other receivables

Factoring receivables and payables are recognized net of any transaction costs through the initial costs. In subsequent periods of the initial recognition, the factoring receivables are shown through amortizing the difference between the initial cost and the present value of repayment amounts which is calculated by using effective interest method, in the financial statements.

Provisions for impairment

Provision is made for factoring receivables and other receivables, which may be doubtful in the future, and is deducted from the current period profit by writing an expense. Provision for non-performing loans is the amount that the Company has allocated by evaluating its loan portfolio in terms of quality and risk, taking into account the economic conditions and other factors, and the relevant legislation, in order to cover possible future losses related to current factoring receivables.

Within the scope of the "Regulation Amending the Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies have been granted the right to allocate expected credit loss provision within the scope of TFRS 9, provided that they notify the BRSA. The effective date of the regulation is 30 September 2018. In this context, the Company did not prefer to apply the expected credit loss provision calculation model within the scope of TFRS 9, defined in article 6/A of the relevant regulation, for its receivables from factoring transactions; as in previous periods. As in the previous periods, for factoring receivables as of 31 December 2022; In accordance with Article 6 of the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings Financing Companies" published by the BRSA in the Official Gazette dated 24 December 2013 and numbered 28861, specific and general provisions have been made.

According to the provisions of the relevant Regulation, at least 20% of factoring receivables whose collection is delayed for more than 90 days but not more than 180 days from the due date, after taking into account the collaterals, of factoring receivables whose collection is delayed more than 180 days from the due date but not more than 1 year, after taking into account the collaterals. For factoring receivables whose collection is overdue for at least 50% and more than 1 year from the due date, 100% of the factoring receivables should be made specific provision, after taking into account their collateral.

Factoring receivables that are less than 1 year overdue are classified as Receivables to be Liquidated under Non-Performing Receivables, and factoring receivables that are overdue for more than 1 year are classified as Loss Receivables.

Funds Borrowed

Funds borrowed are recognized at initial cost net off transaction costs. In subsequent periods, borrowings are recognized at amortized cost calculated as the present value of repayments by using effective interest rate method and the difference between the initial costs are recognized in the profit and loss.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipments acquired before 1 January 2005 are measured at cost restated for the effects of inflation at 31 December 2004 less accumulated depreciation. Property and equipments acquired after 31 December 2004 are measured at cost less accumulated depreciation.

To change any part of property and equipment, expenses in the future economic benefits of the asset are capitalized enhancing qualities. All other costs are recognized in the income statement on an accrual basis.

Property and equipments are depreciated over the estimated useful lives by using the straight-line method.

Depreciation periods reflecting the average useful lives of property, plant and equipment are given below:

Definition	Year
Furniture and fixtures	5
Motor vehicles	5
Leasehold	5

Leasehold improvements are amortized over the periods of the respective leases on the straight-line basis.

Intangible Assets

Intangible assets consist of computer software expenses and they are amortized from inflation adjusted costs until 31 December 2004 in five years. Maintenance expenses for computer software are recognized in financial statements as expense. Furthermore, the expenses which will increase the useful life and benefit of the current computer programmes must be capitalized by means of adding to the cost of softwares.

Definition	Year
Computer software licenses	3-5

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Impairment in assets

Financial Assets

Financial assets other than financial assets at fair value through profit or loss are subject to an assessment at each balance sheet date to determine whether there is any indication of impairment. If after the recognition of financial assets one or more events occur and if there is objective evidence that there is impairment on future cash flows of the financial asset or group of assets, the financial asset is impaired and impairment loss is recognized.

The Company recognizes specific provision for factoring receivables in accordance with the Communiqué No: 28861 on the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and "Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Consumer Financing Companies and its Explanation" published in the same date and number issued at 24 December 2013 by BRSA.

The impairment loss is deducted from the carrying value of the other financial assets valued at amortized cost.

With the exception of available-for sale equity instruments, impairment losses recognized after the date of the impairment if events occurred with a reversal can be related objectively.

The cancellation of financial assets measured at amortized cost is recognized in the income statement.

Increase occurring after the impairment of the fair value of available for sale equity instruments are recognized directly in equity.

Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the impairment loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment is canceled only to the extent that the net of amortization and depreciation do not exceed the book value of the asset.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Capital and dividends

Ordinary shares are classified as equity. Ordinary dividends on ordinary shares are recognized in the period in which they are declared. Capital increase from current shareholders are recognized over the nominal values which are registered and approved at the annual general meeting. In Turkey, companies can increase their capital by distributing shares from retained earnings shares (“Bonus Shares”) to existing shareholders. When earnings per share are calculated, these bonus shares are considered as issued shares. Accordingly, weighted number of share average used in earnings per share calculation is obtained by applying bonus shares as retroactive. There is no difference between principal and proportional earnings for any period.

Employee benefits

Severance provisions are accounted at present value of the contingent liabilities arising from the retirement of Company’s employees and calculated according to Turkish Labor Law. Severance provisions are calculated based on an accrual basis after completion of one year service by each employee and recognized in the financial statements. Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “reserve for employee benefits” account in the balance sheet.

Severance payment obligation recognized in the balance sheet is arise due to the possible obligation that may rise in the future due to retirement of employees and it is calculated at present value and recognized in the financial statements.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority (POA) with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition method of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for the annual periods beginning on or after 1 January 2013. Beginning of 1 January 2013, the Company has recognized the actuarial gains and losses that occur in related reporting periods in the “Statement of Comprehensive Income” and present any accumulated profit/loss under Equity as “Benefit Plan Recalculation Gains/Losses” in the Statement of Financial Position.

Provisions, contingent asset and liabilities

In accordance with TAS 37, “Provisions, Contingent Assets and Liabilities”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specific criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision. To determine the discount rate the interest rate in related markets and risks associated with the liability are considered. Contingent assets are disclosed in the notes and not recognized unless it is realized.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments

Company's activities, expose the company to financial risks, risks that caused by changes in currency and interest rates. The Company uses derivatives (mainly currency swaps) to manage the financial risks associated with exchange rate fluctuations related to the future economic and credit conditions of the company.

Derivatives calculated at fair value at the date of settlement. For the next reporting periods, derivatives are recalculated at fair value again. The company does not specify derivatives as a form of hedging and accordingly the change in the value of these derivatives in terms of the fair values has been correlated.

Income and expense recognition

Factoring income

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. A certain percentage of the total amount of invoices subject to factoring transaction is composed of factoring commission income. Factoring interest and commission income is recognized on accrual basis.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

Finance expenses

Other finance expenses are recognized on an accrual basis using effective interest method.

Taxes calculated on the basis of the company's earnings

Income taxes include the current (corporate) tax and deferred tax.

Corporate tax

With the amendment made in the first paragraph of Article 25 of the Law No. 7394 published in the Official Gazette dated April 15, 2022 and numbered 31810, and the first paragraph of the article 32 titled "Corporate Tax and Provisional Tax Rate" of the Law No. 5520; It has been decreed that the corporate tax rate be applied as 25% on the corporate earnings of banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

The tax income or expense for the period includes current tax and deferred tax. Tax income or expense for the period is recognized in profit or loss, except for those relating to business combinations or items recognized directly under other comprehensive income or equity.

Current period tax includes the tax liability or receivable calculated on the taxable portion of the profit or loss for the period and with the tax rates enacted at the reporting date, as well as any adjustments related to the tax liability of previous years.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized in the initial recognition of goodwill, in the initial recognition of assets and liabilities that affect neither financial nor commercial profit or loss in non-business combinations, and differences in associates and joint ventures that are unlikely to be reversed in the near future. Deferred tax is calculated with the tax rates expected to apply when temporary differences are reversed, based on the laws in effect at the reporting date. Deferred tax asset and deferred tax liability can be set off if there is a legal right to set off tax assets and tax liabilities and if the taxes are subject to the same financial authority and the acquisition of tax assets and the fulfillment of tax liabilities are simultaneous.

Deferred tax assets calculated on unused tax losses, investment incentives, tax deductions and deductible temporary differences are recognized to the extent that it is probable that taxable profits will be realized in the future that will enable the temporary differences to be used. The deferred tax asset is reviewed in each reporting period and its carrying amount is reduced to the extent that it is unlikely that the tax benefit will be realized.

The Company calculates and accounts deferred tax in accordance with TAS 12 "Income Taxes" for the temporary differences between the accounting policies and valuation principles applied and the tax base value determined in accordance with the tax legislation. Deferred taxes related to assets directly associated with equity are associated with equity account group and netted off with related accounts in this group.

Related parties

In accordance with TAS 24, "Related Party Disclosures" shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies or considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company the companies controlled by associated with them, key management and the Board members of the Company are referred to as 'related parties'

Subsequent events

It refers to the events that occur in favor or against the company between the reporting period and the date of authorization for the publication of the balance sheet. TAS 10, "Turkey on the incident Accounting Standard after the Balance Sheet Date", in the case under the provisions of the balance sheet date, the question of new evidence, or the related events regarding that such events has occurred after the balance sheet date and require restating these events, financial statements, company financial statements in new situation corrects properly. If the events in question do not require correction of the financial statements, the Company explains the related issues in the related footnotes.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Statement of cash flows

The Company prepares cash flow statements to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. Cash flows from operating activities represent cash flows from activities within the scope of business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing and the repayments of these sources. Due to nature of the transaction short term borrowings are shown under cash flows from operating activities starting from 1 January 2014.

As of 31 December 2022, and 31 December 2021, the cash and cash equivalents are as follows:

	31 December 2022	31 December 2021
Cash	3	-
<i>Banks</i>		
- Time deposits	139.603	94.513
- Demand deposits	35.301	784
Total	174.907	95.297

The bank account consists of time and demand deposits. As of 31 December 2022, TL 86 interest is accrued (31 December 2021: TL 24).

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Segment reporting

An operating segment includes the performance of the Company's business activities, including revenues and expenses incurred from transactions with other operating segments, which are capable of generating revenue and expenditure. Furthermore, operating segment is subject to evaluation from the Board of Directors (which acts as the decision-making instrument of the company) and should produce measurable performance results and distinguished financial information.

Since the Company operates in a single business and in a single area, Turkey, there is no segment reporting in the financial statements.

Effects of foreign currency's rates

Income and expenses deriving from transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from conversion of foreign currency items have been included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to TL at the exchange rate the date that the fair value was determined.

The foreign exchange rates used by the Company as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
US DOLLAR	18,6983	12,9775
EURO	19,9349	14,6823
GBP	22,4892	17,4530

Information on leasing activities

Leases by which the risks and rewards belongs to lessor are classified as operating leases. Payments made under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Earnings per share

Earnings per share is calculated by dividing the profit or loss by the weighted average number of ordinary shares outstanding during the period.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

3- CASH, CASH EQUIVALENTS AND CENTRAL BANK

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Cash	3	-	-	-
Banks				
- Time deposit	139.603	-	61.855	32.658
- Demand	3.951	31.350	784	-
Interest rediscount	86		24	-
TOTAL	143.643	31.350	62.663	32.658

	31 December 2022	31 December 2021
Cash and cash equivalents in the statement of cash flows	174.993	95.321
Interest income accruals on cash and cash equivalents	(86)	(24)
Total in the cash flow statement cash and cash equivalents	174.907	95.297

4- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NET)

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	Amount	Effective Rate	Amount	Effective Rate
Not publicly traded				
Vakıf Enerji ve Madencilik A.Ş.	26.191	% 18,58	8.157	% 18,58
TOTAL	26.191		8.157	

Vakıf Energy and Mining Inc. (Vakıf Enerji) based on the valuation report prepared by a valuation company with CMB license, as of 31 December 2022 the value of the company is determined as TL 140.984 and the value of the Company's share in the capital is calculated as TL 26.191.

5- FACTORING RECEIVABLES

As of 31 December 2022, and 31 December 2021, factoring receivables are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Factoring Receivables Discounted				
Domestic factoring receivables	11.779.723	-	3.669.743	1.100
Export factoring receivables	-	-	-	186.272
Unearned factoring income	(561.771)	-	(155.382)	(604)
TOTAL	11.217.952	-	3.514.361	186.768
Other Factoring Receivables				
Domestic factoring receivables	10.642.453	-	2.423.732	-
Foreign factoring receivables	212.807	538.086	179.242	702.834
TOTAL	10.855.260	538.086	2.602.974	702.834
Factoring receivables NET	22.073.212	538.086	6.117.335	889.602

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

5- FACTORING RECEIVABLES (Continued)

As of 31 December 2022, forward term checks and notes received by the Company against its factoring receivables amounting to TL 4.212.229 are followed under the custodian securities (31 December 2021: TL 2.467.631).

As of 31 December 2022, and 31 December 2021, the breakdown of total factoring receivables by industrial groups is as follows:

	31 December 2022	(%)	31 December 2021	(%)
Motor vehicles manufacturing and sales	4.652.919	20,58	1.192.687	17,02
Machinery and equipment	3.584.238	15,85	1.399.759	19,98
Energy	4.090.322	18,09	517.468	7,39
Construction	1.533.272	6,78	659.819	9,42
Information	2.581.220	11,42	626.116	8,94
Transportation	211.422	0,94	336.885	4,81
Textile	1.117.243	4,94	536.594	7,66
Food	795.304	3,52	234.839	3,35
Iron and steel	5.972	0,03	13.476	0,19
Other (*)	4.039.386	17,86	1.489.294	21,25
Total	22.611.298	100,00	7.006.937	100,00

(*) TL 1.462.920 of the other item in the sectoral distribution of factoring receivables consists of refactoring transactions (31 December 2021: 704.042).

As of 31 December 2022, and 31 December 2021, maturity distribution of net factoring receivables are as follows:

	31 December 2022	31 December 2021
Until 1 month	4.023.098	901.522
1 – 3 month	8.322.940	2.385.865
3 – 12 month	10.263.751	3.489.088
1 year and above	1.509	230.462
Total	22.611.298	7.006.937

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

5- FACTORING RECEIVABLES (Continued)

As of 31 December 2022 and 31 December 2021, the breakdown of doubtful receivables and provisions are as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Liquidated Loans	7.116	-	629	-
Uncollectible Receivables	41.962	3.285	49.825	16.425
Specific Provisions	(49.078)	(3.285)	(48.726)	(16.425)
Doubtful receivables, net	-	-	1.728	-

As of 31 December 2022, and 31 December 2021, the aging analysis of the impaired factoring receivables and specific provisions are as follows:

	31 December 2022		31 December 2021	
	Total doubtful factoring receivables	Provision	Total doubtful factoring receivables	Provision
Overdue 3-6 months	106	106	399	80
Overdue 6-12 months	7.010	7.010	230	115
Overdue over 1 year	45.247	45.247	66.250	64.956
Total	52.363	52.363	66.879	65.151

Movements in specific provision for factoring receivables within the period are as follows:

	31 December 2022	31 December 2021
Balance at 1 January	65.151	56.583
Provision for the period	7.440	8.861
Recoveries during the period (-)	(7.088)	(6.641)
Exchange rate effect	(13.140)	6.348
Balance at the end of the period	52.363	65.151

As of 31 December 2022 and 31 December 2021, the breakdown of collateral taken against factoring receivables of the Company is as follows:

	31 December 2022	31 December 2021
Cheques and notes received	148.431	120.667
Total	148.431	120.667

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

6- TANGIBLE ASSETS

Movements of tangible assets during the year ended 31 December 2022 and 31 December 2021 are as follows:

	1 January 2022	Additions	Disposal	31 December 2022
Cost				
Machinery and equipment	1.454	1.045	-	2.499
Vehicles	-	1.836	-	1.836
Furniture and fixtures	414	149	-	563
Vehicles with the right of use ^(*)	3.141	-	-	3.141
Buildings with the right of use ^(*)	2.324	38	-	2.362
Specific Costs	-	168	-	168
	7.333	3.236	-	10.569
	1 January 2022	Current year depreciation	Disposal	31 December 2022
Accumulated depreciation				
Machinery and equipment	(1.158)	(191)	-	(1.349)
Vehicles	-	(87)	-	(87)
Furniture and fixtures	(310)	(59)	-	(369)
Vehicles with the right of use ^(*)	(1.546)	(833)	-	(2.379)
Buildings with the right of use ^(*)	(1.761)	(578)	-	(2.339)
Specific Costs	-	(19)	-	(19)
	(4.775)	(1.767)	-	(6.542)
Net Carrying Value	2.558	1.470	-	4.027

^(*) Includes lease agreements made within the scope of TFRS 16.

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Machinery and equipment	1.163	291	-	1.454
Vehicles	120	-	(120)	-
Furniture and fixtures	409	5	-	414
Vehicles with the right of use ^(*)	1.748	1.393	-	3.141
Buildings with the right of use ^(*)	2.119	205	-	2.324
	5.559	1.894	(120)	7.333
	1 January 2021	Current year depreciation	Disposals	31 December 2021
Accumulated depreciation				
Machinery and equipment	(871)	(287)	-	(1.158)
Vehicles	(78)	(4)	82	-
Vehicles with the right of use ^(*)	(299)	(11)	-	(310)
Buildings with the right of use ^(*)	(765)	(781)	-	(1.546)
Furniture and fixtures	(1.147)	(614)	-	(1.761)
Total	(3.160)	(1.697)	82	(4.775)
Total Carrying Value	2.399	197	(38)	2.558

^(*) Includes lease agreements made within the scope of TFRS 16.

As of 31 December 2022 and 31 December 2021, the Company has no tangible assets acquired through financial leasing.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

7- INTANGIBLE ASSETS

Movements of intangible assets during the year ended 31 December 2022 and 31 December 2021 are as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Computer Software	4.120	885	-	5.005
Total	4.120	885	-	5.005

	1 January 2022	Current year depreciation	Disposals	31 December 2022
Accumulated amortization				
Computer software	(2.051)	(1.098)	-	(3.149)
Total	(2.051)	(1.098)	-	(3.149)
Net carrying value	2.069	(213)	-	1.856

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Computer Software	2.384	1.736	-	4.120
Total	2.384	1.736	-	4.120

	1 January 2021	Current year depreciation	Disposals	31 December 2021
Accumulated amortization				
Computer software	(1.189)	(862)	-	(2.051)
Total	(1.189)	(862)	-	(2.051)
Net carrying value	1.195	874	-	2.069

As of 31 December 2022 and 31 December 2021, the Company does not have any internally generated intangible assets.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

8- DEFERRED TAX

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets and liabilities are recognized at the tax rates that are expected to be applied at the reversal of taxable temporary differences.

With the amendment made in the first paragraph of Article 25 of the Law No. 7394 published in the Official Gazette dated April 15, 2022 and numbered 31810, and the first paragraph of the article 32 titled "Corporate Tax and Provisional Tax Rate" of the Law No. 5520; It has been decreed that the corporate tax rate be applied as 25% on the corporate earnings of banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. As of 31 December 2022, 25% tax rate is used for temporary differences expected to be realized/closed in the deferred tax calculation.

As of 31 December 2022, and 31 December 2021, deferred tax assets and liabilities calculated over the accumulated temporary differences that are subject to deferred tax have been prepared and reflected in the financial statements by using the applicable tax rates in the periods when the assets are expected to be realized or the liabilities are expected to be fulfilled.

As of 31 December 2022, and 31 December 2021, temporary differences and deferred tax assets and liabilities that are computed using the prevailing corporate tax rates are as follows:

	Temporary Differences		Deferred tax assets/ (liabilities)	
	2022	2021	2022	2021
Derivative financial liabilities	-	221.061	-	50.844
Provision for severance payment	3.607	1.810	902	362
Allowance provision	1.079	470	270	94
Other	26	63	6	16
Total deferred tax assets			1.178	51.316
Fund for increased value of securities representing the capital share	18.033	1.260	1.127	63
Derivative financial assets for trading	-	-	-	-
Depreciation	657	-	164	-
Other	96	144	24	34
Total deferred tax liability			1.315	97
Deferred tax assets, net			(137)	51.219
	31 December 2022	31 December 2021		
Opening Balance	51.219	(269)		
Deferred tax (expense)/income	(50.229)	51.551		
Classified under Shareholders' Equity	(1.127)	(63)		
Total	(137)	51.219		

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

**9- INFORMATION ON ASSETS HELD FOR SALE AND ASSETS RELATED TO THE
DISCOUNTED OPERATIONS**

	31 December 2022	31 December 2021
Assets held for sale (*)	220	220
	220	220

(*) The company purchased real estate from foreclosure amounting to TL 220 in return for the factoring receivables of customers under legal follow-up who did not pay on due date.

10- OTHER ASSETS

As of 31 December 2022, and 31 December 2021, the details of other assets are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Prepaid expenses	142.029	-	4.245	110
Litigation and court costs	650	-	650	-
Tax office receivables	40.106	1	6.038	1
Other assets	70	-	36	-
Total	182.855	1	10.969	111

11- DERIVATIVE FINANCIAL INSTRUMENTS**Derivative Financial Assets**

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Swap	-	-	-	-
Total	-	-	-	-

Derivative Financial Liabilities

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Swap	-	-	221.062	-
Total	-	-	221.062	-

12- FUNDS BORROWED

As of 31 December 2022, and 31 December 2021, details of funds borrowed are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	TL	FC	TL	FC
Funds Borrowed	19.237.832	921.157	4.613.722	869.858
Total	19.237.832	921.157	4.613.722	869.858

	31 December 2022	31 December 2021
Short-term borrowings		
Short-term secured bank loans	1.977.930	985.679
Short-term unsecured bank loans	17.856.163	4.390.501
Short-term portion of long-term unsecured bank loans	65.238	55.387
Long-term borrowings		
Long-term unsecured bank loans	259.658	52.013
Total	20.158.989	5.483.580

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

13- SECURITIES ISSUED

As of 31 December 2022 and 31 December 2021, details of securities issued are as follows:

	31 December 2022	31 December 2021
Bonds (*)	1.513.520	767.915
Total	1.513.520	767.915

(*) Issued by the Company to qualified investors in Turkey on 02 August 2022 with a nominal value of TL 93.000, with a 162 days maturity, with the ISIN code "TRFVFAS12313" on 5 January 2023, with a nominal value of TL 277.670 issued on 28 September 2022, 99 days maturity, redemption date on 05 January 2022 with ISIN code "TRFVFAS12321", issued 25 October, 2022 with a nominal value of TL 352.830, 92 days maturity, redemption date on 25 January 2023 with ISIN code "TRFVFAS12339", issued 02 November 2022 with a nominal value of TL 597.500, 96 days maturity, redemption date on 06 February 2023 with ISIN code "TRFVFAS22312", issued 21 November 2022 with a nominal value of TL 223.010, 98 days maturity, redemption date on 29 March 2023 with ISIN code "TRFVFAS32311" respectively 30%, 21%, 21%, 24%, 22,50% annual simple interest bills are traded on the Borsa Istanbul Debt Securities Market Outright Purchases and Sales Market.

14- TAXES AND DUTIES PAYABLES

As of 31 December 2022 and 31 December 2021, the current period tax assets are as follows:

	31 December 2022	31 December 2021
Corporate tax provision	125.516	96.064
Prepaid taxes (-)	(53.170)	(33.110)
Current period income tax assets, net (-)	72.346	62.954

As of 31 December 2022 and 31 December 2021, details of taxes and duties payables are as follows:

	31 December 2022	31 December 2021
Corporate tax payable	72.346	62.954
Banking and insurance transactions tax	22.339	6.684
Withholding tax payable	403	214
Premiums payable	1.231	315
Other	163	104
TOTAL	96.482	70.271

As of 31 December 2022 and 31 December 2021, details of the other payables are as follows:

	31 December 2022		31 December 2021	
Other Payables	TL	FC	TL	FC
Fees and commissions collected in advance	21.183	-	-	-
Other Purchase Payables	3.540	-	2.5	-
			11	
Commissions Payable to Correspondents	-	236	-	329
Other	52	-	11	-
TOTAL	24.775	236	2.5	329
			22	

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

15- PROVISIONS

As of 31 December 2022 and 31 December 2021, details of the provisions are as follows:

	31 December 2022	31 December 2021
Allowance of general provision for		
factoring receivables (*)	42.161	31.144
Provisions for employee severance payments	3.607	1.810
Provisions for unused vacation	1.079	470
	46.847	33.424

(*) The related amount represents the provision for factoring receivables that are not delayed in the collection of principal interest or both as of the reporting date and that have a delay of less than 90 days.

Provisions for severance payment

According to the Turkish Labor Law, the Company is required to pay severance to its employees who have completed one year of employment and who break off with the Company or retired, who have completed 25 service years (20 for women) and earned retirement (58 years for women and 60 years for men) who are obliged to do military service or pass away. After the legislative amendment on 23 May 2002, some transition process substances relating to the previous service period before retirement were issued.

The maximum severance pay is revised semi-annually and as of 31 December 2022, the full TL 19.982,83 effective from 1 January 2023 in the calculation of the severance pay provision of the Company. (As of 31 December 2021, in the calculation of the severance pay provision of the Company (1 January 2022: full TL 10.596,74), it is calculated over the severance pay ceiling.

The provision for employee severance payments is not subject to a funding requirement.

The provision for employee severance payments is calculated by using the following assumptions.

	31 December 2022	31 December 2021
Net discount rate	3%	3%
Expected salary/ limit increase	15,00%	15,00%
Entitlement ratio of the estimated severance pay	93,25%	93,94%

The basic assumption is that the ceiling provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation.

Movements in reserve for employee severance payments are as follows:

	31 December 2022	31 December 2021
Balance at 1 January	1.810	1.128
Current service cost	382	204
Interest cost	665	334
Payment during the period	(1.215)	(169)
Actuarial (loss) / profit	1.965	313
TOTAL	3.607	1.810

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

15- PROVISIONS (Continued)*Provisions for unused vacation*

In accordance with the existing labor law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation days over the prevailing wage at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.

Movements in provision for unused vacation are as follows:

	31 December 2022	31 December 2021
Balance on 1 January	470	296
Increase / (decrease) during the period	609	174
TOTAL	1.079	470

16- SHAREHOLDERS' EQUITY**Paid in capital**

The Company's paid in capital is amounting to full TL 450.000.000 comprised of 450.000.000 shares with each has a nominal value of TL 1 (full TL). Out of 450.000.000 shares forming the Company's capital, 301.500.000 shares amounting TL 301.500.000 represents Group (A), and 115.500.000 shares amounting TL 148.500.000 represents Group (B).

The Company's shareholder structure is as follows:

	31 December 2022		31 December 2021	
	Amount	Share	Amount	Share
T. Vakıflar Bankası T.A.O.	414.442	92,10	274.375	78,39
Türkiye Sigorta A.Ş.	-	-	47.969	13,71
Vakıf Finansal Kiralama A.Ş.	17.076	3,79	13.281	3,79
Vakıf Per. Öz. Sos. Güv. Vakfı	11.451	2,54	8.906	2,54
Vakıf Pazarlama ve Tic. A.Ş.	7.031	1,56	5.469	1,56
Paid in capital	450.000	100	350.000	100

Shareholders	Group	31 December 2022		31 December 2021	
		Amount	Amount (Full TL)	Amount	Amount (Full TL)
Türkiye Vakıflar Bankası T.A.O.	A	277.676.119	277.676.119	183.831.250	
	B	136.765.845	136.765.845	90.543.750	
Türkiye Sigorta A.Ş.	A	-	-	32.139.065	
	B	-	-	15.829.685	
Vakıf Finansal Kiralama A.Ş.	A	11.440.853	11.440.853	8.898.441	
	B	5.635.040	5.635.040	4.382.809	
Vakıf Per. Öz. Sos. Güv. Vakfı	A	7.672.095	7.672.095	5.967.185	
	B	3.778.798	3.778.798	2.939.065	
Vakıf Pazarlama ve Tic. A.Ş.	A	4.710.933	4.710.933	3.664.059	

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

3.664.059				
B	2.320.317	2.320.317	1.804.691	
1.804.691				

16- SHAREHOLDERS' EQUITY (Continued)

Capital Reserves

As of 31 December 2022, the Company does not have any capital reserves. (31 December 2021: None).

Profit reserves

As of 31 December 2022, profit reserves consist of legal reserves amounting to TL 29.005 and (31 December 2021: TL 23.191), and extraordinary reserves amounting to TL 106.074 (31 December 2021: TL 95.602).

Profit distribution

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

Pursuant to the General Assembly decision dated March 30, 2022, the Company's net profit of TL 116.286 after deducting the total of TL 160.799 from its 2021 profit, after deducting TL 44.513 from the tax and legal liabilities to be paid, after deducting TL 5.814 from the first order legal reserves and TL 51.551 from deferred tax income, the remaining amount is TL 58.920. It has been decided that the net profit will be transferred to the extraordinary reserves account to be used in the capital increase in the following periods and the amount to be added to the capital will be distributed to the shareholders as bonus shares. In addition, the Company's capital is stated in the T.R. It was increased from 350.000 TL to 450.000 TL with the General Assembly Decision based on the permission letter of the Ministry of Commerce, General Directorate of Domestic Trade.

17- OPERATING INCOME

For the years ended 31 December 2022 and 31 December 2021, details of operating income are as follows:

	2022	2021
Interest income on factoring receivable		
- Discounted	1.238.374	352.805
- Other	1.169.453	416.560
Total	2.407.827	769.365

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	2022	2021
Fees and commissions on factoring receivables		
- Discounted	5.971	1.003
- Other	15.423	1.808
	21.394	2.811
Operating Income	2.429.221	772.176

18- FINANCING EXPENSE

For the accounting periods ended on 31 December 2022 and 31 December 2021, details of financing expenses are as follows:

	2022	2021
Interest expense on borrowings	1.317.612	481.958
Interest expense on securities issued	161.062	94.790
Fees and commissions	213.773	26.854
Interest expense on rent proceedings	243	371
Total	1.692.690	603.973

19- OPERATING EXPENSES

For the accounting periods ended on 31 December 2022 and 31 December 2021, details of operating expenses are as follows:

	2022	2021
Personnel expenses	31.141	15.889
Advertising expenses	14.248	6.184
Depreciation and amortization expenses	2.865	2.561
Taxes, duties, and fees	1.738	1.399
Litigation expenses	395	906
Severance pay provision expense	1.797	682
It expenses	1.211	587
Cleaning expenses	1.022	513
Consulting expenses	538	376
Car rental expenses	53	180
Other expenses	4.157	1.759
Total	59.165	31.036

For the accounting periods ended on 31 December 2022 and 31 December 2021, details of personnel expenses included in operating expenses are as follows:

	2022	2021
Wages and salaries	13.040	9.628
Bonuses and premiums	9.708	2.411
Social security premium employer's share	4.153	2.297
Employee insurance expenses	1.194	723
Personnel food expenses	875	360

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

Other	2.171	470
Total	31.141	15.889

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

20- OTHER OPERATING INCOME/EXPENSE

For the accounting periods ended on 31 December 2022 and 31 December 2021, details of other income are as follows:

	2022	2021
Foreign exchange profit/loss, net	(229.588)	233.905
Interest received from banks	14.469	9.536
Profit/loss from derivative financial transactions, net	259.726	(217.639)
Other, net (*)	7.932	6.691
Total	52.539	32.493

(*) As of December 31, 2022, TL 7.088 of the related balance consists of the collections made in the current period from the factoring receivables that were posted to the follow-up account in previous years.

21- TAX PROVISION FROM CONTINUING OPERATIONS

With the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law on the Amendment of Some Laws and the Temporary Article 13 added to the Corporate Tax Law No. 5520, which entered into force by being published in the Official Gazette dated April 22, 2021 and numbered 31462, the Corporate Tax rate will be applied as 25% for corporate earnings for the taxation period of 2021 and 23% for corporate earnings for the taxation period of 2022. With the amendment made in the first paragraph of the Article 25 of the Law No. 7394 dated April 15, 2022 and the Article 32 of the Law No. 5520 titled "Corporate Tax and Provisional Tax Rate"; It has been decreed that the corporate tax rate be applied as 25% on the corporate earnings of banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. In addition, Article 26 of the same Law regulates that the aforementioned 25% rate can be applied in the 2022 calendar year, starting from the declarations that must be submitted as of July 1, 2022 and being valid for the corporate earnings of the taxation period starting from January 1, 2022. Accordingly, as of the second provisional tax period of 2022 for the above-mentioned corporations, the corporate tax rate will be applied as 25%. Corporate earnings are subject to 25% corporate tax as of 31 December.

Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax have been redefined according to the cabinet decision numbered 2006/10731, which was announced at Official Gazette dated 23 July 2006 and numbered 26237. In this respect, withholding tax rate on dividend payments, which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent, was increased to 15% from 10%. When applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of 'disguised profit distribution via transfer pricing'. The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation. New amendments to transfer pricing are in accordance with the principles of 'transfer pricing manual' of OECD.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

21- TAX PROVISION FROM CONTINUING OPERATIONS (Continued)

According to the aforementioned legal regulation, if institutions buy or sell goods or services with related parties at the price or price, they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing, in whole or in part. Purchase, sale, manufacturing and construction transactions, leasing and leasing transactions, borrowing and lending, transactions requiring bonuses, wages and similar payments are considered as the purchase or sale of goods or services under all circumstances. Companies are obliged to fill in the transfer pricing form to be attached to the annual corporate tax return. In this form, the amounts of all transactions made with related companies during the relevant accounting period and the transfer pricing methods related to these transactions are stated.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies declare Corporate tax to the Tax Authority within 25th day of the fourth month of the following closing date of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, on may issue re-assessments based on their findings.

The reported income tax expense for the years ended 31 December 2022 and 31 December 2021 are different than the amounts computed by applying the statutory tax rate to profits before income taxes as shown in the following reconciliation:

	31 December 2022	31 December 2021
Profit before tax	722.465	160.799
Computed theoretical tax with rate of 25% (*)	(180.616)	(40.200)
- Other	4.871	(4.313)
Current Tax Expense	(175.745)	(44.513)

For the accounting periods ended on 31 December 2022 and 31 December 2021, tax expense in the income statement is summarized below:

	2022	2021
Current period corporate tax provision expense	(125.516)	(96.064)
Deferred tax income/(expense) (Note 8)	(50.229)	51.551
Total tax expense (-)	(175.745)	(44.513)

As of 31 December 2022 and 31 December 2021, corporate tax provision and prepaid taxes are as follows:

	31 December 2022	31 December 2021
Corporate tax provision	125.516	96.064
Prepaid taxes	(53.170)	(33.110)
Prepaid tax/corporation tax payable	72.346	62.954

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

22- RELATED PARTY DISCLOSURES

As of 31 December 2022 and 31 December 2021, the details of receivables from related parties are as follows:

	31 December 2022	31 December 2021
Bank deposit		
T. Vakıflar Bankası T.A.O.	53.725	33.223
Total	53.725	33.223
Derivative financial liabilities		
T. Vakıflar Bankası T.A.O.	-	221.062
Total	-	221.062
Prepaid expenses		
Türkiye Sigorta A.Ş.	1.718	787
Vakıf Yatırım Menkul Değerler	836	259
T. Vakıflar Bankası T.A.O.	133.490	2.845
Total	136.044	3.891

As of 31 December 2022 and 31 December 2021, the details of the payables from related parties are as follows:

	31 December 2022	31 December 2021
Borrowings		
T. Vakıflar Bankası T.A.O.	15.065.989	2.438.459
Total	15.065.989	2.438.459
Securities issued		
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	967	1.424
Total	967	1.424
Payables to related parties		
Türkiye Sigorta A.Ş.	1.365	595
Other	54	55
Total	1.419	650

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

22- RELATED PARTY DISCLOSURES (Continued)

Income and expenses resulting from transactions with related parties for the years ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
T. Vakıflar Bankası T.A.O		
Interest income from related parties	4.582	109
Total	4.582	109

	31 December 2022	31 December 2021
T. Vakıflar Bankası T.A.O.		
Interest Expense	788.613	265.493
Other Financial Expenses	154.600	9.372
Letter of Guarantee Expenses	50	131
Total	943.263	274.996

	31 December 2022	31 December 2021
Vakıf Finansal Kiralama		
Fixed asset rental income	26	21
Total	26	21

	31 December 2022	31 December 2021
T. Vakıflar Bankası T.A.O.		
Derivative financial transactions income realized throughout the year	38.664	5.732
Derivative financial loss closed during the year	-	297
Total	38.664	5.435

	31 December 2022	31 December 2021
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.,		
Interest expense on issued securities	38	222
Total	38	222

	31 December 2022	31 December 2021
Vakıf Yatırım Menkul Değerler		
Commission on securities issued	4.267	3.585
Total	4.267	3.585

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

22- RELATED PARTY DISCLOSURES (Continued)

Other Expenses Paid to Related Parties	31 December 2022	31 December 2021
Türkiye Sigorta A.Ş.,	783	519
Vakıf Finansal Kiralama	-	21
Total	783	540

Total salaries and benefits to top management:

As of 31 December 2022, the Company's total salaries and fees that provided to the top management and the Board of Directors are TL 4.637 (31 December 2021: TL 3.099).

23- COMMITMENTS AND CONTINGENCIES

Guarantees

As of December 31, 2022 and December 31, 2021, the details of the guarantees received are as follows:

	31 December 2022	31 December 2021
Hypothec	8.400	-
Collateral bill	10.000	-
Total	18.400	-

Collaterals

As of 31 December 2022 and 31 December 2021, collaterals are comprised of notes given to the following institutions:

	31 December 2022	31 December 2021
Letters of guarantee given to Takasbank	1.985.000	1.000.000
Collaterals given to courts	2.377	3.788
Total	1.987.377	1.003.788

Irrevocable Commitments

None (31 December 2021: None).

Held in custody securities

The Company has obtained securities held in custody for its factoring receivables on 31 December 2022 and 31 December 2021 as detailed below:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Customer checks	4.456.323	197.730	2.411.831	335.753
Customer notes	785.260	1.659.397	794.538	1.100.922
Total	5.241.583	1.857.127	3.206.369	1.436.675

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

23- COMMITMENTS AND CONTINGENCIES (Continued)

Derivative Transactions

As of 31 December 2022 and 31 December 2021, details of commitments are related with derivative transactions as follows:

	31 December 2022		31 December 2021	
	TL	FC	TL	FC
Swap buy/sell transactions	-	-	475.450	668.341
Total	-	-	475.450	668.341

As of 31 December 2022 and 31 December 2021, the maturity distribution of derivative transactions is as follows:

	31 December 2022	31 December 2021
Short Term	-	1.143.791
Long Term	-	-
Total	-	1.143.791

24- FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. The Company's Board of Director's have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

The main activity of the Company is to focus on the sectors with high knowledge, and to perform factoring transactions within the limits of the credit and risk monitoring regulation for the companies operating in these sectors.

Policies related to credit risk are detailed in Loans and Risk Monitoring Regulation and the practices in the Company are carried out within the framework of this regulation. The Credit Committee regularly reviews the Company's credit risk strategy and major credit risk policies. With this strategy, it is aimed to reflect the degree of tolerance of the Company regarding credit risk and the maximize profit expected to be received against various credit risks.

On the other hand, the Company makes sure that the distribution of the portfolio is balanced. The Company also established a risk management legal and monitoring department. With the intelligence program developed by the Company, efforts are made in order to minimize the credit risk and control of credit risk in credit limitation of both customer and assignee receivables and in factoring financing. All these intelligence studies are under the supervision and supervision of the Company's senior management (at the level of General Manager and Assistant General Managers). All operations of the Company are performed by the Central Operation Unit. There is no authorization to make transactions at the contact office level.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Details of the financial assets exposed to credit risk as of 31 December 2022 and 31 December 2021 are as follows:

31 December 2022	Factoring Receivables		Receivable under Follow up		Banks	Other
	Related Party	Non-related Party	Related Party	Non-related Party		
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	22.611.298	-	-	174.993	-
- Exposure to maximum credit risk as of reporting date	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	22.611.298	-	-	174.993	-
- Secured portion by any guarantee	-	-	-	-	-	-
B. Net carrying value of financial assets that are restructured/renegeotiated, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
- Secured portion by any guarantee	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not - or impaired	-	-	-	-	-	-
- Secured portion by any guarantee	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	52.363	-	-
- Impairment (-)	-	-	-	(52.363)	-	-
- Secured portion of net book value (*)	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
E. Off balance sheet items with credit risks -	-	-	-	-	-	-

(*) Includes promissory notes, checks, mortgages and guarantees obtained by the Company in return for factoring receivables during the legal proceedings.

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	Factoring Receivables		Receivable under Follow up		Banks	Other
	Related Party	Non-related Party	Related Party	Non-related Party		
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	7.006.937	-	1.728	95.321	-
- Exposure to maximum credit risk as of reporting date	-	-	-	-	-	-
A, Net carrying value of financial assets which are neither impaired or overdue	-	7.006.937	-	-	95.321	-
- Secured portion by any guarantee	-	-	-	-	-	-
B, Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
- Secured portion by any guarantee	-	-	-	-	-	-
C, Net carrying value of financial assets which are overdue but not or impaired	-	-	-	-	-	-
- Secured portion by any guarantee	-	-	-	-	-	-
D, Net carrying value of impaired assets	-	-	-	1.728	-	-
- Overdue (gross book value)	-	-	-	66.879	-	-
- Impairment (-)	-	-	-	(65.151)	-	-
- Secured portion of net book value (*)	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
E. Off balance sheet items with credit risks -	-	-	-	-	-	-

(*) Includes promissory notes, checks, mortgages and guarantees obtained by the Company in return for factoring receivables during the legal proceedings.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

Liquidity Risk

Liquidity risk is the possibility that the Company will not be able to meet its net financing needs. As a precaution against this risk, the Company's management diversifies its financing resources, and the assets are managed with the liquidity priority to maintain a healthy balance of cash and cash equivalents. Company evaluates its liquidity risks consistently in order to meet its aims to monitor and to determine the change in its funds.

The following table, based on the remaining period until the maturity date of the contract as of the reporting dates, the Company's financial liabilities by relevant maturity groupings by providing the analysis. The amounts disclosed in the table are the contractual undiscounted cash flows:

Expected maturities	31 December 2022					
	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities	21.697.520	18.620.458	(12.737.399)	(8.700.463)	(259.658)	-
Fund borrowed	20.158.989	20.158.989	(11.198.868)	(8.700.463)	(259.658)	-
Securities Issued	1.513.520	(1.513.520)	(1.513.520)	-	-	-
Miscellaneous payables	25.011	(25.011)	(25.011)	-	-	-

Expected maturities	31 December 2021					
	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities	6.254.346	(6.254.346)	(4.375.214)	(1.827.118)	(52.014)	-
Fund borrowed	5.483.580	(5.483.580)	(3.604.448)	(1.827.118)	(52.014)	-
Securities Issued	767.915	(767.915)	(767.915)	-	-	-
Miscellaneous payables	2.851	(2.851)	(2.851)	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk management, control the market risk exposures within acceptable parameters, while aiming to optimize the return of risk.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)**Interest Rate Sensitivity Analysis**

As of 31 December 2022 and 31 December 2021 the interest sensitive financial instruments of the Company are as follows:

	31 December 2022	31 December 2021
Fixed Rate		
<i>Financial Assets</i>		
Cash and cash equivalents	139.603	94.513
Factoring receivables	21.498.222	6.130.503
<i>Financial Liabilities</i>		
Funds borrowed	19.834.093	4.337.615
Securities issued	1.513.520	767.915
Floating Rate		
<i>Financial Assets</i>		
Factoring receivables	1.113.076	876.434
<i>Financial Liabilities</i>		
Funds borrowed	324.896	1.145.965

As of 31 December 2022, the floating rate financial statements have a negligible effect on the pre-tax net loss for the period when the interest rate on renewal dates is 100 basis points higher/lower or all other variables are fixed.

Foreign Currency Risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. The Company monitors the balance of foreign exchange assets and foreign exchange liabilities on a daily basis to minimize the exchange rate risk. In order not to be exposed to foreign exchange risk, the active and passive foreign exchange positions are carried out in a manner that does not give a short position in terms of foreign currency, and in order to balance the foreign exchange liabilities and foreign currency liabilities, it performs swap transactions if deemed necessary.

As of 31 December 2022 and 31 December 2021, the foreign currency position of the Company arising from its foreign currency-based assets and liabilities (foreign currency indexed factoring receivables and loans included) is as follows:

	31 December 2022	31 December 2021
	(TL Amount)	(TL Amount)
Foreign Currency Assets (*)	967.369	1.569.441
Foreign Currency Liabilities	(961.237)	(897.841)
	6.132	671.600

(*) Factoring Receivables denominated in foreign currencies and TL 397.931 are included in the Factoring Receivables (31 December 2021: TL 647.070).

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

Table below summarizes the Company's foreign currency position risk in detailed as of 31 December 2022 and 31 December 2021. The amounts of foreign currency assets and liabilities held by the Company according to their foreign currency types are as follows:

31 December 2022	USD	Euro	Other	Total
Assets				
Banks	8.193	23.157	-	31.350
Factoring receivables (*)	469.141	466.877	-	936.018
Other assets	-	1	-	1
Total Assets	477.334	490.035	-	967.369
Liabilities				
Funds borrowed	436.283	484.874	-	921.157
Miscellaneous liabilities	39.844	-	-	39.844
Other liabilities	62	172	2	236
Total Liabilities	476.189	485.046	2	961.237
Net foreign currency position due to derivative financial instruments	-	-	-	-
Net Foreign Currency Position	1.145	4.989	(2)	6.132

(*) TL 397.930 foreign currency and foreign currency indexed factoring receivables are included in factoring receivables.

31 December 2021	USD	Euro	Other	Total
Assets				
Banks	31.723	935	-	32.658
Factoring receivables (*)	1.287.460	235.406	13.806	1.536.672
Other assets	1	110	-	111
Total Assets	1.319.184	236.451	13.806	1.569.441
Liabilities				
Funds borrowed	621.230	234.809	13.819	869.858
Miscellaneous liabilities	27.654	-	-	27.654
Other liabilities	59	269	1	329
Total Liabilities	648.943	235.078	13.820	897.841
Net foreign currency position due to derivative financial instruments	(668.341)	-	-	(668.341)
Net Foreign Currency Position	1.900	1.373	(14)	3.259

(*) TL 647.070 foreign currency and foreign currency indexed factoring receivables are included in factoring receivables.

**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Sensitivity Analysis

As of 31 December 2022, 10% depreciation of TL against the following currencies will increase the profit for the period before tax by TL 613 (31 December 2021: It will increase the profit for the period by TL 326). This analysis was made with the assumption that all variables remained constant as of 31 December 2022 and 31 December 2021.

	31 December 2022		31 December 2021	
	Net Period Profit/(Loss)	Equity	Net Period Profit/(Loss)	Equity
US Dollar	114	114	190	190
Euro	499	499	137	137
Other	-	-	(1)	(1)
Total	613	613	326	326

Fair Values of Financial Instruments

31 December 2022	Financial Asset at the Amortized Cost	Loans and Receivables	Financial Asset at the Amortized Cost	Carrying Amount	Fair Value
Financial Assets					
Banks	174.993	-	-	174.993	174.993
Factoring Receivables	-	22.611.298	-	22.611.298	22.611.298
Financial Liabilities					
Funds Borrowed	-	-	20.158.989	20.158.989	20.158.989
Miscellaneous Payables	-	-	25.011	25.011	25.011
Securities issued	-	-	1.513.520	1.513.520	1.513.520

31 December 2021.	Financial Asset at the Amortized Cost	Loans and Receivables	Financial Asset at the Amortized Cost	Carrying Amount	Fair Value
Financial Assets					
Banks	95.321	-	-	95.321	95.321
Factoring Receivables	-	7.006.937	-	7.006.937	7.006.937
Financial Liabilities					
Funds Borrowed	-	-	5.483.580	5.483.580	5.483.580
Miscellaneous Payables	-	-	2.851	2.851	2.851
Securities issued	-	-	767.915	767.915	767.915

Due to the short-term nature of financial assets and liabilities, their book values are considered to be close to their fair values.

VAKIF FAKTORING A.Ş.**DECEMBER 31, 2022 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

24- FINANCIAL RISK MANAGEMENT (Continued)

Banks, factoring receivables and short-term bank loans denominated in TL, which are measured at amortized cost discounted effective interest rate approximately due to the short-term nature and negligible possible gross amount.

The fair value of financial assets and financial liabilities are determined as follows:

- First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued using stock market prices.
- Second level: Financial assets and liabilities, the related asset or liability, either directly or indirectly, other than quoted prices included within Level 1 observable market prices used for valuation purposes.
- Third level: Financial assets and liabilities, determining fair value of the asset or liability, are not based on observable market data used in the valuation.

The fair values of financial assets and liabilities are categorized as follows:

	Fair value level as of the reporting date			
	31 December 2022	Level 1	Level 2	Level 3
Financial Assets	26.191	-	-	26.191
Financial assets at fair value through other comprehensive income (*)	26.191	-	-	26.191
Derivative financial assets	-	-	-	-
Financial liabilities				
Derivative financial liabilities	-	-	-	-

	Fair value level as of the reporting date			
	31 December 202	Level 1	Level 2	Level 3
Financial Assets	8.157	-	-	8.157
Financial assets at fair value through other comprehensive income (*)	8.157	-	-	8.157
Derivative financial assets	-	-	-	-
Financial liabilities	221.062	-	221.062	-
Derivative financial liabilities	221.062	-	221.062	-

(*) The fair value difference of securities representing capital shares in other comprehensive income has been determined according to a study conducted by an independent valuation company.

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2022 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

25- EARNINGS PER SHARE

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Weighted average number of outstanding shares	450.000	450.000
Net profit for the period (TL)	546.720	116.286
Basic earnings per share (full TL)	1,2149	0,2584

There are no diluted shares of the Company. Also, in Turkey, companies can increase their capital by distributing shares to existing shareholders from retained earnings shares ("Bonus Shares"). When earnings per shares are calculated, these bonus shares are considered as issued shares. Therefore, the weighted average number of shares used in earnings per share calculation is obtained by applying the retrospective application of the issuance of shares. There is no difference between main and proportional earnings per share for any period.

26- OTHER EXPLANATIONS

Fees regarding the services received by the Company from the Independent Auditor (excluding VAT):

	31 December 2022	31 December 2021
Independent audit fee for the reporting period	203	148
Total	203	148

27 - SUBSEQUENT EVENTS

The 22% annual simple interest bill with the ISIN code "TRFVFAS42336" and "TRFVFAS42328", with a maturity of 90 days with a nominal value of TL 166.670 and TL 539.990, issued on January 11, 2023 and redemption date of April 11, 2023 by the Company to qualified investors, is traded on the Borsa Istanbul Outright Purchases and Sales Market.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette dated 14 January 2023 and numbered 32073, the procedures and principles of the law articles that allow the revaluation of real estate and depreciable economic assets have been restated. Accordingly, the Bank will be able to revalue the immovables in its balance sheet and its depreciable economic assets, provided that the conditions in the Tax Procedure Law Provisional Article 32 and Reiterated Article 298/ç are met. Thus, corporate tax can be paid by calculating the values of real estate and depreciable economic assets after revaluation.

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. As the final severity of this earthquake, which killed and injured thousands of people, is currently unclear, the impact study on the Company's operations and financial condition has continued.