

**CONVENIENCE TRANSLATION INTO
ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Yapı Kredi Finansal Kiralama A.O.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı Kredi Finansal Kiralama A.O. (the "Company") which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring, Financing and Saving Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and, communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses for financial lease receivables</p> <p>The Company has total expected credit losses for financial lease receivables amounting to TL 766.492 thousand in respect to total gross financial lease receivables amounting to TL 20.553.216 thousand which represent a significant portion of the Company’s total assets in its consolidated financial statements as at 31 December 2022.</p> <p>Explanations and notes related to expected credit losses for financial lease receivables are presented in Notes 2.2, 2.4 and 8 in the accompanying consolidated financial statements as at 31 December 2022.</p> <p>In the scope of “Regulation on Amendments Related To Regulation On Accounting Applications And Financial Statements Of Financial Leasing, Factoring And Financing Companies” that is published on the Official Gazette on 2 May 2018 and numbered 30409, the Company recognizes the expected credit losses for financial lease receivables in accordance with TFRS 9 “Financial Instruments” as of 1 January 2019. Accordingly, the classification of financial lease receivables has been recognized as per their credit risk (staging) in accordance with TFRS 9 and expected credit loss approach is applied for impairment provision for financial lease receivables. The Company exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. To determine the stage classification of loans by identifying significant increase in credit risk with quantitative and qualitative assessments and default events disclosed in the accompanying consolidated financial statements in accordance with TFRS 9. Information used in expected credit loss such as</p>	<p>With respect to stage classification of financial lease receivables and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Company within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>We have evaluated and tested the appropriateness of expected credit loss methodologies and performance of parameters (life time expected credit losses and losses given default) in line with the requirement of TFRS 9 and the Company’s policies and procedures with our financial risk experts.</p> <p>We have carried loan review on a selected sample of loans with the objective to identify whether the classification of finance lease receivables is performed appropriately in accordance with the applicable regulation, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.</p> <p>In addition, for non-performing finance lease receivables that are subject to individual assessment based on the Company policies, we have evaluated the appropriateness of specific impairment provision with supportable input. Based on our discussions with the Company management, we have evaluated and challenged whether the key assumptions and other judgements, underlying the estimation of impairment were reasonable. We evaluated the adequacy of the disclosures</p>



Key audit matter	How our audit addressed the key audit matter
<p>historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences, development and weighting of macro-economic scenarios; the significance of the financial lease receivables balances; the classification of financial lease receivables as per their credit risk (staging) in accordance with TFRS 9 and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>made in the consolidated financial statements regarding the provision for impairment of financial lease receivables.</p>

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

The Company management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 are responsible for overseeing the Company's financial reporting process.



5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated 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.
- Assess the 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 auditor's report to the related disclosures in the consolidated 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 independent auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.



Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies have not been quantified in the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 30 January 2023

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

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YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

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

ASSETS	Notes	Audited 31 December 2022			Audited 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES AND CENTRAL BANKS	4	14.439	1.449.431	1.463.870	3.321	223.925	227.246
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL ASSETS	3	3.649	-	3.649	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	152	-	152	152	-	152
V. FINANCIAL ASSETS MEASURED AT AMORTISED COST		6.810.711	12.976.013	19.786.724	4.190.703	10.549.461	14.740.164
5.1 Factoring Receivables		-	-	-	-	-	-
5.1.1 Discounted Factoring Receivables (Net)		-	-	-	-	-	-
5.1.2 Other Factoring Receivables		-	-	-	-	-	-
5.2. Savings Financing Receivables		-	-	-	-	-	-
5.2.1 From the Savings Fund Pool		-	-	-	-	-	-
5.2.2 From the Equity		-	-	-	-	-	-
5.3. Finance Loans		-	-	-	-	-	-
5.3.1 Consumer Loans		-	-	-	-	-	-
5.3.2 Credit Cards		-	-	-	-	-	-
5.3.3 Commercial Installment Loans		-	-	-	-	-	-
5.4 Lease Receivables (Net)	8	6.893.581	13.158.733	20.052.314	4.234.149	10.766.354	15.000.503
5.4.1 Financial Lease Receivables		9.698.762	14.667.448	24.366.210	5.441.372	12.138.924	17.580.296
5.4.2 Operating Lease Receivables		-	-	-	-	-	-
5.4.3 Unearned Income (-)		(2.805.181)	(1.508.715)	(4.313.896)	(1.207.223)	(1.372.570)	(2.579.793)
5.5 Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6 Doubtful Receivables		476.375	24.527	500.902	388.261	49.565	437.826
5.7 Expected Loss Provisions/Specific Provisions (-)		(559.245)	(207.247)	(766.492)	(431.707)	(266.458)	(698.165)
VI. EQUITY INVESTMENTS	11	654.969	-	654.969	425.657	-	425.657
6.1 Subsidiarys (Net)		654.969	-	654.969	425.657	-	425.657
6.2 Subsidiaries (Net)		-	-	-	-	-	-
6.3 Joint Ventures (Net)		-	-	-	-	-	-
VII. PROPERTY AND EQUIPMENT (Net)	9	8.145	-	8.145	4.679	-	4.679
VIII. INTANGIBLE ASSETS (Net)	10	21.781	-	21.781	13.577	-	13.577
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSET	19	-	-	-	-	-	-
XI. DEFERRED TAX ASSET	19	213.028	-	213.028	221.065	-	221.065
XII. OTHER ASSETS	12	1.356.356	2.593.925	3.950.281	784.381	1.456.529	2.240.910
SUB TOTAL		9.083.230	17.019.369	26.102.599	5.643.535	12.229.915	17.873.450
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		380	-	380	3.108	-	3.108
13.1 Held for sale		380	-	380	3.108	-	3.108
13.2 Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		9.083.610	17.019.369	26.102.979	5.646.643	12.229.915	17.876.558

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

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

	LIABILITIES	Notes	Audited 31 December 2022			Audited 31 December 2021		
			TL	FC	Total	TL	FC	Total
I.	FUNDS BORROWED	6	4.708.132	14.736.651	19.444.783	2.149.949	10.361.298	12.511.247
II.	FACTORING LIABILITIES		-	-	-	-	-	-
III.	LIABILITIES FROM THE SAVING FUND POOL		-	-	-	-	-	-
IV.	LEASE LIABILITIES (Net)	15	5.615	67	5.682	3.235	3	3.238
V.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	3	145.655	-	145.655	217.488	-	217.488
VIII.	PROVISIONS	13	93.666	94.031	187.697	38.328	65.843	104.171
8.1	Restructuring Provisions		-	-	-	-	-	-
8.2	Reserves for Employee Rights	13	27.067	-	27.067	9.700	-	9.700
8.3	General Provisions		-	-	-	-	-	-
8.4	Other Provisions	13	66.599	94.031	160.630	28.628	65.843	94.471
IX.	CURRENT TAX LIABILITY	19	38.382	-	38.382	129.047	-	129.047
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	SUBORDINATED DEBT INSTRUMENTS		-	-	-	-	-	-
XII.	OTHER LIABILITIES	7	619.062	1.424.151	2.043.213	408.086	1.162.565	1.570.651
	SUB TOTAL		5.610.512	16.254.900	21.865.412	2.946.133	11.589.709	14.535.842
XIII.	CURRENT ASSET LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SHAREHOLDERS' EQUITY	14	4.237.567	-	4.237.567	3.340.716	-	3.340.716
14.1	Paid-in Capital		389.928	-	389.928	389.928	-	389.928
14.2	Capital Reserves		(34.598)	-	(34.598)	(34.598)	-	(34.598)
14.2.1	Share Premiums		2	-	2	2	-	2
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		(34.600)	-	(34.600)	(34.600)	-	(34.600)
14.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(16.133)	-	(16.133)	(5.347)	-	(5.347)
14.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		54.093	-	54.093	(16.406)	-	(16.406)
14.5	Profit Reserves		2.663.694	-	2.663.694	2.292.992	-	2.292.992
14.5.1	Legal Reserves		78.229	-	78.229	78.229	-	78.229
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		2.621.044	-	2.621.044	2.250.342	-	2.250.342
14.5.4	Other Profit Reserves		(35.579)	-	(35.579)	(35.579)	-	(35.579)
14.6	Income or (Loss)		1.180.583	-	1.180.583	714.147	-	714.147
14.6.1	Prior Periods' Income or Loss		343.445	-	343.445	255.677	-	255.677
14.6.2	Current Period Income or Loss		837.138	-	837.138	458.470	-	458.470
	TOTAL LIABILITIES		9.848.079	16.254.900	26.102.979	6.286.849	11.589.709	17.876.558

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED OFF BALANCE SHEET ITEMS AT 31 DECEMBER 2022

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

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2022			Audited 31 December 2021		
		TL	FC	Total	TL	FC	Total
I. RECOURSE FACTORING TRANSACTIONS		-	-	-	-	-	-
II. NON-RECOURSE FACTORING TRANSACTIONS		-	-	-	-	-	-
III. SAVING FINANCE CONTRACTS TRANSACTIONS		-	-	-	-	-	-
IV. GUARANTEES RECEIVED	24	72.952.331	207.870.543	280.822.874	36.577.786	117.362.780	153.940.566
V. GUARANTEES GIVEN	24	2.054.079	-	2.054.079	773.240	-	773.240
VI. COMMITMENTS		588.874	5.577.725	6.166.599	78.776	3.339.891	3.418.667
6.1 Irrevocable Commitments		1.999	-	1.999	10.702	-	10.702
6.2 Revocable Commitments		586.875	5.577.725	6.164.600	68.074	3.339.891	3.407.965
6.2.1 Lease Commitments		586.875	5.577.725	6.164.600	68.074	3.339.891	3.407.965
6.2.1.1 Financial Lease Commitments		586.875	5.577.725	6.164.600	68.074	3.339.891	3.407.965
6.2.1.2 Operating Lease Commitments		-	-	-	-	-	-
6.2.2 Other Revocable Commitments		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL INSTRUMENTS	3, 24	269.666	1.707.788	1.977.454	551.387	668.249	1.219.636
7.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
7.1.1 Fair Value Hedges		-	-	-	-	-	-
7.1.2 Cash Flow Hedges		-	-	-	-	-	-
7.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
7.2 Trading Derivative Financial Instruments		269.666	1.707.788	1.977.454	551.387	668.249	1.219.636
7.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
7.2.2 Swap Buy/Sell Transactions		269.666	1.707.788	1.977.454	551.387	668.249	1.219.636
7.2.3 Option Buy/Sell Transactions		-	-	-	-	-	-
7.2.4 Future Buy/Sell Transactions		-	-	-	-	-	-
7.2.5 Other		-	-	-	-	-	-
VIII. ITEMS HELD IN CUSTODY		14.215.377	52.096.296	66.311.673	9.662.633	36.744.359	46.406.992
TOTAL OFF BALANCE SHEET COMMITMENTS		90.080.327	267.252.352	357.332.679	47.643.822	158.115.279	205.759.101

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
I. INCOME AND EXPENSE ITEMS			
OPERATING INCOME		2,050,593	1,122,653
FACTORING INCOME		-	-
1.1. Interest Received from Factoring Receivables		-	-
1.1.1. Discounted		-	-
1.1.2. Other		-	-
1.2. Fees and Commissions Received from Factoring Receivables		-	-
1.2.1. Discounted		-	-
1.2.2. Other		-	-
FINANCE LOAN INCOME		-	-
1.3. Interest Received from Finance Loans		-	-
1.4. Fees and Commissions Received from Finance Loans		-	-
LEASE INCOME		2,050,593	1,122,653
1.5. Financial Lease Income		2,050,593	1,122,653
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. FINANCIAL EXPENSES (-)		(1,252,500)	(535,132)
2.1. Dividends Given to the Savings Fund Pool		-	-
2.2. Interest on Funds Borrowed		(1,237,678)	(530,959)
2.3. Interest on Factoring Payables		-	-
2.4. Interest Expenses on Leases		(1,008)	(400)
2.5. Interest on Securities Issued		-	(1)
2.6. Other Interest Expenses		(3,711)	-
2.7. Fees and Commissions Given		(10,103)	(3,772)
III. GROSS PROFIT/LOSS		798,093	587,521
IV. OPERATING EXPENSES (-)	16	(159,003)	(79,762)
4.1. Personnel Expenses		(95,911)	(50,134)
4.2. Provision Expenses for Employment Termination Benefits		(772)	(38)
4.3. Research and Development Expenses		-	-
4.4. General Administration Expenses		(59,326)	(27,065)
4.5. Other		(2,994)	(2,525)
V. OPERATING GROSS PROFIT/LOSS		639,090	507,759
VI. OTHER OPERATING EXPENSES (-)		684,349	540,545
6.1. Interest Received from Banks		13,976	4,010
6.2. Interest Received from Marketable Securities Portfolio		-	-
6.3. Dividend Income		2	1
6.4. Trading Gains on Securities		-	-
6.5. From Derivative Financial Transactions		109,133	18,600
6.6. Foreign Exchange Gains		371,963	395,756
6.7. Other	18	189,275	122,178
VII. PROVISIONS		(300,305)	(354,392)
7.1. Specific Provisions		-	-
7.2. Expected Loss Provisions		(269,912)	(324,436)
7.3. General Provisions		-	-
7.4. Other	16	(30,393)	(29,956)
VIII. OTHER OPERATING EXPENSES (-)		(248,715)	(257,999)
8.1. Impairment of Marketable Securities		-	-
8.2. Impairment of Fixed Assets		-	-
8.3. Loss From Capital Market Transactions		-	-
8.4. Loss from Derivative Financial Transaction		(246,573)	(257,770)
8.5. Foreign Exchange Loss		-	-
8.6. Other		(2,142)	(229)
IX. NET OPERATING INCOME/EXPENSE (V+...+VIII)		774,419	435,913
X. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XI. INCOME/(LOSS) FROM INVESTMENTS CONSOLIDATED BASED ON EQUITY METHOD	11	235,529	138,582
XII. NET MONETARY POSITION GAIN/LOSS		-	-
XIII. PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI+XII)		1,009,948	574,495
XIV. TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)	19	(172,810)	(116,025)
14.1. Current Tax Provision		(160,729)	(208,858)
14.2. Deferred Tax Expense Effect (+)		(12,081)	-
14.3. Tax Income Effect (-)		-	92,833
XV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XIII±XIV)		837,138	458,470
XVI. TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)		-	-
16.1. Income from Assets Held for Resale		-	-
16.2. Income from Investment and Subsidiarys, Subsidiaries and Joint Ventures		-	-
16.3. Other Income		-	-
XVII. EXPENSES FROM DISCONTINUING OPERATIONS (-)		-	-
17.1. Expenses from Assets Held for Resale		-	-
17.2. Loss on Investment and Subsidiarys, 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		-	-
XXI. NET PROFIT/LOSSES		837,138	458,470
EARNINGS PER SHARE	20	2,1469	1,1758

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
I.	CURRENT PERIOD INCOME/LOSS		837.138	458.470
II.	OTHER COMPREHENSIVE INCOME		59.713	(23.547)
2.1	Not Reclassified Through Profit or Loss		(10.787)	(1.890)
2.1.1	Property and Equipment Revaluation Increase/Decrease		-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease		-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	13	(14.831)	(2.363)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	19	4.044	473
2.2	Reclassified Through Profit or Loss		70.500	(21.657)
2.2.1	Foreign Currency Translation Differences		-	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets Held for Sale	11	70.500	(21.657)
2.2.3	Cash Flow Hedge Income/Loss		-	-
2.2.4	Foreign Net Investment Hedge Income/Loss		-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses		-	-
2.2.6	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		896.851	434.923

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

STATEMENT OF CHANGES IN EQUITY	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other comprehensive income or expense that will not be reclassified subsequently to profit or loss			Other comprehensive income or expense that will be reclassified subsequently to profit or loss			Profit Reserves	Prior Periods' Income or (Loss)	Current Period Net Income or (Loss)	Total equity
					1	2	3	4	5	6				
PRIOR PERIOD (Audited)														
I. Prior Period End Balance (31 December 2020)	389.928	2	-	(34.600)	-	(3.456)	-	-	5.250	1.985.942	207.951	354.776	2.905.793	
II. Corrections made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances (I-II)	389.928	2	-	(34.600)	-	(3.456)	-	-	5.250	1.985.942	207.951	354.776	2.905.793	
IV. Total Comprehensive Income	-	-	-	-	-	(1.890)	-	-	(21.657)	-	-	458.470	434.923	
V. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Current period net profit/loss	-	-	-	-	-	-	-	-	-	307.050	47.726	(354.776)	-	
11.1 Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Dividends	-	-	-	-	-	-	-	-	-	307.050	-	(307.050)	-	
11.3 Transfers to reserves	-	-	-	-	-	-	-	-	-	-	47.726	(47.726)	-	
Balances at the end of the period (31 December 2021)	389.928	2	-	(34.600)	-	(5.346)	-	-	(16.407)	2.292.992	255.677	458.470	3.340.716	

STATEMENT OF CHANGES IN EQUITY	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other comprehensive income or expense that will not be reclassified subsequently to profit or loss			Other comprehensive income or expense that will be reclassified subsequently to profit or loss			Profit Reserves	Prior Periods' Income or (Loss)	Current Period Net Income or (Loss)	Total equity
					1	2	3	4	5	6				
CURRENT PERIOD (Audited)														
I. Balances at the beginning of the period (31 December 2021)	389.928	2	-	(34.600)	-	(5.346)	-	-	(16.407)	2.292.992	255.677	458.470	3.340.716	
II. Corrections made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances (I-II)	389.928	2	-	(34.600)	-	(5.346)	-	-	(16.407)	2.292.992	255.677	458.470	3.340.716	
IV. Total Comprehensive Income	-	-	-	-	-	(10.787)	-	-	70.500	-	-	837.138	896.851	
V. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/decrease due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Current period net profit/loss	-	-	-	-	-	-	-	-	-	370.702	87.768	(458.470)	-	
11.1 Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Dividends	-	-	-	-	-	-	-	-	-	370.702	-	(370.702)	-	
11.3 Transfers to reserves	-	-	-	-	-	-	-	-	-	-	87.768	(87.768)	-	
Balances at the end of the period (31 December 2022)	389.928	2	-	(34.600)	-	(16.133)	-	-	54.093	2.663.694	343.445	837.138	4.237.567	

- (1) Fixed assets accumulated revaluation gains/losses
- (2) Remeasurement of defined benefit plans' accumulated gains/losses
- (3) Other (Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss).
- (4) Foreign currency translation differences
- (5) Accumulated revaluation of financial assets available for sale and/or classification gains/losses.
- (6) Other (Gains/Losses from cash flow hedge, Investments accounted by equity method's accumulated balances of other comprehensive income or expense that will not be reclassified subsequently to profit or loss and other comprehensive income or expense that will be reclassified subsequently to profit or loss).

The accompanying notes form an integral part of these consolidated financial statements

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
A.	Cash flows from operating activities		
1.1	Operating profit before changes in operating assets and liabilities	293.253	432.180
1.1.1	Interests received/leasing income	2.068.380	1.069.889
1.1.2	Interests paid/leasing expenses	(1.384.013)	(594.167)
1.1.3	Leasing expenses	-	-
1.1.4	Dividend received	76.720	50.814
1.1.5	Fees and commissions received	-	-
1.1.6	Other income	-	-
1.1.7	Collections from previously written-off doubtful receivables	137.577	118.973
1.1.8	Payments to personnel and service suppliers	(61.810)	(46.720)
1.1.9	Taxes paid	(264.019)	(81.357)
1.1.10	Other	(279.582)	(85.252)
1.2	Changes in operating assets and liabilities	(2.322.529)	(927.104)
1.2.1	Net (increase) decrease in factoring receivables	-	-
1.2.2	Net (increase) decrease in finance loans	-	-
1.2.3	Net (increase) decrease in lease receivables	(1.386.320)	(398.159)
1.2.4	Net (increase) decrease in savings financing receivables	-	-
1.2.5	Net (increase) decrease in other assets	(1.706.643)	(1.264.064)
1.2.6	Net increase (decrease) in factoring payables	-	-
1.2.7	Net increase (decrease) in lease payables	-	-
1.2.8	Net increase (decrease) in savings and financing debts	-	-
1.2.9	Net increase (decrease) in funds borrowed	-	-
1.2.10	Net increase (decrease) in due payables	-	-
1.2.11	Net increase (decrease) in other liabilities	770.434	735.119
I.	Net cash used in operating activities (-)	(2.029.276)	(494.924)
B.	Cash flows from investing activities		
2.1	Acquisition of investments, subsidiarys and subsidiarries	-	-
2.2	Disposal of investments, subsidiarys and subsidiarries	-	-
2.3	Purchases of property and equipment	(8.597)	(4.729)
2.4	Disposals of property and equipment	38	-
2.5	Purchase of investments available-for-sale	-	-
2.6	Sale of Investments available-for-sale	-	(12)
2.7	Purchase of investment securities held to maturity	-	-
2.8	Sale of investment securities held to maturity	-	-
2.9	Other	(12.918)	(16.862)
II.	Net cash used in investing activities	(21.477)	(21.603)
C.	Cash flows from financing activities		
3.1	Cash obtained from funds borrowed and securities issued	6	13.543.879
3.2	Cash used for repayment of funds borrowed and securities issued	6	(10.399.912)
3.3	Issued capital instruments	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance leases	2.444	(4.446)
3.6	Other	-	-
III.	Net cash provided from financing activities	3.146.411	(81.187)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	156.950	255.137
V.	Net increase (decrease) in cash and cash equivalents	1.252.608	(342.577)
VI.	Cash and cash equivalents at beginning of the period	230.250	572.827
VII.	Cash and cash equivalents at end of the period	4	1.482.858
		1.482.858	230.250

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

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

		Current Period 31 December 2022 (*)	Prior period 31 December 2021
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1	CURRENT YEAR PROFIT	851.134	486.726
1.2	TAXES AND DUTIES PAYABLE (-)	(172.810)	(116.025)
1.2.1	Corporate Tax (Income Tax)	(160.729)	(208.858)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and duties (**)	(12.081)	92.833
A.	NET PROFIT FOR THE YEAR (1.1-1.2)	678.324	370.701
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	(92.833)
B.	DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]	678.324	277.868
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	To Owners of Preferred Stocks (Preemptive Rights)	-	-
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	To Owners of Preferred Stocks (Preemptive Rights)	-	-
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	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF 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	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing 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 (TL)	1,7396	0,9507
3.2	TO OWNERS OF STOCKS (%)	173,96	95,07
3.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF STOCKS (TL)	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The Company’s annual General Meeting has not take place for the date the consolidated financial statements prepared.

The accompanying notes form an integral part of these consolidated financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Yapı Kredi Finansal Kiralama A.O. (“the Company”) was established in 19 February 1987, pursuant to the license obtained from the Undersecretariat of Treasury and Trade for the purpose of domestic and international financial leasing and operating lease as permitted by Law Numbered 6361 on Financial Leasing, Factoring And Financing Companies issued at 13 December 2012.

Yapı ve Kredi Bankası A.Ş. (YKB) is the main shareholder of the Company and holds the control of the company. YKB’s publicly traded shares are traded on the Borsa Istanbul (“BIST”) since 1987. As of 31 December 2022, approximately 32,03% of the shares of the Bank are publicly traded (31 December 2021: 32,03%).

As of 30 November 2019, according to the announcement on Public Disclosure Platform (“KAP”) , Koç Group and Unicredit (“UCG”) have reached a deal to exchange their shares in YKB and Koç Financial Services (“KFS”).

As of 05 February 2020, all the shares representing the capital of KFS are transferred to Koç Group in proportion to their shares in KFS. Koç Group, which did not have a direct share in YKB's capital prior to the transaction, now directly owned 40,95% by YKB's capital and 31.93% by UCG. Koç Group's total direct and indirect share in YKB's capital, which was 40.97% prior to the transaction, has increased by 9.02%. In addition, as of 6 February 2020, UniCredit also announced the placement of an 11.93% shares in Bank to institutional investors. The transaction has been completed on 13 February 2020. As a result UCG holds directly 20.00% of the Bank shares.

In 2021, UCG sold 2.00% of its shares in YKB on the stock exchange, and reached an agreement with Koç Group for the sale of the remaining 18.00% shares in accordance with the Bank Share Purchase Agreement signed on 30 November 2019. Accordingly, Koç Group has stated that it held its right to submit a preliminary bid for the YKB shares planned to be sold by UCG on November 9, 2021. The sale of the relevant shares was completed on April 1, 2022, and Koç Group's direct share ratio increased from 9.02% to 27.02%.

As of 31 December 2022, the Company has 144 employees (31 December 2021: 131). The Company operates predominantly in one geographical region (Turkey) and in one commercial segment (financial leasing). The main shareholder, Yapı ve Kredi Bankası A.Ş., holds the control of the Company.

The address of the registered office is Cömert Sokak No:1A D:18,19,20 Levent Mahallesi, Beşiktaş - İstanbul/Turkey.

Approval of the consolidated financial statements:

The consolidated financial statements for the period ended 31 December 2022 have been approved by the Board of Directors on 30 January 2023. General Assembly and other regulatory bodies have the right to amend the consolidated financial statements within legal framework.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Accounting standards

Company prepares its consolidated financial statements in thousands of Turkish Lira (TL) and in accordance with ‘Accounting Practices for Financial Leasing, Factoring and Financing Companies and Regulations for Financial Statements’ published by Banking Regulation and Supervision Agency in the Official Gazette dated 24 December 2013, numbered 28861; and in accordance with ‘Uniform Chart of Accounts for Financial Leasing, Factoring and Financing Companies’ from the same issue on Official Gazette and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and their additions and comments issued by the Public Oversight Accounting and Auditing Standards’ Authority (“POA”).

The consolidated financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair value. Company’s investment in the associate is recognized in equity method.

The preparation of consolidated financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or declared contingent assets and liabilities as of the balance sheet date and the amounts of income and expenses reported in the related period. These estimates are based on managements’ best judgements and information; however, actual results may vary from these estimates.

Additional Paragraph for convenience translation into English

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2022 and the differences between accounting principles have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2.2 Basis of presentation

2.2.1 Functional and presentation currency

Functional and presentation currency of the Company is Turkish Lira (“TL”).

2.2.2 Financial statement amendments in hyperinflation economies

On January 20, 2022, POA made a statement on the Implementation of Financial Reporting in High Inflation Economies within the scope of TFRS, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. In 2022, as of the reporting date, there has not been any further announcement regarding this issue; therefore, inflation adjustments have not been applied on the financial statements dated December 31, 2022 in accordance with TAS 29.

2.2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis of presentation (Continued)

2.2.4 Comparative figures and the reclassification to the financial statements of the prior period

In order to allow the determination of the financial position and performance trends, current year consolidated financial statements of the Company are prepared in comparative with the previous year the Company prepared its consolidated statement of financial position (balance sheet) as of 31 December 2022 in comparison with the consolidated statement of financial position (balance sheet) prepared as of 31 December 2021; prepared consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders’ equity between 1 January - 31 December 2022 in comparison with 1 January - 31 December 2021.

2.2.5 Basis of consolidation

Associate is an entity that the Company has significant influence over it. Significant influence indicates the power to participate the financial and operating policies of the invested company; however, it does not hold any control over these policies.

The Company’s investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Company’s share for the associate’s operations. Any change in the Income Statement of those investees is presented as part of the Company’s income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the share in the associate. The total of the Company’s share of profit or loss of an associate is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is an objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss in the Income Statement. (Note 11).

2.2.6 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively by restating the prior period financial statements. Changes in accounting policies regarding the first time application of a new TFRS is applied based on the first time application requirements of the relevant TFRS, if any, otherwise changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis of presentation (Continued)

2.2.7 Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2.2.8 Going concern

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

2.2.9 Segment reporting

Since the Company operates in a single business (financial lease), there is no segment reporting in the financial statements.

2.3 Amendments in standards and interpretations

2.3.1 Implementation of new or revised TAS and TFRS and interpretations

The Company adopted the standards, amendments and interpretations published by POA and which are mandatory for the accounting periods beginning on or after 1 January 2022.

a) Standards, amendments, and interpretations applicable as of 31 December 2022:

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to TAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Implementation of new or revised TAS and TFRS and interpretations (Continued)

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimate and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **TFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The new standards, amendments and interpretations to be effective as of 1 January 2023 are not expected to have a significant effect on the financial statements of the Company.

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

Cash and cash equivalents

For the purposes of the cash flow statement, 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 4).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

Related parties

For the purposes of these financial statements, shareholders who has the controlling power, key management personnel and Board of Directors, in each case together with companies controlled by/or affiliated with them or with their close family members, associated companies and other companies within Koç Holding A.Ş. group companies are considered and referred to as “related parties” (Note 21).

A related party is a person or entity (reporting entity) that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person’s family is considered to be associated with the reporting entity in the following cases:

If that person,

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Financial Leases

- (i) *As lessor*

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Interest income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The income which is not accrued yet is booked as unearned finance income. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

(ii) *As lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Financial instruments

Financial assets and liabilities are included in the balance sheet of the Company in case the Company is a legal party to those financial instruments.

a) *Non-derivative financial assets*

Non-derivative financial assets are classified and accounted for as “Cash and Cash Equivalents”, “Financial Assets at Fair Value through Profit and Loss”, and “Financial Assets at Fair Value through Other Comprehensive Income”. These financial assets are included or excluded accordingly to the section three “Recognition and Derecognition of Financial Instruments” of TFRS 9 Financial Instruments Standard that is published on POA and on Official Gazette numbered 29953 dated 19 December 2017. For the first time measurement of financial assets, except for “Financial Assets at Fair Value through Profit and Loss”, transaction costs are added to or deducted from the fair value. Financial assets arising from the purchase or sale of financial assets that are subject to a contract with the condition of delivery of financial instruments in accordance with the determined period by relevant market are recognized or derecognized at transaction date.

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.

b) *Financial assets measured at amortized cost*

Financial assets are classified as financial assets measured at amortized cost if the financial asset is held under a business model aiming to collect contractual cash flows and the terms of the contract for financial assets cause cash flows that include interest payments from principal and principal balances on certain dates.

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs incurred, following by the measurement of amortized cost using the Effective Rate of Interest (Internal Efficiency) ratio. Interest rates related to financial assets measured at amortized costs are presented in the Statement of Profit/Loss. As of 31 December 2022, the Company classified the receivables on financial leases and cash and cash equivalents at amortized cost in their financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

c) *Financial assets at fair value through other comprehensive income*

In addition to the collection of contractual cash flows of the financial asset and the retention of a financial asset in the context of a business model, the financial asset's fair value differs when the contractual terms of the financial asset lead to cash flows that include the payments of interest on the principal and principal balance on certain dates. Then, financial asset is classified as being reflected in other comprehensive income.

In financial statements, an irrevocable preference can be made to present subsequent changes in the fair value of an investment in an equity instrument that is not held for commercial purposes in other comprehensive income. If this preference is made, the valuation differences are classified as not to be reclassified to profit or loss. Dividends obtained from investments recognized as profit or loss in the financial statements.

d) *Impairment of financial assets*

A loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income.

Measurement of the expected credit losses reflects:

- Time value of money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

Within the scope of the "Regulation on the Amendment of the Regulation on 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 IFRS 9, provided that they notify the BRSA. The effective date of the regulation was arranged as 30 September 2018. In this context, the Company has chosen to apply the expected credit loss provision calculation model within the scope of IFRS 9 for its receivables from financial leasing transactions, which is defined in Article 6/A of the regulation and has started to apply the expected loan loss provision calculation model for financial lease receivables as of 1 January 2019. The model is based on the "3-stage" impairment model based on the change in credit quality after the initial recognition.

e) *Financial liabilities*

The Company's financial liabilities and equity instruments are classified according to the definition of a contractual arrangement, a financial liability and a tool based on equity. The contract, which represents the right of remaining assets after deducting all debts of the Company, is a financial instrument based on equity.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities are initially recognized at cost, net of transaction costs, and are measured at amortized cost in subsequent periods.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

f) Derivative financial instruments

The operations of the Company expose it to the financial risks primarily due to exchange rate and interest rate fluctuations. Company’s future currency and credit transactions and any financial risks arising from currency fluctuations from these transactions will be prevented by financial derivative instruments to manage the risk.

Derivative financial instruments are measured at fair value at the date of the contract and are recalculated at fair value at subsequent reporting periods. Derivative financial instruments are designated as hedge and accordingly the change in the fair value of these derivative transactions is related to the current period income.

The fair value of swap purchase contracts is calculated by discounted cash flow method.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its “fair market value”. As of 31 December 2022 and 31 December 2021 assets held for sale are stated at their book values.

Recognition of income and expenses

(i) Lease income

Interest and commissions from finance lease transactions are recognized on an accrual basis in profit or loss depending on the duration of the contracts.

(ii) Interest income

Interest income received from banks is accounted for on an accrual basis.

(iii) Dividend income

Dividend income is recognized on an accrual basis when the Company is entitled to receive a dividend payment.

(iv) Gains and losses from foreign exchange transactions

Gains/(losses) from foreign exchange transactions are comprised of foreign exchange gains/losses arising from the translation of monetary assets and liabilities that are indexed to foreign currency transactions and are recognized in profit or loss on an accrual basis.

(v) Financing expenses

Finance expense includes interest expense on issued loans, interest on issued securities and fees and commissions paid and is recognized in profit or loss on an accrual basis.

(vi) Other income and expenses

Other income and expense are accounted on accrual basis.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at period-end exchange rates.

Property and equipment and Intangible assets

All property and equipment are carried at cost, restated equivalent to purchasing power at 31 December 2004, less depreciation. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method over its estimated useful life as follows:

Furniture and fixtures	5-10 years
Machinery, equipment and installations	6 years
Leasehold improvements	Contract term or useful life
Right of used assets	1-3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on the disposal of premises and equipment are determined in reference to their carrying amounts and are taken into account in determining operating profit.

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases. Intangible assets are amortised on a straight-line basis over 3-5 years.

Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have any control or joint control over those policies

The Company’s investment in its associate is accounted for using the equity method.

Employee termination benefits

(i) Provision for employee termination benefits

Provision for employee termination benefit that arising from retirement of employees calculated by the present value of the probable obligation in accordance with the Turkish Labor Law. As it is earned by employees, it is calculated on accrual basis and recognized in the financial statements. The amount of liability is calculated based on the severance pay ceiling announced by the government.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

TAS 19, “Turkish Accounting Standard Related to Employee Benefits”, foresees companies to calculate the current value of their probable liabilities by using actuarial valuation methods. Therefore, the current value of Company’s probable liability is calculated by using the estimates shown in the table below:

	31 December 2022	31 December 2021
Discount rate (%)	0,55	4,45
Turnover rate to estimate the probability of retirement (%)	94,96	94,96

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate represents the expected real rate after adjusting for the anticipated effects of future inflation. Company has used the upper limit amounting full TL 19.982,83 from 1 January 2023 (1 January 2022: full TL 10.848,59).

(ii) Provision for unused leave

In accordance with the existing labour 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 leave days over the prevailing wage at the date the contract is terminated.

(iii) Bonus payments

The Company takes the profitability, the budget performance and the performance criterias into account when recording the bonus payments as liability and expense. The Company also reserves provisions in cases that create a contractual obligation or implied obligation.

Provisions, contingent assets and liabilities

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognised 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 specified 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 assessments 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. In determining the discount rate to be used in reducing the provisions to their present value, the interest rate on the relevant market and the risk related to the related obligation are taken into consideration. Contingent assets are disclosed in the notes and not recognised unless they are realized.

Taxation on income

Corporate income tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in operating expenses.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

Corporate tax is subject to offsetting when a legal right exists about netting off the current tax assets/liabilities or when they are related to the corporate tax collected by the same tax regulator. (Note 19).

Deferred tax

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related declarations of the BRSA concerning this standard. In the deferred tax calculation, in accordance with the tax legislation, the tax rate enacted as of the balance sheet date is used.

The main items forming the temporary differences consist of valuation differences of financial instruments, differences between the carrying amount of the tangible assets and their tax value, provision for doubtful receivables and allowances for employee benefits.

The Company calculates the deferred tax on the provision for doubtful receivables added to the corporate tax base, assuming that future receivables will be taxable through future collection and/or sale.

Deferred tax assets or deferred tax liabilities are recognized at the estimated amount that they will increase or decrease future tax payable in the periods where temporary differences will disappear. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Deferred tax assets or deferred tax liabilities are recognized at the estimated amount that they will increase or decrease future tax payable in the periods where temporary differences will disappear. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised (Note 19).

Share capital and dividends

Ordinary shares are classified as capital. Dividends on ordinary shares are recognised in the period in which they are declared.

Finance lease income (Sales income)

Initial value of the assets which are subject to leasing transaction is recognised as leasing receivables in the balance sheet. The excess of aggregate contract lease rentals, over the original cost of related equipment, represents the total revenue to be recognised over the term of the lease. The revenue is recognised in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Earnings per share

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation fund. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period (Note 20).

Subsequent events

Subsequent events refer to the events that occur in favour or against the Company between the reporting date and the authorization date for issuance of the financial statements. In accordance with TAS 10 'Turkish Accounting Standards for Events Occurred After the Reporting Period (Balance Sheet Date)' the Company adjusts its financial statements if there is any evidence that incidents in subject may occur or if there is any incidents occurred after the reporting date. If the financial statements do not need any adjustment, the Company explains the relevant events in the notes (Note 25).

Statement of cash flows

The Company prepares its cash flow statement to provide information to financial statement users about the ability of collimating in changes in net assets, financial structure and amount and timing of cash flows according to changed conditions.

In the cash flow statement, cash flow for the period are classified and reported in a format based on the operating, investing and financing activities. Cash flows from operating activities reflect cash flows generated from within the company's field of activity. Cash flows from investing activities represent cash flows from investing activities the Company uses in its investing activities (fixed investments and financial investments). Cash flows from financing activities represent the resources the Company uses in its financing activities and the repayments of those resources.

2.5 Significant accounting judgements, estimates and assumptions

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

Preparation of the financial statements requires estimates and judgments about 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.

The significant estimates and assumptions the Company uses in preparing its consolidated financial statements are explained below:

Expected credit losses for financial assets

Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. Expected credit loss refers to the calculation made to estimate the loss to be incurred in the event of a default of a financial instrument and is based on a 3-stage impairment model based on change in credit quality.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Significant accounting judgements, estimates and assumptions (Continued)

Provisions for other cases filed against and continuing cases

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognised 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. As of 31 December 2022, the Company has made lawsuit provision amounting TL 104.049 (31 December 2021: TL 73.875) (Note 13).

Recognition of deferred tax asset

Deferred tax assets can be recorded to the extent that such tax benefit is probable. The amount of future taxable profits and future possible tax benefits is based on forecast forecasts that the Company will profit in the following periods. The business plan is based on the Company's reasonable expectations in such circumstances.

Company, records for deferred tax assets from provision of doubtful receivables in accordance with the ‘Regulations and Accounting Practices on Financial Statements for Financial Leasing, Factoring and Financing Companies’ established by BRSA issue numbered 28861 at 24 December 2013. Company foresees that deferred tax assets that it has created over the provision for doubtful receivables can be used as a deduction for tax purposes in future periods and that it can benefit from the tax advantage. Deferred tax assets of the Company as of 31 December 2022 is TL 213.028 (31 December 2021: TL 221.065 deferred tax asset).

3. DERIVATIVE FINANCIAL ASSETS

	Nominal amount	Fair value	
		Assets	Liabilities (-)
31 December 2022			
Trading derivative financial assets			
Currency swap (Note 24)	1.977.454	3.649	(145.655)
Total	1.977.454	3.649	(145.655)
31 December 2021			
Trading derivative financial assets			
Currency swap (Note 24)	1.219.636	-	(217.488)
Total	1.219.636	-	(217.488)

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4. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Due from banks	1.483.236	230.252
- <i>time deposits</i>	1.428.433	217.360
- <i>demand deposits</i>	54.803	12.892
Expected credit loss provision(-)	(19.366)	(3.006)
	1.463.870	227.246

As of 31 December 2022, Company's time deposit maturities are less than 3 month, and the interest rates are shown in Note 21. As of 31 December 2022 accruals on time deposit is TL 378 (31 December 2021: time deposits with less than 1 month maturity with an accrual of TL 2).

For the purposes of cash flow statements, cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Due from banks	1.483.236	230.252
Interest accruals (-)	(378)	(2)
	1.482.858	230.250

As of 31 December 2022, the Company has no blocked deposits (31 December 2021: None).

The distribution of the Company's demand deposits in terms of currencies as of 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022 Amount (TL Equivalent)	31 December 2021 Amount (TL Equivalent)
USD	23.227	379
EUR	11.482	3.927
TL	10.126	1.264
CHF	9.843	7.280
GBP	125	42
Total	54.803	12.892

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4. CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2022 and 31 December 2021, the currency of the time deposits of the Company is presented below:

	31 December 2022			31 December 2021		
	Maturity	Amount (TL Equivalent)	Per-annum rate (%)	Maturity	Amount (TL Equivalent)	Per-annum rate (%)
EUR	2 January 2023	747.559	0,01	-	-	-
USD	2 January 2023	224.392	1,00	-	-	-
USD	24 January 2023	187.144	3,50	-	-	-
USD	2 January 2023	142.107	0,10	-	-	-
USD	3 January 2023	112.626	2,50	-	-	-
CHF	27 January 2023	10.101	0,01	-	-	-
TL	2 January 2023	4.504	15,00	-	-	-
USD	-	-	-	3 January 2022	100.318	0,05
EUR	-	-	-	3 January 2022	91.324	0,01
CHF	-	-	-	18 January 2022	9.602	0,01
CHF	-	-	-	3 January 2022	7.908	0,01
GBP	-	-	-	17 January 2022	6.108	0,10
TL	-	-	-	3 January 2022	2.100	18,50
Total		1.428.433			217.360	

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NET)

	31 December 2022	31 December 2021
Financial assets at fair value through other comprehensive income	152	152
	152	152

As of 31 December 2022 and 2021, the details of financial assets at fair value through other comprehensive income are as follows:

Company	31 December 2022		31 December 2021	
	Amount	Share (%)	Amount	Share (%)
Yapı Kredi Bank Azerbaycan Closed Joint Stock Company	109	<1	109	<1
Yapı Kredi Faktoring A.Ş.	19	<1	19	<1
Yapı Kredi Yatırım Menkul Değerler A.Ş.	14	<1	14	<1
Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş.	10	4,9	10	4,9
	152		152	
Less: Provision for impairment (-)	-		-	
	152		152	

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6. FUNDS BORROWED

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Original currency	TL	Effective interest rate (%)	Original currency	TL
Domestic banks:						
<i>Fixed rate borrowings:</i>						
-TL	16,4	4.299.214	4.299.214	18,9	2.149.949	2.149.949
-EUR	6,4	102.327	2.039.879	2,8	166.188	2.440.016
-USD	8,1	22.930	428.759	2,9	90.422	1.173.456
<i>Floating rate borrowings:</i>						
-USD	7,1	64.897	1.213.459	3,3	53.733	697.318
-EUR	4,1	27.302	544.267	2,7	33.506	491.951
-TL	21,6	408.918	408.918	-	-	-
Total domestic banks			8.934.496			6.952.690

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Original currency	TL	Effective interest rate (%)	Original currency	TL
Foreign banks:						
<i>Fixed rate borrowings:</i>						
- EUR	2,3	91.153	1.817.119	2,4	145.744	2.139.852
- USD	6,8	14.498	271.097	-	-	-
- CHF	-	-	-	-	-	-
<i>Floating rate borrowings:</i>						
- USD	8,2	225.934	4.224.574	3,4	107.374	1.393.441
- EUR	3,8	209.387	4.174.108	2,3	135.712	1.992.568
- CHF	0,6	1.158	23.389	0,6	2.315	32.696
Total foreign banks			10.510.287			5.558.557
Total			19.444.783			12.511.247

	31 December 2022	31 December 2021
Short term borrowings	3.369.590	4.157.887
Short term portion of long term borrowings	6.393.539	2.230.823
Total short term financial liabilities	9.763.129	6.388.710
Long term borrowings	9.681.654	6.122.537
Total financial liabilities	19.444.783	12.511.247

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6. FUNDS BORROWED (Continued)

Maturities of the financial liabilities as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
To be paid in 1 year	9.763.129	6.388.710
To be paid in 1-2 years	4.229.506	3.104.958
To be paid in 2-3 years	3.606.313	1.685.327
To be paid in 3-4 years	716.231	744.487
To be paid in 4-5 years	561.764	287.574
To be paid in 5-6 years	446.253	179.312
To be paid in 6-7 years	121.587	107.702
To be paid after 7 years	-	13.177
	19.444.783	12.511.247

The movement table of the Company's loans for the period 1 January - 31 December 2022 is presented below.

	2022	2021
Beginning of the period - 1 January	12.511.247	8.510.755
Loans and securities issued during the period	13.543.879	7.888.286
Loans paid during the period and securities issued (-)	(10.399.912)	(7.965.027)
Accruals on interest and exchange differences	3.789.569	4.077.233
End of the period - 31 December	19.444.783	12.511.247

7. OTHER LIABILITIES

The details of Company's other liabilities of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Trade payables (*)	1.384.838	990.540
Advances received (**)	612.311	540.734
Insurance payables	38.284	25.820
Taxes and liabilities payable (Note 19)	7.687	11.896
Other payables	93	1.661
	2.043.213	1.570.651

(*) Trade payables are mainly related with the purchase of fixed assets from domestic and foreign suppliers regarding the financial lease agreements with respect to the assets subject to financial leasing.

(**) The advances received have been collected from the financial leasing customers as part of financial leasing contracts and as of the balance sheet date, they are classified under other liabilities in the statement of financial position. The related amounts are deducted from the financial lease receivables of the related customers in the following periods.

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8. LEASE RECEIVABLES

	31 December 2022	31 December 2021
Lease receivables	24.309.424	17.523.922
Invoiced lease receivables	56.786	56.374
Gross lease receivables	24.366.210	17.580.296
Unearned interest income (-)	(4.313.896)	(2.579.793)
Lease receivables	20.052.314	15.000.503
Doubtful lease receivables	500.902	437.826
Expected credit loss provision- Stage 1 (-)	(143.581)	(106.069)
Expected credit loss provision- Stage 2 (-)	(255.160)	(248.870)
Expected credit loss provision- Stage 3 (-)	(367.751)	(343.226)
Financial Assets Measured at Amortised Cost (Net)	19.786.724	14.740.164

As of 31 December 2022 and 2021, finance lease receivables can be analysed according to their interest types as follows:

	31 December 2022	31 December 2021
Fixed rate	23.505.382	16.883.322
Floating rate	860.828	696.974
	24.366.210	17.580.296

The maturity of finance lease receivables as of 31 December 2022 and 31 December 2021 is as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	Gross	Net	Gross	Net
Period End				
Due within 1 year	9.407.531	7.427.529	6.687.271	5.467.23
Due within 1 to 2 years	6.762.164	5.554.513	4.412.366	3.710.566
Due within 2 to 3 years	4.190.686	3.643.263	2.988.216	2.628.974
Due within 3 to 4 years	2.353.151	2.130.377	1.717.007	1.551.235
Due within 4 to 5 years	958.447	886.479	1.045.747	960.850
Due in more than 5 years	694.231	590.153	729.689	681.639
	24.366.210	20.052.314	17.580.296	15.000.503

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8. LEASE RECEIVABLES (Continued)

Net finance lease receivables can be analysed as follows:

	31 December 2022	31 December 2021
Stage 1	19.286.943	14.113.027
Stage 2	765.371	887.476
Stage 3	500.902	437.826
Gross finance lease receivables	20.553.216	15.438.329
Expected credit loss provision- Stage 1 (-)	(143.581)	(106.069)
Expected credit loss provision- Stage 2 (-)	(255.160)	(248.870)
Expected credit loss provision- Stage 3 (-)	(367.751)	(343.226)
Net finance lease receivables	19.786.724	14.740.164

Past due but not impaired invoiced lease receivable as follows:

	31 December 2022		31 December 2021	
	Invoiced Amount	Remaining Principal	Invoiced Amount	Remaining Principal
0-30 days	35.424	218.851	28.150	178.779
30-60 days	19.417	159.119	25.743	221.092
60-90 days	1.945	14.548	2.481	13.615
	56.786	392.518	56.374	413.486

TL 24.071 of past due but not impaired invoiced lease receivables is followed-up by the Company through the watch list. Remaining principal amount of the same lease receivables amounting to TL 230.122 is also followed-up through the watch list (31 December 2021: TL 9.092 invoiced amount, TL 168.977 remaining principal).

The movement schedule of the total special and general provisions for finance lease receivables is as follows:

	2022	2021
Beginning of the period - 1 January	698.165	567.971
Provision for impairment	242.717	311.624
Recoveries of amounts previously provided for (-)	(174.390)	(114.499)
Write-off (-) (*)	-	(66.931)
End of the period - 31 December	766.492	698.165

(*) As of December 31, 2021, receivables with 100% provision of TL 66.931 is written off within the scope of Official Gazette numbered 30961, effective from 19 July 2019, dated November 27, 2019. Accounting Practices of Financial Leasing, Factoring and Financing Companies that have entered into force with the Regulation on the Amendment of the Regulation on the Financial Statements It is written off within the scope of TFRS 9 in accordance with article 4/A regarding write-off.

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8. LEASE RECEIVABLES (Continued)

Reconciliation of impairment allowance account for losses on finance lease receivables by stage as of 31 December 2022 and 31 December 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January 2022	106.069	248.870	343.226	698.165
Additions	44.694	78.755	54.170	177.619
Disposals	(39.069)	(58.112)	(77.211)	(174.392)
Transfers	(579)	(36.236)	36.815	-
Transfer from Stage 1 to Stage 2	(579)	579	-	-
Transfer from Stage 2 to Stage 3	-	(36.815)	36.815	-
Write-off	-	-	-	-
Currency translation differences	32.466	21.883	10.751	65.100
End of the period - 31 December 2022	143.581	255.160	367.751	766.492
	Stage 1	Stage 2	Stage 3	Total
Beginning of the period - 1 January 2021	52.226	185.204	330.541	567.971
Additions	38.598	118.985	51.744	209.327
Disposals	(5.954)	(37.635)	(70.910)	(114.499)
Transfers:	(10.938)	(74.933)	85.871	-
Transfer from Stage 1 to Stage 2	(10.938)	10.938	-	-
Transfer from Stage 2 to Stage 3	-	(85.871)	85.871	-
Write-off	-	-	(66.931)	(66.931)
Currency translation differences	32.137	57.249	12.911	102.297
End of the period - 31 December 2021	106.069	248.870	343.226	698.165

Finance lease receivables are classified in Stage 3 as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022		31 December 2021	
	Total doubtful receivables	Provisions (-)	Total doubtful receivables	Provisions (-)
Maturity 0-3 months overdue	4.083	(3.866)	50.307	(31.610)
Maturity 3-6 months overdue	126.582	(32.189)	2.831	(2.442)
Maturity 6-12 months overdue	7.267	(6.887)	95.058	(83.293)
Maturity 1 year and above	362.970	(324.809)	289.630	(225.881)
	500.902	(367.751)	437.826	(343.226)

As of 31 December 2022, total collateral received from customers for financial leasing is TL 15.398.601 (31 December 2021: TL 10.815.175).

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8. LEASE RECEIVABLES (Continued)

Industrial concentration for the gross finance lease receivables as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	(%)	31 December 2021	(%)
Construction	3.429.251	14	2.759.461	16
Energy	3.412.118	14	3.546.413	20
Textile	3.380.600	14	2.270.155	13
Steel and mining	3.306.767	14	1.762.535	10
Real Estate	2.285.884	9	1.686.385	10
Transportation and Communication	2.190.460	9	1.494.287	8
Petroleum and Chemistry	1.303.704	5	868.014	5
Machinery and Equipment	1.062.950	4	805.943	5
Automotive	792.387	3	205.264	1
Printing	744.393	3	480.813	3
Health	575.442	2	636.588	4
Food	509.386	2	331.068	2
Tourism	392.999	2	104.559	1
Wholesale and retail trade	309.977	2	169.262	1
Other	669.892	3	459.549	1
	24.366.210	100	17.580.296	100

Lease receivable consists of leases to be collected during the lease period. In accordance with the lease agreements with the lessees, the ownership of the leased items is delivered to the lessees at the end of the lease term.

Company has terminated some of its lease agreements due to inability of payment by its clients or similar economic reasons. Assets related to these agreements may be re-rentable to the same client or to a third party.

9. PROPERTY AND EQUIPMENT

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Furniture and fixtures	485	9	-	494
Leasehold improvements	981	32	-	1.013
Machinery, equipment and installations	3.156	1.938	(38)	5.056
Right of used assets	12.244	6.618	-	18.862
	16.866	8.597	(38)	25.425
Accumulated depreciation (-):				
Furniture and fixtures	(454)	(29)	-	(483)
Leasehold improvements	(878)	(39)	-	(917)
Machinery, equipment and installations	(1.933)	(509)	23	(2.419)
Right of used assets	(8.922)	(4.539)	-	(13.461)
	(12.187)	(5.116)	23	(17.280)
Net book value	4.679	3.481	(15)	8.145

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9. PROPERTY AND EQUIPMENT (Continued)

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Furniture and fixtures	485	-	-	485
Leasehold improvements	912	69	-	981
Machinery, equipment and installations	3.018	138	-	3.156
Right of used assets	7.722	4.522	-	12.244
	12.137	4.729	-	16.866
Accumulated depreciation (-):				
Furniture and fixtures	(416)	(38)	-	(454)
Leasehold improvements	(802)	(76)	-	(878)
Machinery, equipment and installations	(1.535)	(398)	-	(1.933)
Right of used assets	(5.666)	(3.256)	-	(8.922)
	(8.419)	(3.768)	-	(12.187)
Net book value	3.718			4.679

As of 31 December 2022, there is no pledge on the assets of the Company. (31 December 2021: None).

10. INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Rights	43.536	14.446	-	57.982
	43.536	14.446	-	57.982
Accumulated depreciation (-):				
Rights (-)	(29.959)	(6.242)	-	(36.201)
	(29.959)	(6.242)	-	(36.201)
Net book value	13.577	8.204	-	21.781
	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Rights	35.876	7.660	-	43.536
	35.876	7.660	-	43.536
Accumulated depreciation (-):				
Rights (-)	(24.047)	(5.912)	-	(29.959)
	(24.047)	(5.912)	-	(29.959)
Net book value	11.829	1.748		13.577

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11. EQUITY INVESTMENTS

Company name	31 December 2022		31 December 2021	
	Amount	Share (%)	Amount	Share (%)
Allianz Yaşam ve Emeklilik A.Ş.	654.969	19,93	425.657	19,93
	654.969		425.657	

The movements of the subsidiarys in the Company's financial statements for the years ended 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
Beginning of the period - 1 January	425.657	359.544
Shares from profit of subsidiarys	235.529	138.582
Shares of subsidiarys' equity	70.500	(21.657)
Eliminated dividend income (-)	(76.717)	(50.812)
End of the period - 31 December	654.969	425.657

The Company has acquired 115.574.715 shares with a full nominal value of TL11,557 representing 19.93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. for full TL 188,108 on 12 July 2013. The Company has accounted for the equity method within the framework of the accounting policies stated in Note 2 in the financial statements of Allianz Yaşam ve Emeklilik A.Ş. which is its associate.

The details of the Company's shares received from participation profits in the accounting periods ending on 31 December 2022 and 31 December 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Shares from profits of investments valued by equity method		
Shares from profit of subsidiarys (*)	235.529	138.582
	235.529	138.582

(*) The total of TL 235.529 (31 December 2021: TL 138.582) that the Company has received from the profit of its subsidiary in the accounting period ended 31 December 2022. It is presented in the profit or loss statement for the accounting period ended 31 December 2021 under the item "Shares Received from Profits of Investments Valued by the Equity Method".,

The fair value difference of Allianz Yaşam ve Emeklilik A.Ş. is presented in "Other comprehensive income or expense that will be reclassified subsequently to profit or loss" under Statement Of Changes In Equity.

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12. OTHER ASSETS

The details of the Company's other assets as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Advances given for leasing transactions	2.086.748	832.139
Ongoing investments subject to lease	1.584.392	1.310.137
Prepaid financing expenses	156.986	55.768
Transferred VAT	42.523	-
Cash collateral given to Takasbank	40.304	17.740
Prepaid insurance expenses	29.665	18.077
Prepaid operating expenses	9.549	5.082
Other	114	1.967
	3.950.281	2.240.910

13. PROVISIONS

a) Other provisions

Details of other provisions as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Legal provisions	104.049	73.875
Provision for resource utilization support fund and provision on leasing of registered assets	8.699	8.699
Provision for personnel bonuses	23.048	6.314
Other provisions	24.834	5.583
Total	160.630	94.471

The Company has provided for a total provision of TL 104.049 against certain pending legal cases as of 31 December 2022 (31 December 2021: TL 73.875).

The movement of provisions for legal proceedings for the period ending 31 December 2022 and 31 December 2021 is as follows:

	2022	2021
Beginning of the period - 1 January	73.875	44.778
Current period provision, (canceled allowance during the period, net (Note 16))	30.174	29.626
Reversal of provision during the period (-)	-	(529)
End of the period - 31 December	104.049	73.875

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13. PROVISIONS (Continued)

b) Provisions for employee benefits

	31 December 2022	31 December 2021
Provision for employment termination benefits	23.812	8.207
Provision for unused leave	3.255	1.493
	27.067	9.700

Movements of the provision for employment termination benefits as of 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
Beginning of the period - 1 January	8.207	5.806
Service cost & Interest cost	1.513	802
Paid during the period (-)	(739)	(764)
Actuarial loss	14.831	2.363
End of the period - 31 December	23.812	8.207

14. SHAREHOLDERS' EQUITY

At 31 December 2022 and 31 December 2021, the shareholder's of the Company and their share capitals with historical amounts are as follows:

	31 December 2022		31 December 2021	
	Amount	Share (%)	Amount	Share (%)
Yapı ve Kredi Bankası A.Ş.	389.904	99,99	389.904	99,99
Other	24	0,01	24	0,01
Share capital	389.928	100,00	389.928	100,00
Share capital adjustment differences (-) (*)	(34.600)		(34.600)	
	355.328		355.328	

(*) Share capital adjustment differences represent the difference between total amount of capital adjusted in respect of inflation and the capital amount before inflation adjustment.

Share capital of the Company consists of 389.927.705 authorized shares with a nominal value of full TL1 each.

The Company's registered capital ceiling is TL 389.928 (31 December 2021: TL 389.928).

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14. SHAREHOLDERS’ EQUITY (Continued)

Profit reserves, retained earnings

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Profit distribution

In accordance with the Law No. 5228 on “Amending Certain Tax Laws” published in the Official Gazette dated 31 July 2004 and numbered 25539, it has become possible for costs arising from inflation differences of equity items occurring during the first adjustment of financial statements according to inflation and monitored in “Retained earnings/losses” to be offset with accumulated losses occurring as a result of the adjustment or to be added to the capital by corporate tax payers; and these transactions are not considered as profit distribution.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. As of 31 December 2022 the Company has deferred tax income amounting TL 12.081 associated with the deferred tax asset (31 December 2021: TL 92.833).

The Company did not distribute dividends in 2022 and 2021.

15. LEASE PAYABLES

	31 December 2022		31 December 2021	
	Gross	Net	Gross	Net
Less than 1 year	5.298	4.545	2.782	2.175
1-4 years	1.209	1.137	1.225	1.063
Total	6.507	5.682	4.007	3.238

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16. OPERATING EXPENSES AND PROVISION EXPENSES

Operating expenses for the period ended 31 December 2022 and 31 December 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	96.683	50.172
Donation expenses	20.502	3.858
Amortization expenses (note 9 and 10)	11.358	9.680
Audit and advisory expenses	11.042	5.477
Computer maintenance and repair expenses	6.027	2.765
Taxes and duties expenses	2.994	2.525
Transportation expenses	1.283	458
Insurance expenses	915	542
Marketing and advertising expenses	688	381
Communication expenses	376	312
Office management expenses	180	117
Litigation expenses	136	140
Other	6.819	3.335
	159.003	79.762

Provision expenses for the period ended 31 December 2022 and 31 December 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Other provision expenses		
Provision for legal proceedings	30.174	29.626
Other	219	330
	30.393	29.956

17. EXPLANATIONS ON FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fee	853	266
Total^(*)	853	266

(*) Value added tax (VAT) excluded amounts are presented

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18. OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Recoveries from prior periods’ provisions for lease receivables	174.535	118.973
Gain on sale of property and equipment	5.156	2.916
Other	9.584	289
	189.275	122.178

19. TAX ASSETS AND LIABILITIES

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on “Amendment of Law on Collection Procedure of Public Receivables and Certain Laws” published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. Standard corporate tax rate for financial sector is increased to 25% starting from the declarations as of July 1, 2022 and to be valid for the taxation periods of 2022 according to the Law numbered 7394 published in the Official Gazette No.31810 dated April 15, 2022. Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case. Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to office that they relate.

Authorities may review the accounting records within five years, and if incorrect transaction is detected, the tax amounts may change due to the tax assessment to be made. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. However, tax losses cannot be carried back to offset profits from previous periods.

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19. TAX ASSETS AND LIABILITIES (Continued)

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the regulation made with the Law No. 7352 dated 20 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; will not be subject to inflation adjustment as of the provisional tax periods, and the TPL financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in Tax Procedure Law financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base.

The Company has paid taxes on the advance payments in the current period as of 31 December 2022 and 31 December 2021.

	31 December 2022	31 December 2021
Corporate taxes payable (-)	(173.354)	(210.404)
Prepaid taxes	134.972	81.357
Current period tax asset/(liabilities)	(38.382)	(129.047)

Details of tax and other liabilities to be paid as of 31 December 2022 and 31 December 2021 are as follow:

	31 December 2022	31 December 2021
VAT payable	177	8.193
Employee SSI premium payable	3.480	1.050
Other taxes	4.030	2.653
Other tax payables and liabilities (*)	7.687	11.896

(*) Other taxes and liabilities payable are classified under Other Liabilities in the statement of financial position prepared as of 31 December 2022 and 31 December 2021.

Taxes reflected on the income statement are summarized below for the periods ending as of 31 December 2022 and 31 December 2021:

	1 January - 31 December 2022	1 January - 31 December 2021
Current tax expense (-)	(173.354)	(210.404)
Cancellation effect of the prior period's corporate tax provision	12.625	1.546
Deferred tax income/(expense)	(12.081)	92.833
Total tax expense (-)	(172.810)	(116.025)

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19. TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before taxes	1.009.948	574.495
Theoretical tax expense (-)	(252.487)	(143.624)
Investments’ effect of non taxation of shares using equity method	58.882	34.646
Effect of change in tax rate	20.795	(7.047)
Current year tax expense (-)	(172.810)	(116.025)

Deferred taxes

Calculated deferred tax assets and deferred tax liabilities are presented as net on the financial statements.

Deferred tax assets and liabilities calculated on accumulated temporary differences subject to deferred taxation as of 31 December 2022 and 31 December 2021 are reflected in the consolidated financial statements prepared using the applicable tax rates effective for the periods when the realization of the assets or liabilities are expected to be fulfilled.

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2022 and 31 December 2021 are as follows:

	<u>Total temporary differences</u>		<u>Deferred tax assets/ (liabilities)</u>	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets				
Provision for doubtful receivables	475.823	469.376	118.956	99.780
Temporary differences between carrying value and tax base of financial leases	185.514	245.539	46.378	54.894
Derivative financial instruments valuation differences	142.007	217.488	35.502	48.151
Provision for legal proceedings (Note 13)	104.049	73.875	26.012	14.757
Other	107.588	69.462	26.898	14.487
Deferred tax assets			253.746	232.069
Deferred tax liabilities				
Valuation difference on financial liabilities (-)	(161.326)	(51.474)	(40.332)	(10.665)
Temporary differences on property, equipment and intangible assets (-)	(1.544)	(1.476)	(386)	(339)
Deferred tax liabilities (-)			(40.718)	(11.004)
Deferred tax assets/(liabilities), net			213.028	221.065

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19. TAX ASSETS AND LIABILITIES (Continued)

Movement of the deferred tax asset during the year is as follows:

	2022	2021
Beginning balance - 1 January	221.065	127.759
Deferred tax income/(expense) accounted in the profit or loss	(12.081)	92.833
Deferred tax accounted in other comprehensive income	4.044	473
End of the period - 31 December	213.028	221.065

20. EARNINGS PER SHARE

	1 January - 31 December 2022	1 January - 31 December 2021
Net income for the period	837.138	458.470
Weighted average number of outstanding shares with a nominal value of full TL1	389.927.705	389.927.705
Earnings per share (full TL)	2,1469	1,1758

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Balance sheet items

	31 December 2022	31 December 2021
Banks		
Demand deposit		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	45.632	11.561
Yapı Kredi Bank Nederland N.V.	-	1
Time deposit		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	904.267	214.520
	949.899	226.082

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Finance lease receivables and ongoing investment:

	31 December 2022	31 December 2021
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	196.743	-
Koç Üniversitesi	59.312	68.610
Moment Eğitim Araştırma Sağlık Hizm.ve Tic. A.Ş.	57.838	69.435
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	23.726	2.002
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş.	13.889	21.605
Vetamerikan Veterinerlik Hizmetleri Ticaret A.Ş.	8.715	-
Defaş Madencilik Sanayi ve Ticaret A.Ş.	7.424	9.800
Yapı ve Kredi Bankası A.Ş. (Ortak)	5.214	128
Türk Traktör ve Ziraat Makineleri A.Ş.	3.573	3.210
Simit & Smith İstanbul Gıda Üretim ve Tic. A.Ş.	1.356	2.065
Halikarnas Özel Sağlık Hizmetleri ve Sağlık Malz. San. ve Tic. A.Ş.	615	2.636
Sendeo Dağıtım Hizmetleri A.Ş.	329	-
Momentum Sağlık Turizm ve Catering Hizmetleri Ticaret A.Ş.	281	862
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	-	174
Demir Export A.Ş.	-	938
	378.856	181.465

Finance lease receivables and ongoing investment:

	31 December 2022	31 December 2021
Funds borrowed		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	772.520	540.638
Unicredito Italiano Spa	-	516.955
Unicredit Bank AG	-	31.596
	750.490	1.089.189

Trade payables:

	31 December 2022	31 December 2021
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	348	278
Yapı Kredi Plaza Bina Yönetimi	161	-
Zer Merkezi Hiz. Ticaret A.Ş.	158	3
Opet Petrolcülük A.Ş.	47	20
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş.	6	-
Kredi Kayıt Bürosu A.Ş.	4	3
Allianz Yaşam ve Emeklilik A.Ş.	3	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	1	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	1
	728	305

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Lease Payables (net)

	31 December 2022		31 December 2021	
	Gross	Net	Gross	Net
Yapı ve Kredi Bankası A.Ş. (Shareholder)	2.763	2.601	1.742	1.640
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	3.744	3.081	2.265	1.598
	6.507	5.682	4.007	3.238

Off-balance sheet items

Guarantee letters received:

	31 December 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (Shareholder)	-	618
	-	618

Trading derivative financial assets/(liabilities)

	31 December 2022	31 December 2021
Yapı ve Kredi Bankası A.Ş. (Shareholder)	(13.851)	-
	(13.851)	-

Income statement items

Financial lease interest income

	1 January - 31 December 2022	1 January - 31 December 2021
Moment Eğitim Araştırma Sağlık Hizm.ve Tic.A.Ş.	14.043	7.977
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	9.762	-
Koç Üniversitesi	9.424	8.296
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş.	2.568	3.576
Defaş Madencilik Sanayi ve Ticaret A.Ş.	1.072	1.341
Yapı ve Kredi Bankası A.Ş. (Shareholder)	866	19
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	414	25
Simit & Smith İstanbul Gıda Üretim ve Tic. A.Ş.	344	312
Türk Traktör ve Ziraat Makineleri A.Ş.	272	167
Vetamerikan Veterinerlik Hizmetleri Ticaret A.Ş.	262	-
Halikarnas Özel Sağlık Hizmetleri ve Sağlık Malzemeleri San. ve Tic. A.Ş.	204	798
Momentum Sağlık Turizm ve Catering Hizmetleri Ticaret A.Ş.	120	123
Sendeo Dağıtım Hizmetleri A.Ş.	38	-
Demir Export A.Ş.	-	306
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	-	71
	39.389	23.011

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income on bank deposits		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	1.311	663
	1.311	663

	1 January - 31 December 2022	1 January - 31 December 2021
Interest expenses		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	207.264	17.357
Yapı Kredi Bank Nederland N.V.	61	200
Unicredito Italiano Spa	-	13.006
Unicredit Bank AG	-	942
	207.325	31.505

	1 January - 31 December 2022	1 January - 31 December 2021
Rent expenses		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	3.309	2.202
Yapı ve Kredi Bankası A.Ş. (Shareholder)	2.871	2.244
	6.180	4.446

	1 January - 31 December 2022	1 January - 31 December 2021
Commission expenses		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	138	294
	138	294

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
General management expense		
Vehbi Koç Vakfı	18.100	3.150
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	5.585	8
Yapı ve Kredi Bankası A.Ş. (Shareholder)	4.010	1.548
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	3.309	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2.708	1.849
Allianz Yaşam ve Emeklilik A.Ş.	2.314	1.726
Koç Holding A.Ş.	2.020	1.020
Türkiye Aile Sağlığı ve Planlaması Vakfı	1.800	700
Opet Petrolcülük A.Ş.	977	275
Türkiye Eğitim Gönüllüleri Vakfı	600	3
KoçDigital Çözümler A.Ş.	448	-
Kredi Kayıt Bürosu A.Ş.	134	36
Setur Servis Turistik A.Ş.	76	24
Momentum Sağlık Turizm ve Catering Hizmetleri Ticaret A.Ş.	57	-
Tam Pazarlama ve İletişim Hizmetleri A.Ş.	49	-
Türk Eğitim Vakfı	2	-
	42.189	10.339

	1 January - 31 December 2022	1 January - 31 December 2021
Dividend income		
Allianz Yaşam ve Emeklilik A.Ş.	76.717	50.812
Other	2	1
	76.719	50.813

The details of the derivative transactions with Yapı ve Kredi Bankası are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit/(loss) from derivative transactions		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	(18.653)	31.793
	(18.653)	31.793

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21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Contract Amount	31 December 2022		31 December 2021	
	Original currency	TL	Original currency	TL
Swap Purchases				
USD	25.102	469.368	-	-
		469.368		-
Contract Amount	31 December 2022		31 December 2021	
	Original currency	TL	Original currency	TL
Swap sales				
EUR	24.000	478.438	-	-
		478.438		-
		947.806		-

The wages and similar benefits paid to the Board of Directors and senior executives during the accounting periods as of 31 December 2022 and 31 December 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Payments made to members of the Board and key management personnel	12.205	6.840
	12.205	6.840

22. FINANCIAL RISK MANAGEMENT

Financial instruments and financial risk management

a. Capital management

In accordance with Article 12 of the “Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013, the Company is required to keep minimum 3% standard ratio calculated by dividing equity to total assets. Standard ratio of the Company is 16,2% as of 31 December 2022. (31 December 2021: 18,7 %)

22. FINANCIAL RISK MANAGEMENT (Continued)

b. Credit risk

Credit risk is the risk that the counterparty may be unable to meet the terms of the agreements. The Company is exposed to credit risk due to financial lease transactions. This risk is managed by mainly limiting the aggregate risk to any individual counterparty and by obtaining collaterals from these counterparties and periodic follow-up of collections from customers. The Company’s exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

c. Market risk

Market risk is the risk that the Company’s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages market risk under foreign exchange risk, interest rate risk and liquidity risk.

The Financial market policy is approved by the Board of Directors. It is the Company’s responsibility to assure regular compliance with these principles and limits.

As a leasing company, the Company is exposed to risks such as foreign exchange risk, interest rate risk and liquidity risk. Treasury and Foreign Relations Department mainly focuses on the structure of the Company’s assets and liabilities while managing these risks. Treasury and Foreign Relations Department’s mission is to provide funds to the Company, to manage the structural excess of liquidity to match the foreign currency exposure and interest rate risk of the Company; and in addition it tries to minimise the volatility of the results. Treasury and Foreign Relations Department also aims to satisfy the compliance to the Regulator’s requirements.

For the market risk management some general guidelines apply;

- Yapı ve Kredi Bankası A.Ş. (“YKB”) Risk Management and the Company’s Board of Directors are informed of and Board of Directors approve any major change in the risk portfolio or any important decision regarding market risk before any action is taken All market risks are managed by the Company’s Treasury,
- Business Planning and Financial Reporting Department is independent from the Treasury and Foreign Relations Department and reports directly to general manager and management,
- Interest rate and foreign exchange risk are managed by Treasury and Foreign Relations Department within the predetermined limits,
- Derivative trading is allowed only for hedging purposes,
- Investments in government bonds are allowed if in Turkish domestic debt. Other government bonds are subject to the approval of the Board of Directors.

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22. FINANCIAL RISK MANAGEMENT (Continued)

d. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. Treasury and Foreign Relations Department has daily control over liquidity risk. To hedge against this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. Moreover, the ability to fund the existing and prospective debt requirements and cover withdrawals at unexpected levels of demand is managed by maintaining the availability of adequate funding lines from shareholders and high quality investors.

The tables below analyses the assets and liabilities of the Company in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. Also the Company’s unearned and undue interests to be collected and paid related to its assets and liabilities are included to the table below.

The details of the liquidity risk of the derivative and non-derivative financial liabilities of the Company as of 31 December 2022 are as follows:

Non derivative financial liabilities:

31 December 2022	Carrying value	Up to 3 months	3 months to 12 months	Over 1 year	Demand	Total contractual cash flow
Funds borrowed	19.444.783	5.089.840	5.619.157	10.649.730	-	21.358.727
Lease Payables	5.682	1.630	3.581	1.209	-	6.420
Total cash outflows	19.450.465	5.091.470	5.622.738	10.650.939	-	21.365.147

The cash inflows and outflows to be incurred in accordance with the contracts arising from derivative transactions at the maturity are presented below.

31 December 2022	Up to 3 months	3 months to 12 months	Over 1 year	Demand	Total of contractual cash flow
Trading derivative					
Financial liabilities	-	1.977.454	-	-	1.977.454
	-	1.977.454	-	-	1.977.454

The details of the liquidity risk of the derivative and non-derivative financial liabilities of the Company as of 31 December 2021 are as follows:

Non derivative financial liabilities:

31 December 2021	Carrying value	Up to 3 months	3 months to 12 months	Over 1 year	Demand	Total of contractual cash flow
Funds borrowed	12.511.247	2.891.690	3.858.040	6.446.664	-	13.196.394
Lease payables	3.238	982	1.825	1.224	-	4.031
Total cash outflows	12.514.485	2.892.672	3.859.865	6.447.888	-	13.200.425

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22. FINANCIAL RISK MANAGEMENT (Continued)

The cash inflows and outflows to be incurred in accordance with the contracts arising from derivative transactions at the maturity are presented below:

31 December 2021	Up to 3 months	3 months to 12 months	Over 1 year	Demand	Total of contractual cash flow
Trading derivative Financial liabilities	-	864.532	355.104	-	1.219.636
	-	864.532	355.104	-	1.219.636

e. Currency risk

Foreign currency risk is a result of the Company's assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. Treasury and Foreign Relations Department monitors daily the foreign currency position of the Company. Monthly reporting of the foreign currency position, in detailed tables by maturity and currency, is the responsibility of Business Planning and Financial Reporting Department. A maximum limit of (+/-) EUR 6,500,000 (31 December 2021: (+/-) EUR 6,500,000) for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies. The foreign currency positions of the Company as of 31 December 2022 and 2021 are stated in the table below:

31 December 2022	TL Equivalent			
	Total	USD	EUR	Other
Assets				
Banks	1.449.431	680.493	749.131	19.807
Finance lease receivables	12.976.013	4.239.558	8.725.581	10.874
Other assets	2.593.925	1.368.784	1.220.310	4.831
Total assets	17.019.369	6.288.835	10.695.022	35.512
Liabilities				
Borrowings(-)	(14.736.651)	(6.137.888)	(8.575.374)	(23.389)
Other liabilities (-)	(1.424.151)	(347.054)	(1.068.178)	(8.919)
Other provisions (-)	(94.031)	(86.947)	-	(7.084)
Lease payables	(67)	-	(67)	-
Total liabilities	(16.254.900)	(6.571.889)	(9.643.619)	(39.392)
Net foreign currency position (*)	764.469	(283.054)	1.051.403	(3.880)
Derivative financial instruments	(367.262)	410.199	(777.461)	-
Net foreign currency position	397.207	127.145	273.942	(3.880)

(*) Had the impact of the currency difference arising from the transactions between the Company and its vendors, which would have been reflected to customers, been eliminated, the net foreign exchange position would have occurred as TL (431.831) in USD, TL 871.408 in EUR, TL (3.882) in other currencies and TL 435.689 in total.

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22. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	TL Equivalent			
	Total	USD	EUR	Other
Assets				
Banks	223.925	99.381	94.008	30.536
Finance lease receivables	10.549.461	3.226.405	7.295.881	27.175
Other assets	1.456.529	656.649	776.622	23.258
Total assets	12.229.915	3.982.435	8.166.511	80.969
Liabilities				
Borrowings (-)	(10.361.298)	(3.264.215)	(7.064.387)	(32.696)
Other liabilities (-)	(1.162.565)	(387.187)	(756.216)	(19.162)
Other provisions (-)	(65.843)	(60.345)	-	(5.498)
Lease payables	(3)	-	(3)	-
Toplam pasifler	(11.589.709)	(3.711.747)	(7.820.606)	(57.356)
Net foreign currency position (*)	640.206	270.688	345.905	23.613
Derivative financial instruments	(668.249)	(369.405)	(298.844)	-
Net foreign currency position	(28.043)	(98.717)	47.061	23.613

(*) Had the impact of the currency difference arising from the transactions between the Company and its vendors, which would have been reflected to customers, been eliminated, the net foreign exchange position would have occurred as TL 356.507 in USD, TL 284.922 in EUR, TL 4.863 in other currencies and TL 646.292 in total.

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

	31 December 2022	31 December 2021
USD	18,6983	12,9775
EUR	19,9349	14,6823
CHF	20,2019	14,1207

The table below shows the Company's sensitivity to 20% change in USD and Euro as of 31 December 2022 (31 December 2021: 20%). These amounts represent the effect on the income statement of the 20% increase / decrease in the value of USD and Euro against TL. During this analysis, all variables, especially interest rates, will be assumed to remain constant.

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22. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	Profit/Loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 20% against TL				
1. USD net asset/liability	(56.611)	56.611	(56.611)	56.611
2. Secured portion from USD Risk (-)	82.040	(82.040)	82.040	(82.040)
3. USD Effect - net (1+2)	25.429	(25.429)	25.429	(25.429)
Change of EUR by 20% against TL				
4. EUR net asset/liability	210.281	(210.281)	210.281	(210.281)
5. Secured portion from EUR risk (-)	(155.492)	155.492	(155.492)	155.492
6. EUR Effect - net (4+5)	54.789	(54.789)	54.789	(54.789)
Total (3+6)	80.218	(80.218)	80.218	(80.218)
31 December 2021	Profit/Loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 20% against TL				
1. USD net asset/liability	54.137	(54.137)	54.137	(54.137)
2. Secured portion from USD Risk (-)	(73.881)	73.881	(73.881)	73.881
3. USD Effect - net (1+2)	(19.744)	19.744	(19.744)	19.744
Change of EUR by 20% against TL				
4. EUR net asset/liability	69.181	(69.181)	69.181	(69.181)
5. Secured portion from EUR risk (-)	(59.769)	59.769	(59.769)	59.769
6. EUR Effect - net (4+5)	9.412	(9.412)	9.412	(9.412)
Total (3+6)	(10.332)	10.332	(10.332)	10.332

(*) Equity effect includes the amounts that will be reflected to the profit/loss statement.

f. Interest rate risk

Movements in market interest rates which lead to price fluctuations in financial instruments of the Company require the management of the interest risk. It is Treasury and Foreign Relations Department that follows up the Company’s interest sensitive assets, liabilities and off-balance sheet items. In addition Business Planning and Financial Reporting Department reports the interest rate risk by distributing interest rate risk into monthly time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios. In the sensitivity analysis of the Company as of 31 December 2022, the interest sensitivity of TL 2.168 (31 December 2021: TL 1.821) against 1 basis point increase.

Interest rate sensitive financial instruments as of 31 December 2022 and 31 December 2021 are presented in the following table.

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22. FINANCIAL RISK MANAGEMENT (Continued)

Floating rate financial instruments:	31 December 2022	31 December 2021
Financial lease receivables	860.828	696.974
Funds borrowed (-)	(10.588.715)	(4.607.974)

Fixed rate financial instruments:

Cash and cash equivalents	1.428.433	217.360
Financial lease receivables	23.505.382	16.883.322
Funds borrowed (-)	(8.856.068)	(7.903.273)

The tables below show an analysis of the Company's assets and liabilities at the balance sheet date according to the time remaining to their next interest rate change date and the maturity dates in the agreements.

	31 December 2022					Total
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Funds borrowed	8.713.839	9.277.608	1.301.983	151.353	-	19.444.783
	8.713.839	9.277.608	1.301.983	151.353	-	19.444.783

	31 December 2021					Total
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Funds borrowed	4.356.907	5.574.406	2.395.796	184.138	-	12.511.247
	4.356.907	5.574.406	2.395.796	184.138	-	12.511.247

Average interest rates applied to financial instruments as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022			31 December 2021		
	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Assets						
Lease receivables	6,14	4,83	29,30	6,20	4,80	19,40
Time deposits	1,76	0,01	15,00	0,05	0,01	18,50
Liabilities						
Funds borrowed	7,93	4,10	16,80	3,22	2,54	18,93

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23. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realise in a current market exchange.

Fair value of other financial instruments is measured according to the assumptions based on quoted bid prices of similar instruments, or amounts derived from cash flow models.

The fair values of short term financial assets and liabilities excluding finance lease receivables and borrowings are considered to approximate their respective carrying values due to their short-term nature.

Fair value hierarchy in accordance with TFRS 7 that reflects the significance of the inputs used in determining the fair values of financial assets and liabilities, those are carried with their fair values on the balance sheet are as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

Classification of fair value measurement

As of 31 December 2022, the Company carries its derivative financial assets amounting to TL 3.649 and derivative financial liabilities amounting to TL 145.655 at fair value (31 December 2021: The Company carries derivative financial liabilities amounting to TL 217.488) at fair value in the statement of financial position.

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23. FINANCIAL INSTRUMENTS (Continued)

Hierarchy of financial instruments carried at fair value:

	31 December 2022		
	Level 1	Level 2	Level 3
Trading derivative financial assets	-	3.649	-
Total assets	-	3.649	-

	31 December 2022		
	Level 1	Level 2	Level 3
Trading derivative financial liabilities	-	145.655	-
Total liabilities	-	145.655	-

	31 December 2021		
	Level 1	Level 2	Level 3
Trading derivative financial liabilities	-	217.488	-
Total liabilities	-	217.488	-

	Net book value		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial lease receivables, net	19.786.724	14.740.164	10.591.088	14.898.646
Funds borrowed	19.444.783	12.511.247	8.277.987	12.499.055

24. CONTINGENT ASSETS AND LIABILITIES

a. Guarantees taken

Details of guarantees taken as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Bills of guarantee	265.424.273	143.125.391
Assignments of claims	9.436.403	5.756.757
Mortgages	1.062.943	1.415.656
Other pledged assets	1.939.137	1.367.638
Pledged machines	899.621	692.376
Buyback guarantees	561.214	409.455
Guarantor	535.716	392.167
Guarantee letter	65.462	66.158
Other	898.105	714.968
	280.822.874	153.940.566

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24. CONTINGENT ASSETS AND LIABILITIES (Continued)

b. Guarantees given

	31 December 2022	31 December 2021
İstanbul Takas ve Saklama Bankası A.Ş.	2.025.000	750.000
Other (*)	29.079	23.240
	2.054.079	773.240

(*) The company gave letters of guarantee to the courts, banks and customs which it has liabilities to.

c. Derivative financial instruments

Derivative financial instruments are carried at fair value and positive fair value differences are shown in trading derivative financial assets and negative fair value differences are shown in trading derivative financial liabilities. As at 31 December 2022 and 31 December 2021, the details of trading derivative instruments consisting of forward purchase and sale agreements are as follows:

Swap transactions

	31 December 2022		31 December 2021	
	Original Currency	TL	Original Currency	TL
Swap purchases				
TL	269.666	269.666	551.387	551.387
USD	35.846	670.263	-	-
		939.929		551.387
Swap sales				
USD	13.908	260.064	28.465	369.405
EUR	39.000	777.461	20.354	298.844
		1.037.525		668.249
Total		1.977.454		1.219.636

25. SUBSEQUENT EVENTS

None.

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