

VAKIF FAKTORİNG A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023

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



**Building a better
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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(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 2023 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 2023, 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 2023 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

5 February 2024
Istanbul, Turkey

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VAKIF FAKTORING A.Ş.

DECEMBER 31, 2023 AS AT

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	ASSETS	Note	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	3	430.010	80.513	510.523	143.643	31.350	174.993
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	4	41.787	-	41.787	26.191	-	26.191
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)	5	34.803.101	2.678.188	37.481.289	22.073.212	538.086	22.611.298
5.1	Factoring Receivables	5	34.776.936	2.678.188	37.455.124	22.073.212	538.086	22.611.298
5.1.1	Discounted Factoring Receivables (Net)		16.451.469	-	16.451.469	11.217.952	-	11.217.952
5.1.2	Other Factoring Receivables		18.325.467	2.678.188	21.003.655	10.855.260	538.086	11.393.346
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	99.074	-	99.074	49.078	3.285	52.363
5.7	Allowance For Expected Credit Losses / Specific Provisions (-)	5	(72.909)	-	(72.909)	(49.078)	(3.285)	(52.363)
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	8.278	-	8.278	4.027	-	4.027
VIII.	INTANGIBLE ASSETS (Net)	7	997	-	997	1.856	-	1.856
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS	13	1.487	-	1.487	203	-	203
XI.	DEFERRED TAX ASSET	8	946	-	946	-	-	-
XII.	OTHER ASSETS	10	190.429	35	190.464	182.855	1	182.856
	SUBTOTAL		35.477.035	2.758.736	38.235.771	22.431.987	569.437	23.001.424
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		35.477.255	2.758.736	38.235.991	22.432.207	569.437	23.001.644

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

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2023 AS AT

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	LIABILITIES	Note	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	LOANS RECEIVED	11	29.777.159	3.223.474	33.000.633	19.237.832	921.157	20.158.989
II.	FACTORING PAYABLES		90	-	90	5.468	-	5.468
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASING PAYABLES (Net)		6.497	-	6.497	890	-	890
V.	MARKETABLE SECURITIES (Net)	12	2.228.522	-	2.228.522	1.513.520	-	1.513.520
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII.	PROVISIONS	14	10.770	62.730	73.500	7.003	39.844	46.847
7.1	Provision for Restructuring		-	-	-	-	-	-
7.2	Reserves For Employee Benefits	14	10.770	-	10.770	4.686	-	4.686
7.3	General Loan Loss Provisions	14	-	62.730	62.730	2.317	39.844	42.161
7.4	Other provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	13	231.124	-	231.124	96.482	-	96.482
X.	DEFERRED TAX LIABILITY	8	-	-	-	137	-	137
XI.	SUBORDINATED DEBT		-	-	-	-	-	-
XII.	OTHER LIABILITIES	13	21.781	381	22.162	24.775	236	25.011
	SUBTOTAL		32.275.943	3.286.585	35.562.528	20.886.107	961.237	21.847.344
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	15	2.673.463	-	2.673.463	1.154.300	-	1.154.300
14.1	Issued capital	15	850.000	-	850.000	450.000	-	450.000
14.2	Capital Reserves	15	-	-	-	-	-	-
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		36.928	-	36.928	22.501	-	22.501
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		281.799	-	281.799	135.079	-	135.079
14.5.1	Legal Reserves		56.341	-	56.341	29.005	-	29.005
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		225.458	-	225.458	106.074	-	106.074
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		1.504.736	-	1.504.736	546.720	-	546.720
14.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
14.6.2	Current Period Net Profit Or Loss		1.504.736	-	1.504.736	546.720	-	546.720
	Total equity and liabilities		34.949.406	3.286.585	38.235.991	22.040.407	961.237	23.001.644

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

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2023 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 2023			Audited Prior Period 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	RECURSE FACTORING TRANSACTIONS		1,056,035	96,204	1,152,239	1,127,137	1,707,246	2,834,383
II.	NON-RECURSE FACTORING TRANSACTIONS		1,327,900	1,001,771	2,329,671	1,249,634	2,744,871	3,994,505
III.	SAVING FINANCE AGREEMENTS TRANSACTIONS		-	-	-	-	-	-
IV.	GUARANTEES RECEIVED	22	208,400	-	208,400	18,400	-	18,400
V.	GUARANTEES GIVEN	22	6,394,609	-	6,394,609	1,987,377	-	1,987,377
VI.	COMMITMENTS		-	-	-	-	-	-
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		-	-	-	-	-	-
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		-	-	-	-	-	-
s	Forward Buy/Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Buy/Sell Transactions		-	-	-	-	-	-
7.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
7.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	ITEMS HELD IN CUSTODY	22	6,799,108	2,782,718	9,581,826	5,241,583	1,857,127	7,098,710
	TOTAL OFF BALANCE SHEET COMMITMENTS		15,786,052	3,880,693	19,666,745	9,624,131	6,309,244	15,933,375

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

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2023 FOR THE YEAR OF STATEMENT OF PROFIT OR LOSS AND OTHER

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

STATEMENT OF PROFIT OR LOSS		Note	Audited Current Period 1 January - 31 December 2023	Audited Prior Period 1 January - 31 December 2022
I.	OPERATING INCOME		8.670.672	2.429.221
	FACTORING INCOME	16	8.670.672	2.429.221
1.1	Interest received from Factoring Receivables		7.506.217	2.407.827
1.1.1	Discounted		3.930.828	1.238.374
1.1.2	Other		3.575.389	1.169.453
1.2	Fees and Commissions Received from Factoring Receivables		1.164.455	21.394
1.2.1	Discounted		671.965	5.971
1.2.2	Other		492.490	15.423
	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 (-)	17	(6.510.345)	(1.692.690)
2.1	Dividends Given to the Savings Fund Pool		-	-
2.2	Interest on Funds Borrowed		(5.006.217)	(1.317.612)
2.3	Interest on Factoring Payables		-	-
2.4	Financial Lease Expenses		(798)	(243)
2.5	Interest on Securities Issued		(306.908)	(161.062)
2.6	Other Interest Expenses		-	-
2.7	Fees and Commissions Given		(1.196.422)	(213.773)
III.	GROSS PROFIT/LOSS (I-II)		2.160.327	736.531
IV.	OPERATING EXPENSE (-)	18	(133.733)	(59.165)
4.1	Personnel Expenses		(68.722)	(31.141)
4.2	Provision Expense for Employment Termination Benefits		(4.073)	(1.797)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(60.938)	(26.227)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		2.026.594	677.366
VI.	OTHER OPERATING INCOME	19	1.857.587	1.286.478
6.1	Interest Received from Banks		101.680	14.469
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
6.6	Foreign Exchange Gains		1.747.864	1.003.742
6.7	Other		8.043	8.541
VII.	PROVISIONS		(26.165)	(7.440)
7.1	Specific Provisions		(26.165)	(7.440)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	19	(1.709.507)	(1.233.939)
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		-	-
8.5	Foreign Exchange Loss		(1.707.496)	(1.233.330)
8.6	Other		(2.011)	(609)
IX.	NET OPERATING INCOME/EXPENSE (V+...+VIII)		2.148.509	722.465
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)		2.148.509	722.465
XIV.	TAXATION ON INCOME FROM CONTINUING OPERATIONS (±) (±)	20	(643.773)	(175.745)
14.1	Current Tax Provision		(646.026)	(125.516)
14.2	Deferred Tax Expense Effect (+)		-	(50.229)
14.3	Deferred Tax Income Effect (-)		2.253	-
XV.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		1.504.736	546.720
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)		1.504.736	546.720
	Earnings Per Share	24	1.7703	0,6432

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

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2023 FOR THE YEAR OF
STATEMENT OF PROFIT OR LOSS AND OTHER**

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

	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Current Period 1 January- 31 December 2023	Audited Current Period 1 January- 31 December 2022
I.	CURRENT PROFIT/LOSS	1.504.736	546.720
II.	OTHER COMPREHENSIVE INCOME	14.427	16.906
2.1	Items not to be reclassified under profit and loss	14.427	16.906
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	15.597	18.033
2.1.5	Taxes on other comprehensive income not to be reclassified under profit or loss	(1.170)	(1.127)
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)	1.519.163	563.626

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

VAKIF FAKTORING A.Ş.

**DECEMBER 31, 2023 FOR THE YEAR OF
STATEMENT OF CHANGES IN EQUITY**

(Amounts expressed in thousands of 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 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	-	-	-	-	-	-	-	-	-	-	16,286	-	(16,286)	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	16,286	-	(16,286)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (31 December 2022)	450.000	-	-	-	-	51	22.450	-	-	-	135.079	-	546.720	1.154.300
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 2023) (Audited)														
I. Period Opening Balance (1 January 2023)	450.000	-	-	-	-	51	22.450	-	-	-	135.079	-	546.720	1.154.300
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)	450.000	-	-	-	-	51	22.450	-	-	-	135.079	-	546.720	1.154.300
IV. Total Comprehensive Income	-	-	-	-	-	-	14.427	-	-	-	-	-	1.504.736	1.519.163
V. Increase in Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Resources	400.000	-	-	-	-	-	-	-	-	-	-	-	(400.000)	-
VII. Inflation Adjustments to Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	146.720	-	(146.720)	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	146.720	-	(146.720)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (31 December 2023)	850.000	-	-	-	-	51	36.877	-	-	-	281.799	-	1.504.736	2.673.463

- (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, 2023 FOR THE YEAR OF
STATEMENT OF CASH FLOW**

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

	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES		
1.1 Operating Profit before Changes in Operating Assets and Liabilities	1.881.309	263.233
1.1.1 Interest Received/Factoring Income	6.814.870	2.226.469
1.1.2 Interest Paid/Leasing Expense	(5.474.956)	(1.588.750)
1.1.3 Dividend Received	-	-
1.1.4 Fees and Commissions Received	1.164.455	21.394
1.1.5 Other Income	-	-
1.1.6 Collections from Previously Written-off Doubtful Receivables	(5.619)	(7.088)
1.1.7 Payments to Personnel and Service Suppliers	(68.722)	(31.141)
1.1.8 Taxes Paid	(539.203)	(116.124)
1.1.9 Other	(9.516)	(241.527)
1.2 Changes in Operating Assets and Liabilities	(2.181.983)	(872.395)
1.2.1 Net (Increase) Decrease in Factoring Receivables	(14.097.533)	(15.425.263)
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	(12.339)	(138.698)
1.2.6 Net Increase (Decrease) in Factoring Payables	(5.378)	(1.841)
1.2.7 Net Increase (Decrease) in Lease Payables	-	-
1.2.8 Net (Increase) Decrease in Savings and Financing Debts	5.607	(1.471)
1.2.9 Net Increase (Decrease) in Funds Borrowed	11.909.592	14.632.789
1.2.10 Net Increase (Decrease) in Due Payables	-	-
1.2.11 Net Increase (Decrease) in Other Liabilities	18.068	62.089
I. Net Cash Used in Operating Activities	(300.674)	(609.162)
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	(8.079)	(4.121)
2.4 Disposals of Property and Equipment	826	-
2.5 Financial Assets Reflected in Revenue	-	-
Disposals of Fair Value Differences of Other Comprehensive		
Financial Assets Reflected in Revenue	-	-
2.6 Purchase of investment securities held to maturity	-	-
2.7 Sale of investment securities held to maturity	-	-
2.8 Other	-	-
II. Net Cash (Used in)/Provided from Investing Activities	(7.253)	(4.121)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
3.1 Cash Obtained from Funds Borrowed and Securities Issued	2.125.185	1.452.200
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(1.513.520)	(767.915)
3.3 Issued Capital Instruments	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	-	-
3.6 Other	-	-
III. Net Cash Provided from Financing Activities	611.665	684.285
IV. Effect of change in foreign exchange rate on cash and cash equivalents	30.371	8.608
V. Net Increase in Cash and Cash Equivalents	334.109	79.610
VI. Cash and Cash Equivalents at Beginning of the Period	174.907	95.297
VII. Cash and Cash Equivalents at End of the Period	509.016	174.907

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

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2023 FOR THE YEAR OF STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Current Period 31 December 2023	Prior Period 31 December 2022
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	2.148.509	722.465
1.2 TAXES AND DUTIES PAYABLE (-)	(643.773)	(175.745)
1.2.1 Corporate Tax (Income Tax)	(646.026)	(125.516)
1.2.2 Withholding Tax	-	(50.229)
1.2.3 Other taxes and duties (**)	2.253	-
A. NET PERIOD PROFIT (1.1-1.2)	1.504.736	546.720
1.3 PRIORS YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(27.336)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3+1.4+1.5))]	1.504.736	519.384
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	-	519.384
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	1.7703	0,6432
3.2 TO OWNERS OF STOCKS (%)	177,03	64,32
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 2023 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 2023, there is the Company's deferred tax income, which will 2.253 TL be subject to profit distribution (31 December 2022: there is no the Company's deferred tax income).

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

VAKIF FAKTORING A.Ş.

DECEMBER 31, 2023 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in thousands of 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 2023 and 31 December 2022, the compositions of the authorized and paid-in share capital are as follows:

	Share		Share	
	31 December 2023	(%)	31 December 2022	(%)
Türkiye Vakıflar Bankası T.A.O.	782.835	92,10	414.442	92,10
Türkiye Sigorta A.Ş. ^(*)	-	-	-	-
Vakıf Finansal Kiralama A.Ş.	32.254	3,79	17.076	3,79
Vakıfbank Per. Öz. Sos. Güv. Vakfı	21.630	2,54	11.451	2,55
Vakıf Pazarlama Sanayi ve Tic. A.Ş.	13.281	1,56	7.031	1,56
Share Capital	850.000	100,00	450.000	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 59 employees as of 31 December 2023 (31 December 2022: 56).

The Company is registered in Turkey and located in the address below:

İnkılap Mahallesi Dr. Adnan Büyükdeniz Cad. Akyaka Park No:7/A Kat:16 34768 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 2023 dated and ended account term, the financial statements were approved by the Board on February 05, 2024. The General Assembly has authority to amend the financial statements.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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.

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, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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.

Entities whose functional currency is the currency of a hyperinflationary economy present their financial statements in terms of the measuring unit current at the end of the reporting period according to “TAS 29 Financial Reporting in Hyperinflation Economies”. Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying Turkish Financial Reporting Standards (TFRSs) are required to present their financial statements by adjusting for the impact of inflation for the annual reporting period ending on or after 31 December 2023, in accordance with the accounting principles specified in TAS 29. In the same announcement, it was stated that institutions or organizations authorized to regulate and supervise in their respective scope might determine different transition dates for the implementation of inflation accounting, and in this context, Banking Regulation and Supervision Agency (BRSA) announced that financial statements of banks, financial leasing, factoring, financing, savings financing and asset management companies as of 31 December 2023 would not be subject to the inflation adjustment in accordance with BRSA Board decision on 12 December 2023.

Accordingly, "TAS 29 Financial Reporting Standard in High Inflation Economies" is not applied in the financial statements of the Company as of 31 December 2023.

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.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2023 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, 2023 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, 2023 are as follows:**

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. 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.

The Company disclosed the impact of the amendments on financial position or performance of the the amendments did not have a significant impact on the financial position or performance of the Company.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to IAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. 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 Company disclosed the impact of the amendments on financial position or performance of the the amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Company disclosed the impact of the amendments on financial position or performance of the the amendments did not have a significant impact on the financial position or performance of the Company.

**DECEMBER 31, 2023 FOR THE YEAR OF
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(Amounts expressed in thousands of 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 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

The Company disclosed the impact of the amendments on financial position or performance of the the amendments did not have a significant impact on the financial position or performance of the Company.

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 the 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 wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

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

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continued)

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

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

Overall, The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company

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NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning.

Overall, the Company will not have an impact on the financial position or performance of the Company.

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

Overall, The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

(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.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

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

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

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 30 September 2023; 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.

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DECEMBER 31, 2023 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in thousands of 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
Machinery and equipment	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, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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 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, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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.

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NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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

The Corporate Tax rate was set at 20% with Article 32 of the Corporate Tax Law No. 5520, which came into effect after being published in the Official Gazette No. 26205 on June 21, 2006. This rate, with the provisions in the 11th and 14th articles of the "Law on the Collection Method of Public Receivables and Some Laws", which came into effect after being published in the Official Gazette No. 31462 on April 22, 2021, has been revised to be 25% for corporate earnings for the 2021 accounting period and 23% for earnings for the 2022 accounting period, valid for corporate earnings for the taxation period that started on January 1, 2021, beginning with the declarations required to be submitted as of July 1, 2021. The general corporate tax rate for banks was set at 25% by the Law No. 7394, which came into effect after being published in the Official Gazette No. 31810 on April 15, 2022; this rate has been put into effect to be applied to corporate earnings for the accounting periods that started on January 1, 2022, starting with the declarations that must be submitted beginning on July 1, 2022.

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

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

With the amendment made to the first paragraph of Article 32 titled "Corporate tax and provisional tax rate" of the Law No. 5520 by the 32nd article of the Law No. 7456, published in the Official Gazette No. 32249 on 15 July 2023, a corporate tax rate of 30% is mandated to be applied on the corporate earnings of banks, financial leasing, factoring, financing and savings finance companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions as well as insurance and reinsurance companies and pension companies.

The period's tax income or expense includes the current period tax and deferred tax. The period's tax income or expense is recorded to profit or loss, except for those related to business combinations or items directly recorded under other comprehensive income or shareholders' equity.

The current period's tax consists of the tax liability or claim calculated over the part of the period's profit or loss subject to tax, at the tax rates valid on the reporting date and the adjustment entries related to tax liability from previous years.

In accordance with the provisions of the duplicate 298th article of the Tax Procedure Law, it has been legislated that financial statements will be subject to inflation adjustment in the event that the increase in the producer price index exceeds 100% in the last 3 accounting periods, including the current period, and exceeds 10% in the current accounting period. The transition to inflation accounting will be made on the financial statements dated 31 December 2023. According to Article 17 of Law No. 7491 on Some Amendments to Some Laws and Decrees Having the Force of Law, published in the Official Gazette No. 32413 on 28 December 2023, it has become law that the profit/loss differences resulting from the inflation adjustment to be made in the 2024 and 2025 accounting periods, including provisional tax periods, by banks, companies covered by the Financial Leasing, Factoring, Financing and Savings Finance Companies Law No. 6361 dated 21 November 2012, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies, will not be taken into account in determining the profit.

**DECEMBER 31, 2023 FOR THE YEAR OF
NOTES TO THE FINANCIAL STATEMENTS**

(Amounts expressed in thousands of 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.

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2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

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.

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.

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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 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
US DOLLAR	29,4382	18,6983
EURO	32,5739	19,9349
GBP	37,4417	22,4892

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.

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

3- CASH, CASH EQUIVALENTS AND CENTRAL BANK

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	TL	FC	TL	FC
Cash	1	-	3	-
Banks				
- Time deposit	424.356	-	139.603	-
- Demand	4.146	80.513	3.951	31.350
Interest rediscount	1.507	-	86	
TOTAL	430.010	80.513	143.643	31.350

There is no blockage on bank deposits as of December 31, 2023, and December 31, 2022.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash and cash equivalents in the statement of cash flows	510.523	174.993
Interest income accruals on cash and cash equivalents	(1.507)	(86)
Total in the cash flow statement cash and cash equivalents	509.016	174.907

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

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	Amount	Effective Rate	Amount	Effective Rate
Not publicly traded				
Vakıf Enerji ve Madencilik A.Ş.	41.787	% 18,58	26.191	% 18,58
TOTAL	41.787		26.191	

Vakıf Energy and Mining Inc. (Vakıf Enerji) based on the valuation report prepared by a valuation company with CMB license, As of December 31, 2023, and December 31, 2022, the value of the company has been determined as 224,941 TL and 140,984 TL respectively, and the value of the stake the company holds in its capital has been calculated as 41,787 TL and 26,191 TL, respectively.

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5- FACTORING RECEIVABLES

As of 31 December 2023, and 31 December 2022, factoring receivables are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
<i>Factoring Receivables Discounted</i>				
Domestic factoring receivables	18.143.329	-	11.779.723	-
Export factoring receivables	-	-	-	-
Unearned factoring income	(1.691.860)	-	(561.771)	-
TOTAL	16.451.469	-	11.217.952	-
<i>Other Factoring Receivables</i>				
Domestic factoring receivables	18.325.467	-	10.642.453	-
Foreign factoring receivables	-	2.678.188	212.807	538.086
TOTAL	18.325.467	2.678.188	10.855.260	538.086
Factoring receivables NET	34.776.936	2.678.188	22.073.212	538.086

As of 31 December 2023, forward term checks and notes received by the Company against its factoring receivables amounting to TL 5.430.042 are followed under the custodian securities (31 December 2022: TL 4.212.229).

As of 31 December 2023, and 31 December 2022, the breakdown of total factoring receivables by industrial groups is as follows:

	31 December 2023	(%)	31 December 2022	(%)
Motor vehicles manufacturing and sales	7.605.762	20,31	4.652.919	20,58
Machinery and equipment	2.205.393	5,89	3.584.238	15,85
Energy	6.300.185	16,82	4.090.322	18,09
Construction	4.586.601	12,25	1.533.272	6,78
Information	3.947.325	10,54	2.581.220	11,42
Transportation	468.033	1,25	211.422	0,94
Textile	2.223.204	5,94	1.117.243	4,94
Food	4.680.597	12,50	795.304	3,52
Iron and steel	391.405	1,04	5.972	0,03
Other (*)	5.046.619	13,47	4.039.386	17,86
Total	37.455.124	100	22.611.298	100

(*) TL 2.251.380 of the other item in the sectoral distribution of factoring receivables consists of refactoring transactions (31 December 2022: 1.462.920).

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5- FACTORING RECEIVABLES (Continued)

As of 31 December 2023, and 31 December 2022, maturity distribution of net factoring receivables are as follows:

	31 December 2023	31 December 2022
Until 1 month	13.244.158	4.023.098
1 – 3 month	9.722.177	8.322.940
3 – 12 month	14.204.031	10.263.751
1 year and above	284.758	1.509
Total	37.455.124	22.611.298

As of 31 December 2023 and 31 December 2022, the breakdown of doubtful receivables and provisions are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Liquidated Loans	52.330	-	7.116	-
Uncollectible Receivables	46.744	-	41.962	3.285
Specific Provisions	(72.909)	-	(49.078)	(3.285)
Doubtful receivables, net	26.165	-	-	-

The company has initiated a legal process against the relevant companies due to non-fulfillment of contract terms before the due date of all receivables arising from non-recourse factoring transactions, which amounted to a total of 13 million US dollars and was made by the company in 2011 and had terms ending in 2015 and 2016. During the process, a restructuring agreement was made in 2019 with debtor companies via a consortium. After the collections made after the restructuring, the company's remaining receivable is approximately 9 million US dollars.

As of 31 December 2023, and 31 December 2022, the aging analysis of the impaired factoring receivables and specific provisions are as follows:

	31 December 2023		31 December 2022	
	Total doubtful factoring receivables	Provision	Total doubtful factoring receivables	Provision
Overdue 3-6 months	-	-	106	106
Overdue 6-12 months	52.330	26.165	7.010	7.010
Overdue over 1 year	46.744	46.744	45.247	45.247
Total	99.074	72.909	52.363	52.363

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5- FACTORING RECEIVABLES (Continued)

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

	31 December 2023	31 December 2022
Balance at 1 January	52.363	65.151
Provision for the period	26.165	7.440
Recoveries during the period (-)	(5.619)	(7.088)
Exchange rate effect	-	(13.140)
Balance at the end of the period	72.909	52.363

	31 December 2023	31 December 2022
Cheques and notes received	201.777	148.431
Total	201.777	148.431

6- TANGIBLE ASSETS

Movements of tangible assets during the year ended 31 December 2023 and 31 December 2022 are as follows:

	1 January 2023	Additions	Disposal	31 December 2023
Cost				
Machinery and equipment	2.499	233	267	2.465
Vehicles	1.836			1.836
Furniture and fixtures	563	123	355	331
Vehicles with the right of use (*)	3.141		7	3.134
Buildings with the right of use (*)	2.362	7.187	32	9.517
Specific Costs	168	119	165	122
Total	10.569	7.662	826	17.405

	1 January 2023	Current year Depreciation	Disposal	31 December 2023
Accumulated depreciation				
Machinery and equipment	(1.349)	(562)	191	(1.720)
Vehicles	(87)	(700)		(787)
Vehicles with the right of use (*)	(2.379)	(673)	-	(3.052)
Buildings with the right of use (*)	(2.339)	(1.066)		(3.405)
Furniture and fixtures	(369)	(19)	233	(155)
Specific Costs	(19)	(154)	165	(8)
Total	(6.542)	(3.174)	589	(9.127)
Net Carrying Value	4.027	4.488	-	8.278

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

6- TANGIBLE ASSETS (Continued)

	1 January 2022	Additions	Disposal	31 December 2022
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DECEMBER 31, 2023 FOR THE YEAR OF NOTES TO THE FINANCIAL STATEMENTS

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Cost				
Machinery and equipment	1.454	1.045	-	2.499
Vehicles	-	1.836	-	1.836
Furniture and fixtures	414	149	-	563
Veichles with the right of use (*)	3.141	-	-	3.141
Buildings with the right of use (*)	2.324	38	-	2.362
Specific Costs	-	168	-	168
Total	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)
Veichles 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)
Total	(4.775)	(1.767)	-	(6.542)
Net Carrying Value	2.558	1.469	-	4.027

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

As of 31 December 2023 and 31 December 2022, the Company has no tangible assets acquired through financial leasing.

7- INTANGIBLE ASSETS

Movements of intangible assets during the year ended 31 December 2023 and 31 December 2022 are as follows:

	1 January 2023	Additions	Disposals	31 December 2023
Cost				
Computer Software	5.005	417	-	5.422
Total	5.005	417	-	5.422

	1 January 2023	Current year depreciation	Disposals	31 December 2023
Accumulated amortization				
Computer software	(3.149)	(1.276)	-	(4.425)
Total	(3.149)	(1.276)	-	(4.425)
Net carrying value	1.856	(859)	-	997

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

7- INTANGIBLE ASSETS (Continued)

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

	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

As of 31 December 2023 and 31 December 2022, the Company does not have any internally generated intangible assets.

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 32 of the Law No. 7456 published in the Official Gazette dated July 15, 2023 and numbered 32249, 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 30% 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 2023, 30%, 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 2023, and 31 December 2022, 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.

8- DEFERRED TAX (Continued)

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As of 31 December 2023, and 31 December 2022, temporary differences and deferred tax assets and liabilities that are computed using the prevailing corporate tax rates are as follows:

	<u>Temporary Differences</u>		<u>Deferred tax assets/ (liabilities)</u>	
	2023	2022	2023	2022
Provision for severance payment	7.680	3.607	2.304	902
Allowance provision	3.090	1.079	927	270
Depreciation	564	-	170	-
TFRS16 calculation differences	198	-	59	-
Other	26	26	8	6
Total deferred tax assets	11.558	4.712	3.468	1.178
Fund for increased value of securities representing the capital share	33.630	18.033	2.522	1.127
Depreciation	-	657	-	164
Other	-	96	-	24
Total deferred tax liability	33.630	18.786	2.522	1.315
Deferred tax assets, net	(22.072)	(14.074)	946	(137)

	31 December 2023	31 December 2022
Opening Balance	(137)	51.219
Deferred tax (expense)/income	2.253	(50.229)
Classified under Shareholders' Equity	(1.170)	(1.127)
Total	946	(137)

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

	31 December 2023	31 December 2022
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 2023, and 31 December 2022, the details of other assets are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	TL	FC	TL	FC
Prepaid expenses (*)	49.705	-	142.029	-
Litigation and court costs	650	-	650	-
Tax office receivables (**)	139.987	-	40.106	1
Other assets	87	35	70	-
Total	190.429	35	182.855	1

(*) These are prepaid loan usage commission fees for loans taken by the company.

(**) Consists of BSMV receivables related to factoring transactions provided by the company.

11- FUNDS BORROWED

VAKIF FAKTORING A.Ş.

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As of 31 December 2023, and 31 December 2022, details of funds borrowed are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Funds Borrowed	29.777.159	3.223.474	19.237.832	921.157
Total	29.777.159	3.223.474	19.237.832	921.157
Short-term borrowings	31 December 2023		31 December 2022	
Short-term secured bank loans	6.026.317		1.977.930	
Short-term unsecured bank loans	26.783.079		17.856.163	
Short-term portion of long-term unsecured bank loans	178.208		65.238	
Long-term borrowings				
Long-term unsecured bank loans	13.029		259.658	
Total	33.000.633		20.158.989	

As of 31 December 2023, and 31 December 2022, details of funds borrowed based of currency are as follows:

Currency^(*)	Interest Rate(%)	Maturity	Amount	31 December 2023
TL	%35,00-49,50	June 2024	29.777.159	29.777.159
USD	%4,60-10,25	December 2024	37.893	1.115.512
EURO	%2,74-9,30	December 2024	64.713	2.107.962
Total				33.000.633
Currency^(*)	Interest Rate(%)	Maturity	Amount	31 December 2022
TL	%10,96 - %27,00	June 2023	19.237.832	19.237.832
USD	%4,61 - %9,50	November 2024	23.333	436.283
EURO	%1,74 - %8,90	November 2024	24.323	484.874
Total				20.158.989

As of 31 December 2023, and 31 December 2022, details of funds borrowed based of interest type are as follows:

31 December 2023

Interest Type	TL	USD	EURO
Fixed	29.777.159	1.061.674	1.970.562
Floating	-	53.837	137.400
Total	29.777.159	1.115.512	2.107.962

31 December 2022

Interest Type	TL	USD	EURO	GBP
Fixed	19.237.832	336.455	259.805	-
Floating	-	99.828	225.068	-
Total	19.237.832	436.283	484.874	-

12- SECURITIES ISSUED

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As of 31 December 2023 and 31 December 2022, details of securities issued are as follows:

	31 December 2023	31 December 2022
Bonds (*)	2.228.522	1.513.520
Total	2.228.522	1.513.520

Interest-bearing bonds worth a nominal value of 2,334,150,000 TL, which were issued between November 3, 2023, and December 12, 2023, at a discount to qualified investors domestically by the company, are traded on the Borsa Istanbul Definitive Purchase and Sale Market. The information related to these bonds is displayed in the following table:

ISIN	Issue Date	Maturity	Maturity	Nom. Amount	Book Value	Int. Rate
TRFVFAS22411	03/11/2023	01/02/2024	90	490.100	474.944	40%
TRFVFAS22429	10/11/2023	08/02/2024	90	175.000	168.366	40%
TRFVFAS22437	14/11/2023	12/02/2024	90	300.550	287.815	41%
TRFVFAS12412	17/11/2023	16/01/2024	60	375.000	369.081	41%
TRFVFAS22445	17/11/2023	15/02/2024	90	100.000	95.359	42%
TRFVFAS22452	22/11/2023	27/02/2024	97	224.500	211.112	43%
TRFVFAS22478	01/12/2023	27/02/2024	88	160.300	150.138	45%
TRFVFAS32428	05/12/2023	04/03/2024	90	219.050	203.583	46%
TRFVFAS32436	08/12/2023	04/03/2024	87	129.450	120.369	45%
TRFVFAS32444	12/12/2023	11/03/2024	90	160.200	147.755	45%
Total				2.334.150	2.228.522	

13- TAXES AND DUTIES PAYABLES

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	31 December 2023	31 December 2022
Time deposits withholdings	1.487	203
Current period tax asset	1.487	203

As of 31 December 2023 and 31 December 2022, the current period tax assets are as follows:

	31 December 2023	31 December 2022
Corporate tax provision	646.026	125.516
Prepaid taxes (-)	(466.857)	(53.170)
Current period income tax assets, net (-)	179.169	72.346

As of 31 December 2023 and 31 December 2022, details of taxes and duties payables are as follows:

	31 December 2023	31 December 2022
Corporate tax payable	179.169	72.346
Banking and insurance transactions tax	47.638	22.339
Withholding tax payable	987	403
Premiums payable	2.936	1.231
Other	394	163
TOTAL	231.124	96.482

As of 31 December 2023 and 31 December 2022, details of the other payables are as follows:

	31 December 2023		31 December 2022	
Other Payables	TL	FC	TL	FC
Fees and commissions collected in advance ^(*)	16.637	-	21.183	-
Other Purchase Payables	4.898	-	3.540	-
Commissions Payable to Correspondents	-	381	-	236
Other	246	-	52	-
TOTAL	21.781	381	24.775	236

(*) The interest charges which collected in advance for the open account factoring transactions used by the company.

14- PROVISIONS

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As of 31 December 2023 and 31 December 2022, details of the provisions are as follows:

	31 December 2023	31 December 2022
Allowance of general provision for		
factoring receivables (*)	62.730	42.161
Provisions for employee severance payments	7.680	3.607
Provisions for unused vacation	3.090	1.079
	73.500	46.847

(*) As explained in detail in note 5, as a result of the re-evaluation of the collectibility within the framework of the restructuring agreement made for some of the Company's receivables in 2019, a general provision of 2.3 million US dollars has been set aside.

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.

In calculating the company's severance pay provision, a ceiling amount of 15.371,40 TL as of December 31, 2022, and 35.058,58 TL as of December 31, 2023, was considered.

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 2023	31 December 2022
Net discount rate	3%	3%
Expected salary/ limit increase	24,50%	15,00%
Entitlement ratio of the estimated severance pay	94,88%	93,25%

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.

14- PROVISIONS (Continued)

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Movements in reserve for employee severance payments are as follows:

	31 December 2023	31 December 2022
Balance at 1 January	3.607	1.810
Current service cost	928	382
Interest cost	2.169	665
Payment during the period	(625)	(1.215)
Actuarial (loss) / profit	1.601	1.965
TOTAL	7.680	3.607

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 2023	31 December 2022
Balance on 1 January	1.079	470
Increase / (decrease) during the period	2.011	609
TOTAL	3.090	1.079

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

The Company's paid in capital is amounting to full TL 850.000.000 comprised of 850.000.000 shares with each has a nominal value of TL 1 (full TL). Out of 850.000.000 shares forming the Company's capital, 569.500.000 shares amounting TL 569.500.000 represents Group (A), and 280.500.000 shares amounting TL 280.500.000 represents Group (B).

The Company's shareholder structure is as follows:

	31 December 2023		31 December 2022	
	Amount	Share	Amount	Share
T. Vakıflar Bankası T.A.O.	782.835	92,1	414.442	92,1
Vakıf Finansal Kiralama A.Ş.	32.254	3,79	17.076	3,79
Vakıf Per. Öz. Sos. Güv. Vakfı	21.630	2,54	11.451	2,54
Vakıf Pazarlama ve Tic. A.Ş.	13.281	1,56	7.031	1,56
Paid-in capital	850.000	100	450.000	100

15- SHAREHOLDERS' EQUITY (Continued)

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	Group	<u>31 December 2023</u>		<u>31 December 2022</u>	
		Amount	Amount (Full TL)	Amount	Amount (Full TL)
Shareholders					
T. Vakıflar Bankası T.A.O.	A	524.499.336	524.499.336	277.676.119	277.676.119
	B	258.335.485	258.335.485	136.765.845	136.765.845
Vakıf Finansal Kiralama A.Ş.	A	21.610.500	21.610.500	11.440.853	11.440.853
	B	10.643.964	10.643.964	5.635.040	5.635.040
Vakıf Per. Öz. Sos. Güv. Vakfı	A	14.491.735	14.491.735	7.672.095	7.672.095
	B	7.137.730	7.137.730	3.778.798	3.778.798
Vakıf Pazarlama ve Tic. A.Ş.	A	8.898.429	8.898.429	4.710.933	4.710.933
	B	4.382.821	4.382.821	2.320.317	2.320.317
Paid-in capital		850.000.000	850.000.000	450.000.000	450.000.000

Capital Reserves

As of 31 December 2023, the Company does not have any capital reserves. (31 December 2022: None).

Profit reserves

As of 31 December 2023, profit reserves consist of legal reserves amounting to TL 56.341 and (31 December 2022: TL 29.005), and extraordinary reserves amounting to TL 225.458 (31 December 2022: TL 106.074).

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 58.921. 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.

15- SHAREHOLDERS' EQUITY (Continued)

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In accordance with the General Assembly decision dated August 11, 2023, the company decided to transfer the net profit of 519,384 TL, remaining after deducting 27,336 TL as the first legal reserve fund amount from the net profit of 546,720 TL, which remains after deducting a total of 175,745 TL for tax and legal obligations to be paid from the company's profit of 722,465 TL for 2023, to the extraordinary reserves account to be used in capital increase in subsequent periods and to distribute the amount to be added to the capital as a bonus share to the partners. Additionally, the company's capital has been increased from 450,000 TL to 850,000 TL with a General Assembly Decision in accordance with the permission letter of the General Directorate of Domestic Trade of the Republic of Turkey Ministry of Trade, referring to the 6th Article related to Capital in the Company's main contract.

16- OPERATING INCOME

For the years ended 31 December 2023 and 31 December 2022, details of operating income are as follows:

	2023	2022
Interest income on factoring receivable		
- Discounted	3.930.828	1.238.374
- Other	3.575.389	1.169.453
Total	7.506.217	2.407.827
	2023	2022
Fees and commissions on factoring receivables		
- Discounted	671.965	5.971
- Other	492.490	15.423
	1.164.455	21.394
Operating Income	8.670.672	2.429.221

17- FINANCING EXPENSE

For the accounting periods ended on 31 December 2023 and 31 December 2022, details of financing expenses are as follows:

	2023	2022
Interest expense on borrowings	5.006.217	1.317.612
Interest expense on securities issued	306.908	161.062
Fees and commissions	1.196.422	213.773
Interest expense on rent proceedings	798	243
Total	6.510.345	1.692.690

18- OPERATING EXPENSES

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For the accounting periods ended on 31 December 2023 and 31 December 2022, details of operating expenses are as follows:

	2023	2022
Personnel expenses	68.722	31.141
Depreciation and amortization expenses	4.449	2.865
Taxes, duties and fees	7.666	1.738
Cleaning expenses	2.483	1.022
Consulting expenses	2.979	538
Litigation expenses	2.246	395
It expenses	4.961	1.211
Advertising expenses	17.000	14.248
Severance pay provision expnses	4.073	1.797
Car rental expenses	105	53
Donations and aids	10.538	-
Other expenses	8.511	4.157
Total	133.733	59.165

For the accounting periods ended on 31 December 2023 and 31 December 2022, details of personnel expenses included in operating expenses are as follows:

	2023	2022
Wages and salaries	30.050	13.040
Bonuses and premiums	21.853	9.708
Social security premium employer’s share	9.501	4.153
Employee insurance expenses	1.803	1.194
Personnel food expenses	2.511	875
Other	3.004	2.171
Total	68.722	31.141

19- OTHER OPERATING INCOME/EXPENSE

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For the accounting periods ended on 31 December 2023 and 31 December 2022, details of other income are as follows:

	2023	2022
Foreign exchange profit/loss, net	40.368	(229.588)
Interest received from banks	101.680	14.469
Profit/loss from derivative financial transactions, net	-	259.726
Other, net (*)	6.032	7.932
Total	148.080	52.539

(*) As of 31 December 2023 and 31 December 2022 respectively, 5,619 TL and 7,088 TL of the related balance consist of collections made in the current period from factoring receivables for which specific or general provisions had been previously set aside.

20- 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. According to the amendment made by the Law No. 7456, published in the Official Gazette No. 32249 dated July 15, 2023, in article 32 of the Corporate Tax Law, the corporate tax rate is set to be 30%, starting from declarations to be given as of October 1, 2023, and to be applied to corporation earnings for the fiscal year 2023 and following tax periods. The corporate tax rate that is valid for the period of December 31, 2023, is 30%.

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.

20- TAX PROVISION FROM CONTINUING OPERATIONS (Continued)

VAKIF FAKTORING A.Ş.

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

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 2023 and 31 December 2022 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 2023	31 December 2022
Profit before tax	2.148.509	722.465
Computed theoretical tax with rate of 30% 25% (*)	(644.553)	(180.616)
- Other	780	4.871
Current Tax Expense	(643.773)	(175.745)

(*) With the amendment made in the first paragraph of Article 32 titled "Corporate tax and provisional tax rate" of the Law No. 5520 with Article 32 of the Law No. 7456 published in the Official Gazette No. 32249 dated July 15, 2023; it has been legislated that the corporate tax rate will be applied as 30% on the corporate earnings of banks, financial leasing, factoring, financing and savings finance companies, electronic payment and money institutions, authorized foreign exchange establishments, asset management companies, capital market institutions, and insurance and reinsurance companies and pension companies. It has been applied as 25% as of December 31, 2022.

For the accounting periods ended on 31 December 2023 and 31 December 2022, tax expense in the income statement is summarized below:

	2023	2022
Current period corporate tax provision expense	(646.026)	(125.516)
Deferred tax income/(expense) (Note 8)	2.253	(50.229)
Total tax expense (-)	(643.773)	(175.745)

As of 31 December 2023 and 31 December 2022, corporate tax provision and prepaid taxes are as follows:

	31 December 2023	31 December 2022
Corporate tax provision	646.026	125.516
Prepaid taxes	(466.857)	(53.170)
Prepaid tax/corporation tax payable	179.169	72.346

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21- RELATED PARTY DISCLOSURES

As of 31 December 2023 and 31 December 2022, the details of receivables from related parties are as follows:

	31 December 2023	31 December 2022
Bank deposit		
T. Vakıflar Bankası T.A.O.	98.789	53.725
Total	98.789	53.725
Prepaid expenses		
Vakıf Yatırım Menkul Değerler(**)	1.786	836
T. Vakıflar Bankası T.A.O(*)	39.640	133.490
Total	41.426	134.326

(*) Prepayments arising from T. Vakıflar Bankası T.A.O. consist of the commissions paid for the loans used from the bank.

(**) Prepayments to Vakıf Yatırım Menkul Değerler consist of other expenses related to bond issuance.

As of 31 December 2023 and 31 December 2022, the details of the payables from related parties are as follows:

	31 December 2023	31 December 2022
Borrowings		
T. Vakıflar Bankası T.A.O.	19.418.539	15.065.989
Total	19.418.539	15.065.989
Securities issued		
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	-	967
Total	-	967
Payables to related parties		
Other	-	54
Total	-	54

21- RELATED PARTY DISCLOSURES (Continued)

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Income and expenses resulting from transactions with related parties for the years ended 31 December 2023 and 31 December 2022 are as follows:

	31 Dec 2023	31 Dec 2022
T. Vakıflar Bankası T.A.O.		
Interest income from related parties	55.373	4.582
Total	55.373	4.582

	31 Dec 2023	31 Dec 2022
T. Vakıflar Bankası T.A.O.		
Interest Expense	2.762.174	788.613
Other Financial Expenses	864.109	154.600
Letter of Guarantee Expenses	276	50
Total	3.626.559	943.263

	31 Dec 2023	31 Dec 2022
Vakıf Finansal Kiralama		
Fixed asset rental income	42	26
Toplam	42	26

	31 Dec 2023	31 Dec 2022
T. Vakıflar Bankası T.A.O.		
Derivative financial transactions income realized throughout the year	-	38.664
Derivative financial loss closed during the year	-	-
Total	-	38.664

	31 Dec 2023	31 Dec 2022
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.		
Interest expense on issued securities	35	38
Total	35	38

	31 Dec 2023	31 Dec 2022
Vakıf Yatırım Menkul Değerler		
Commission on securities issued	7.561	4.267
Total	7.561	4.267

Total salaries and benefits to top management:

As of 31 December 2023, the Company's total salaries and fees that provided to the top management and the Board of Directors are TL 7.715 (31 December 2022: TL 4.637).

22- COMMITMENTS AND CONTINGENCIES

VAKIF FAKTORING A.Ş.

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Guarantees

As of December 31, 2023 and December 31, 2022, the details of the guarantees received are as follows:

	31 December 2023	31 December 2022
Hypothec	208.400	8.400
Collateral bill	-	10.000
Total	208.400	18.400

Collaterals

As of 31 December 2023 and 31 December 2022, collaterals are comprised of notes given to the following institutions:

	31 December 2023	31 December 2022
Letters of guarantee given to Takasbank	6.385.000	1.985.000
Collaterals given to courts	9.609	2.377
Total	6.394.609	1.987.377

Irrevocable Commitments

None (31 December 2022: None).

Held in custody securities

The Company has obtained securities held in custody for its factoring receivables on 31 December 2023 and 31 December 2022 as detailed below:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Customer checks	6.022.024	306.384	4.456.323	197.730
Customer notes	777.084	2.476.334	785.260	1.659.397
Total	6.799.108	2.782.718	5.241.583	1.857.127

23- FINANCIAL RISK MANAGEMENT

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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.

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23- FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Details of the financial assets exposed to credit risk as of 31 December 2023 and 31 December 2022 are as follows:

31 December 2023	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)	-	37.455.124	-	-	510.523	-
- Exposure to maximum credit risk as of reporting date	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	37.455.124	-	-	510.523	-
- Secured portion by any guarantee	-	5.430.042	-	-	-	-
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	-	-	-	26.165	-	-
- Overdue (gross book value)	-	-	-	99.074	-	-
- Impairment (-)	-	-	-	(72.909)	-	-
- 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.

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23- FINANCIAL RISK MANAGEMENT (Continued)

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	-	4.212.229	-	-	-	-
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	-	-	-	-	-	-
- 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.

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23- 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:

31 Dec 2023						
Expected maturities	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 Months	1 - 5 Years	More than 5 years
Non derivative financial liabilities	35.240.550	(37.253.157)	(27.558.490)	(9.676.145)	(18.521)	-
Fund borrowed	33.000.633	(35.005.288)	(25.318.521)	(9.672.738)	(14.029)	-
Securities issued	2.228.522	(2.234.150)	(2.234.150)	-	-	-
Miscellaneous payables	4.898	(4.898)	(4.898)	-	-	-
Leasing liabilities	6.497	(8.821)	(921)	(3.407)	(4.492)	-
31 Dec 2022						
Expected maturities	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 Months	1 – 5 Years	More than 5 years
Non derivative financial liabilities	21.677.227	(22.462.319)	(12.941.933)	(9.242.775)	(277.611)	-
Fund borrowed	20.158.989	(20.913.515)	(11.393.846)	(9.242.095)	(277.574)	-
Securities issued	1.513.520	(1.544.010)	(1.544.010)	-	-	-
Miscellaneous payables	3.828	(3.828)	(3.828)	-	-	-
Leasing liabilities	890	(966)	(249)	(680)	(37)	-

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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.

Interest Rate Sensitivity Analysis

As of 31 December 2023 and 31 December 2022 the interest sensitive financial instruments of the Company are as follows:

	31 December 2023	31 December 2022
Fixed Rate		
<i>Financial Assets</i>		
Cash and cash equivalents	424.356	139.603
Factoring receivables	35.729.067	21.498.222
<i>Financial Liabilities</i>		
Funds borrowed	32.809.396	19.834.093
Securities issued	2.228.522	1.513.520
Floating Rate		
<i>Financial Assets</i>		
Factoring receivables	1.726.057	1.113.076
<i>Financial Liabilities</i>		
Funds borrowed	191.237	324.896

As of 31 December 2023 and 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.

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23- FINANCIAL RISK MANAGEMENT (Continued)

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 2023	31 December 2022
	(TL Amount)	(TL Amount)
Foreign Currency Assets (*)	3.293.955	967.369
Foreign Currency Liabilities	(3.286.585)	(961.237)
	7.370	6.132

(*) Factoring Receivables denominated in foreign currencies and TL 535.220 are included in the Factoring Receivables (31 December 2022: TL 397.932).

Table below summarizes the Company's foreign currency position risk in detailed as of 31 December 2023 and 31 December 2022. The amounts of foreign currency assets and liabilities held by the Company according to their foreign currency types are as follows:

31 December 2023	USD	Euro	Other	Total
Assets				
Banks	37.471	43.040	1	80.512
Factoring receivables (*)	1.141.272	2.072.136	-	3.213.408
Other assets	35	-	-	35
Total Assets	1.178.778	2.115.176	1	3.293.955
Liabilities				
Funds borrowed (**)	1.115.512	2.107.962	-	3.223.474
Miscellaneous liabilities	62.730	-	-	62.730
Other liabilities	137	241	3	381
Total Liabilities	1.178.379	2.108.203	(3)	3.286.585
Net foreign currency position due to derivative financial instruments	-	-	-	-
Net Foreign Currency Position	399	6.973	(3)	7.370

(*) TL 535.220 domestic foreign currency and foreign currency indexed factoring receivables are included in factoring receivables.

(**) There are no foreign currency indexed loans in the loans obtained.

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23- FINANCIAL RISK MANAGEMENT (Continued)

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.

(**) There are no foreign currency indexed loans in the loans obtained.

Foreign Currency Sensitivity Analysis

As of 31 December 2023, 10% depreciation of TL against the following currencies will increase the profit for the period before tax by TL 737 (31 December 2022: It will increase the profit for the period by TL 613). This analysis was made with the assumption that all variables remained constant as of 31 December 2023 and 31 December 2022.

	31 December 2023		31 December 2022	
	Net Period Profit/(Loss)	Equity	Net Period Profit/(Loss)	Equity
US Dollar	40	40	114	114
Euro	697	697	499	499
Other	-	-	-	-
Total	737	737	613	613

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23- FINANCIAL RISK MANAGEMENT (Continued)

Fair Values of Financial Instruments

31 December 2023	Financial Asset at the Amortized Cost	Other Assets Measured At Fair Value Through Other Comprehensive Income	Loans And Receivables	Financial Liabilities at the Amortized Cost	Carryig Amount	Fair Value
Financial Assests						
Cash And Cash Equivalents	510.523	-	-	-	510.523	510.523
Other Assets Measured At Fair Value Through Other Comprehensive Income	-	41.787	-	-	41.787	41.787
Factoring Receivables	-	-	37.455.124	-	37.455.24	37.455.24
Financial Liabilities						
Funds Borrowed	-	-	-	33.000.633	33.000.633	33.000.633
Miscellaneous Payables	-	-	-	22.162	22.162	22.162
Securities issued	-	-	-	2.228.522	2.228.522	2.228.522
31 December 2022						
	Financial Asset at the Amortized Cost	Other Assets Measured At Fair Value Through Other Comprehensive Income	Loans And Receivables	Financial Liabilities at the Amortized Cost	Carrying Amount	Fair Value
Financial Assests						
Cash And Cash Equivalents	174.993	-	-	-	174.993	174.993
Other Assets Measured At Fair Value Through Other Comprehensive Income	-	26.191	-	-	26.191	26.191
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

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

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.

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23- FINANCIAL RISK MANAGEMENT (Continued)

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:

	31 December 2023	Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial Assets	41.787	-	-	41.787
Financial assets at fair value through other comprehensive income (*)	41.787	-	-	41.787
Derivative financial assets	-	-	-	-
Financial liabilities				
Derivative financial liabilities	-	-	-	-

	31 December 2022	Fair value level as of the reporting date		
		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	-	-	-	-

(*) 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.

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24- EARNINGS PER SHARE

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Weighted average number of outstanding shares ^(*)	850.000	850.000
Net profit for the period (TL)	1.504.736	546.720
Basic earnings per share (full TL)	1,7703	0,6432

(*) In accordance with TAS 33, as a result of the capital increase from internal resources, earnings per share for previous periods have been recalculated considering the number of shares in circulation at the end of the 2023 period.

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.

25- OTHER EXPLANATIONS

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

	31 December 2023	31 December 2022
Independent audit fee for the reporting period	1.824	203
Total	1.824	203

The company does not receive any service other than independent audit service from the independent auditor.

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26 - SUBSEQUENT EVENTS

BRSA announced that banks, financial leasing, factoring, financing, savings financing and asset management companies will start applying inflation accounting starting from 1 January 2025 in accordance with BRSA Board decision on 11 January 2024.