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

QNB FİNANS FAKTORİNG A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

CONVENIENCE TRANSLATION INTO ENGLISH
OF THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH,SEE NOT 2

To the General Assembly of QNB Finans Faktoring A.Ş.

A. Audit of Financial Statements

1. Opinion

We have audited the accompanying financial statements of QNB Finans Faktoring A.Ş. ("the Company"), which comprise the statement of financial position as of 31 December 2021 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2021, 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 and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", 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 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 financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the 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
Impairment of factoring receivables The Company's total factoring receivables are amounting to TRY3,810,517 thousand including the doubtful factoring receivables in the statement of financial position as of 31 December 2021. Explanations and notes related to the provision for impairment of factoring receivables are provided in accordance with the requirements of "BRSA Accounting and Reporting Legislation" are presented in Notes 2.1.6, 2.4 and 5 in the accompanying financial statements as of 31 December 2021. We focused on this area during our audit; considering the size of factoring receivables and the provision for impairment of factoring receivables, and the importance of the classification of the factoring receivables in accordance with the related legislation and appropriately determination of the provision for impairment factoring receivables considering their classifications. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for factoring receivables. Therefore, this area is considered as key audit matter.	Within our audit procedures, we assessed and tested the design and operating effectiveness of the relevant important controls applied by the Company with respect to identification of loss event and and calculation of impairment provision in line with the framework of the relevant legislation. Within our audit procedures, we tested a select sample of factoring receivables with the objective of identifying whether the loss event occurred and whether the provision for impairment was recognized in a timely manner and within the framework of the provisions of the relevant legislation. Furthermore, we tested the appropriateness of specific provision calculation provided for impaired factoring receivables in accordance with the BRSA Accounting and Reporting Legislation.

4. Other Matter

The financial statements of the Company as at 31 December 2020 were audited by another auditor whose report dated 27 January 2021 expressed an unqualified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the 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 financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 2021 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 financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying 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

İstanbul, 31 January 2022

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINIALLY ISSUED IN TURKISH, SEE IN NOTE 2

QNB FİNANS FAKTORİNG A.Ş.

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINIALLY ISSUED IN TURKISH
QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

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

	ASSETS	Note	Audited Current Period 31 December 2021			Audited Prior Period 31 December 2020		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	3	182,733	81,485	264,218	18,947	3,294	22,241
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL ASSETS	4	-	-	-	-	799	799
IV	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)		-	-	-	-	-	-
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)		2,823,453	921,323	3,744,776	1,806,757	335,296	2,142,053
5.1	Factoring Receivables	5	2,786,628	921,323	3,707,951	1,795,342	335,296	2,130,638
5.1.1	Discounted Factoring Receivables (Net)		1,851,755	515,907	2,367,662	860,707	131,587	992,294
5.1.2	Other Factoring Receivables		934,873	405,416	1,340,289	934,635	203,709	1,138,344
5.2	Financial Saving Receivables		-	-	-	-	-	-
5.2.1	From Savings Fund Pool		-	-	-	-	-	-
5.2.2	Equity		-	-	-	-	-	-
5.3	Financial Loans		-	-	-	-	-	-
5.3.1	Consumer loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
5.4	Leasing Transactions (Net)		-	-	-	-	-	-
5.4.1	Finance lease receivables		-	-	-	-	-	-
5.4.2	Operating Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		-	-	-	-	-	-
5.5	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.6	Non Performing Receivables	5	102,566	-	102,566	76,938	2,870	79,808
5.7	Allowance For Expected Credit Losses / Specific Provisions (-)	5	(65,741)	-	(65,741)	(65,523)	(2,870)	(68,393)
VI.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2	-	2	2	-	2
6.1	Investments in Associates (Net)		2	-	2	2	-	2
6.2	Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3	Jointly Controlled Partnerships (JointVentures) (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	6	10,555	-	10,555	5,169	-	5,169
VIII.	INTANGIBLE ASSETS (Net)	7	6,479	-	6,479	6,704	-	6,704
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS		-	-	-	-	-	-
XI.	DEFERRED TAX ASSETS	21	25,014	-	25,014	18,453	-	18,453
XII.	OTHER ASSETS	8	11,179	693	11,872	4,829	191	5,020
	SUBTOTAL		3,059,415	1,003,501	4,062,916	1,860,861	339,580	2,200,441
XIII.	ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	9	125	-	125	6,125	-	6,125
13.1	Held for Sale		125	-	125	6,125	-	6,125
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
	TOTAL		3,059,540	1,003,501	4,063,041	1,866,986	339,580	2,206,566

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINIALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

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

	LIABILITIES		Audited Current Period 31 December 2021			Audited Prior Period 31 December 2020		
		Note	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**BORROWINGS**	**10**	**2,369,601**	**988,589**	**3,358,190**	**1,314,835**	**336,369**	**1,651,204**
II.	**FACTORING PAYABLES**	**11**	**4,462**	**2,735**	**7,197**	**645**	**137**	**782**
III.	**LIABILITIES FROM THE SAVING FUND POOL**		-	-	-	-	-	-
IV.	**LEASE PAYABLES (Net)**		**4,392**	-	**4,392**	**4,061**	**196**	**4,257**
V.	**SECURITIES ISSUED (Net)**	**12**	**397,807**	-	**397,807**	**320,568**	-	**320,568**
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
VIII.	**PROVISIONS**	**13**	**9,677**	-	**9,677**	**7,099**	-	**7,099**
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		9,280	-	9,280	6,812	-	6,812
8.3	General Loan Loss Provisions		-	-	-	-	-	-
8.4	Other Provisions		397	-	397	287	-	287
IX.	**CURRENT TAX LIABILITIES**	**21**	**1,601**	-	**1,601**	**4,228**	-	**4,228**
X.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XI.	**SUBORDINATED DEBT**		-	-	-	-	-	-
XII.	**OTHER LIABILITIES**	**14**	**8,995**	**1,580**	**10,575**	**4,837**	**428**	**5,265**
	SUBTOTAL		**2,796,535**	**992,904**	**3,789,439**	**1,656,273**	**337,130**	**1,993,403**
XIII.	**LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**EQUITY**	**15**	**273,602**	-	**273,602**	**213,163**	-	**213,163**
14.1	Issued capital		65,000	-	65,000	65,000	-	65,000
14.2	Capital Reserves		-	-	-	-	-	-
14.2.1	Equity Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves		-	-	-	-	-	-
14.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		(1,925)	-	(1,925)	(894)	-	(894)
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		8,096	-	8,096	6,460	-	6,460
14.5.1	Legal Reserves		8,096	-	8,096	6,460	-	6,460
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		-	-	-	-	-	-
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		202,431	-	202,431	142,597	-	142,597
14.6.1	Prior Years' Profit or Loss		140,961	-	140,961	109,907	-	109,907
14.6.2	Current Period Net Profit Or Loss		61,470	-	61,470	32,690	-	32,690
	Total equity and liabilities		**3,070,137**	**992,904**	**4,063,041**	**1,869,436**	**337,130**	**2,206,566**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINIALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2021

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

	OFF-BALANCE SHEET ITEMS	Note	Audited Current Period 31 December 2021			Audited Prior Period 31 December 2020		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	**RECOURSE FACTORING TRANSACTIONS**		**33,630**	**161,154**	**194,784**	**8,886**	**81,593**	**90,479**
II.	**NON-RECOURSE FACTORING TRANSACTIONS**		**511,628**	**200,291**	**711,919**	**453,640**	**37,804**	**491,444**
III.	**FINANCIAL SAVING AGREEMENT TRANSACTIONS**		**-**	**-**	**-**	**-**	**-**	**-**
IV.	**GUARANTEES RECEIVED**	**23**	**63,784,278**	**9,263,016**	**73,047,294**	**44,482,268**	**5,086,229**	**49,568,497**
V.	**GUARANTEES GIVEN**	**23**	**468,690**	**-**	**468,690**	**312,862**	**-**	**312,862**
VI.	**COMMITMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
6.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
6.2.2	Other Revocable Commitments		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**-**	**-**	**-**	**-**	**52,141**	**52,141**
7.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
7.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
7.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
7.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
7.2	Trading Transactions		-	-	-	-	52,141	52,141
7.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Buy/Sell Transactions		-	-	-	-	52,141	52,141
7.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
7.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VIII.	**ITEMS HELD IN CUSTODY**	**23**	**2,218,662**	**456,780**	**2,675,442**	**990,511**	**165,829**	**1,156,340**
	TOTAL OFF-BALANCE SHEET COMMITMENTS		**67,016,888**	**10,081,241**	**77,098,129**	**46,248,167**	**5,423,596**	**51,671,763**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 31 DECEMBER 2021

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

	INCOME AND EXPENSE ITEMS	**Note**	**Audited 1 January - 31 December 2021**	**Unaudit 1 January - 31 December 2020**
I.	**OPERATING INCOME**	**16**	**515,547**	**231,107**
	FACTORING INCOME		**515,547**	**231,107**
1.1	Interest received from Factoring Receivables		492,158	216,682
1.1.1	Discounted		314,207	123,960
1.1.2	Other		177,951	92,722
1.2	Fees and Commissions Received from Factoring Receivables		23,389	14,425
1.2.1	Discounted		7,930	5,811
1.2.2	Other		15,459	8,614
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from Lease Transactions		-	-
	FINANCIAL SAVING INCOME		-	-
1.8	Dividends Received from Financial Saving Receivables		-	-
1.9	Fees and Commissions Received from Financial Saving Activities		-	-
II.	**FINANCING EXPENSES (-)**	**17**	**(360,346)**	**(150,984)**
2.1	Dividends Given to the Savings Fund Pool		-	-
2.2	Interest on Funds Borrowed		(275,572)	(124,900)
2.3	Interest on Factoring Payables		-	-
2.4	Financial Lease Expenses		(456)	(408)
2.5	Interest on Securities Issued		(74,376)	(20,142)
2.6	Other Interest Expenses		-	-
2.7	Fees and Commissions Given		(9,942)	(5,534)
III.	**GROSS PROFIT/LOSS (I+II)**		**155,201**	**80,123**
IV.	**OPERATING EXPENSE (-)**	**18**	**(49,136)**	**(42,582)**
4.1	Personnel Expenses		(32,360)	(28,521)
4.2	Provision Expense for Employment Termination Benefits		(557)	(447)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(15,987)	(13,374)
4.5	Other		(232)	(240)
V.	**GROSS OPERATING PROFIT/LOSS (III+IV)**		**106,065**	**37,541**
VI.	**OTHER OPERATING INCOME**	**20**	**30,454**	**37,882**
6.1	Interest Received from Banks		4,031	1,344
6.2	Interest Received from Marketable Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Capital Market Transactions Profit		-	-
6.5	Interest From Derivative Financial Transactions		-	10
6.6	Foreign Exchange Gains		21,075	26,112
6.7	Other		5,348	10,416
VII.	**PROVISIONS**		**(39,649)**	**(7,024)**
7.1	Specific Provisions	**5**	(39,649)	(7,024)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**20**	**(17,417)**	**(24,016)**
8.1	Impairment of Marketable Securities		-	-
8.2	Impairment of Property and Equipment		-	-
8.3	Capital Market Transactions Loss		-	-
8.4	Loss from Derivative Financial Transaction		(41)	(189)
8.5	Foreign Exchange Loss		(17,329)	(23,824)
8.6	Other		(47)	(3)
IX.	**NET OPERATING INCOME/EXPENSE (V+…+VIII)**		**79,453**	**44,383**
X.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		-	-
XI.	**INCOME/(LOSS) FROM INVESTMENTS CONSOLIDATED BASED ON EQUITY METHOD**		-	-
XII.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI+XII)**		**79,453**	**44,383**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS(±)**		**(17,983)**	**(11,693)**
14.1	Current Tax Provision		(24,287)	(11,590)
14.2	Deferred Tax Income Effect (-)		-	(103)
14.3	Deferred Tax Expense Effect (+)		6,304	-
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**61,470**	**32,690**
XVI.	**INCOME FROM DISCONTINUING OPERATIONS**		-	-
16.1	Income from Assets Held for Resale		-	-
16.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
16.3	Other income		-	-
XVII.	**EXPENSES FROM DISCONTINUING OPERATIONS (-)**		-	-
17.1	Expenses from Assets Held for Resale		-	-
17.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
17.3	Other Expenses		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)**		-	-
XIX.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	**NET PROFIT/LOSS FROM DISCOUNTINUED OPERATIONS (XVIII±XIX)**		-	-
XXI.	**NET PROFIT/LOSSES (XV+XX)**		**61,470**	**32,690**
	Earnings Per Share (Full TRY)		0,9457	0,5029

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

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 31 DECEMBER 2021

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

		Auidited 1 January - 31 December 2021	Unaudited 1 January - 31 December 2020
I.	**CURRENT PROFIT/LOSS**	**61,470**	**32,690**
II.	**OTHER COMPREHENSIVE INCOME**	**(1,031)**	**(258)**
2.1	**Items not to be reclassified under profit and loss**	**(1,031)**	**(258)**
2.1.1	Revaluation differences of property and equipment	-	-
2.1.2	Revaluation differences of intangible assets	-	-
2.1.3	Defined benefit plans remeasurement gains / losses	(1,288)	(302)
2.1.4	Other comprehensive income items not to be reclassified under profit and loss	-	-
2.1.5	Taxes on other comprehensive income not to be reclassified under profit or loss	257	44
2.2	**Items to be reclassified under profit and loss**	-	-
2.2.1	Foreign exchange differences from foreign currency transactions	-	-
2.2.2	Income/expenses on revaluation or reclassification of available for sale financial assets	-	-
2.2.3	Income/loss on cash flow hedge derivative financial assets	-	-
2.2.4	Income/loss from foreign investment hedge derivative financial assets	-	-
2.2.5	Other comprehensive income items to be reclassified under profit and loss	-	-
2.2.6	Taxes on other comprehensive income to be reclassified under profit or loss	-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**60,439**	**32,432**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 31 DECEMBER 2021

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

						Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						
	STATEMENT OF CHANGES IN EQUITY	Paid in Capital	Stock Issue Premiums	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income /(Loss)	Net Profit / Loss	Total Equity
	Prior Period (1 January - 31 December 2020) (Audited)														
I.	**Period Opening Balance (1 January 2020)**	65,000	-	-	-	-	(636)	-	-	-	-	4,046	64,033	48,288	180,731
II.	**Changes in Accounting Policies according to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balance (I+II)**	65,000	-	-	-	-	(636)	-	-	-	-	4,046	64,033	48,288	180,731
IV.	**Total Comprehensive Income**	-	-	-	-	-	(258)	-	-	-	-	-	-	32,690	32,432
V.	**Increase in Paid in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase From Internal Resources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Inflation Adjustments to Paid in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	2,414	45,874	(48,288)	-
11.1	Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2,414	45,874	(48,288)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (31 December 2020)	65,000	-	-	-	-	(894)	-	-	-	-	6,460	109,907	32,690	213,163
	Current Period (1 January - 31 December 2021) (Audited)														
I.	**Prior Period Ending Balance (1 January 2021)**	65,000	-	-	-	-	(894)	-	-	-	-	6,460	109,907	32,690	213,163
II.	**Changes in Accounting Policies according to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balance (I+II)**	65,000	-	-	-	-	(894)	-	-	-	-	6,460	109,907	32,690	213,163
IV.	**Total Comprehensive Income**	-	-	-	-	-	(1,031)	-	-	-	-	-	-	61,470	60,439
V.	**Increase in Paid in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase From Internal Resources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Inflation Adjustments to Paid in Capital**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	1,636	31,054	(32,690)	-
11.1	Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1,636	31,054	(32,690)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (31 December 2021)	65,000	-	-	-	-	(1,925)	-	-	-	-	8,096	140,961	61,470	273,602

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF CASH FLOWS FOR THE PERIOD 31 DECEMBER 2021

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

		Note	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**115,536**	**30,392**
1.1.1	Interest Received/Factoring Income		513,910	218,026
1.1.2	Interest Paid/Leasing Expense		(300,945)	(150,984)
1.1.3	Leasing Expense		(456)	-
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		23,389	14,425
1.1.6	Other Income		4,723	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	**5, 20**	4,284	10,416
1.1.8	Payments to Personnel and Service Suppliers		(32,360)	(42,582)
1.1.9	Taxes Paid r		(26,914)	(11,693)
1.1.10	Other		(70,095)	(7,216)
1.2	**Changes in Operating Assets and Liabilities**		**52,055**	**(194,499)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		(1,620,445)	(498,622)
1.2.2	Net (Increase) Decrease in Finance Loans		-	-
1.2.3	Net (Increase) Decrease in Lease Receivables		-	-
1.2.4	Net (Increase) Decrease in Other Assets		(4,637)	(1,795)
1.2.5	Net (Increase) Decrease in Financial Savings Receivables		-	-
1.2.6	Net Increase (Decrease) in Factoring Payables		6,415	(1,541)
1.2.7	Net Increase (Decrease) in Savings Fund Pool		-	-
1.2.8	Net Increase (Decrease) in Lease Payables		135	(95)
1.2.9	Net Increase (Decrease) in Funds Borrowed		1,657,983	301,798
1.2.10	Net Increase (Decrease) in Due Payables		-	-
1.2.11	Net Increase (Decrease) in Other Liabilities		12,604	5,756
I.	**Net Cash Used in Operating Activities**		**167,591**	**(164,107)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(7,226)	(6,125)
2.4	Disposals of Property and Equipment		-	-
2.5	Purchases of Fair Value Differences of Other Comprehensive Financial Assets Reflected in Revenue		-	-
2.6	Disposals of Fair Value Differences of Other Comprehensive Financial Assets Reflected in Revenue		-	-
2.7	Purchase of investment securities held to maturity		-	-
2.8	Sale of investment securities held to maturity		-	-
2.9	Other		-	609
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(7,226)**	**(5,516)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		1,641,796	320,568
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(1,564,557)	(164,116)
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash Provided from Financing Activities**		**77,239**	**156,452**
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**4,285**	**2,298**
V.	**Net Increase in Cash and Cash Equivalents**		**241,889**	**(10,873)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**22,241**	**33,114**
VII.	**Cash and Cash Equivalents at End of the Period**		**264,130**	**22,241**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

QNB FİNANS FAKTORİNG A.Ş.

STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD 31 DECEMBER 2021

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

		Current Period 31 December 2021 (*)	Prior Period 31 December 2020
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT**		
1.1	CURRENT PERIOD PROFIT	79,453	44,383
1.2	TAXES AND DUTIES PAYABLE (-)	(17,983)	(11,693)
1.2.1	Corporate Tax (Income Tax)	(24,287)	(11,590)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and duties (**)	6,304	(103)
A.	**NET PERIOD PROFIT (1.1-1.2)**	**61,470**	**32,690**
1.3	PRIORS YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	LEGAL FUNDS THAT MUST BE LEFT IN THE ORGANIZATION AND MANDATORY SAVINGS (-)	6,304	-
B.	**DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3+1.4+1.5)]**	**55,166**	**32,690**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	Participation in Redeemed Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	Participation in Redeemed Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	Participation in Redeemed Shares	-	-
2.3.4	To Profit 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	-	-
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The responsible body of the Company regarding the distribution of profit for the current period is the General Assembly. As of the preparation date of these financial statements, the Company's annual Ordinary General Assembly meeting has not been held yet.

(**) Since it is considered by the Banking Regulation and Supervision Agency that the income amounts related to the deferred tax assets can not be classified as cash or internal source and therefore the portion of the period income resulting from these assets should not be subject to profit distribution and capital increase. As of 31 December 2021,the Company has a deferred tax income of TRY6,304 arising from deferred tax assets (31 December 2020: TRY103).

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

1 - THE ORGANIZATION AND NATURE OF OPERATIONS

QNB Finans Factoring A.Ş. ("The Company") was established in Turkey on 8 June 2009 and started its operations in October 2009. The Company's field of activity is domestic and international factoring transactions. The main shareholder of the Company is QNB Finansbank A.Ş. with a 99.99% share.

The Company has 135 employees as of 31 December 2021 (31 December 2020: 119).

The Company has 17 branches in total, namely Avrasya Ticari, Anadolu Ticari, Halkalı, Gebze, Bursa, Ankara, İvedik, Eskişehir, Konya, Samsun, İzmir, Antalya, Denizli, Manisa, Gaziantep, Kayseri, Adana. (31 December 2020: 20).

As of 22 December 2015, National Bank of Greece SA ("NBG") has sold its 99.81% shares in Finansbank Anonim Şirketi ("Finansbank") to Qatar National Bank ("QNB") for 2 billion 750 million Euros. The share transfers were completed on 15 June 2016 after obtaining the necessary permits in the relevant countries, and Finansbank, the main shareholder of the Company, and QNB, the ultimate main shareholder of the Company.

The company moved its office address, where it carries out its activities, to the following address on May 25, 2015:

Esentepe Mah. Büyükdere Caddesi Kristal Kule Binası No:215 Kat: 21 ŞİŞLİ - İSTANBUL

The Company carries its operations mainly in one geographical region (Turkey).

Approval of Financial Statements

Financial statements prepared as of 31 December 2021 were approved by the Board of Directors on 31 January 2022. The General Assembly has the authority to amend the financial statements.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements

The Company prepared the accompanying financial statements in thousands of Turkish Lira ("TRY") according to the 'Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies' and the 'Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing' published in the Official Gazette dated 24 December 2013 and numbered 28861 by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, preparations made according to the Turkish Financial Reporting Standards ("TFRS") regulations included in; "BRSA Accounting and Financial Reporting Regulations".

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

The financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

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

2.1.2 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 financial statements are to be distributed and Turkish Financial Reporting Standards ("TFRS") have not been quantified in these financial statements. Accordingly, these 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 TFRS.

2.1.3 Reporting Currency

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in Turkish Lira ("TRY") which is also the functional currency of the Company.

Financial statements are prepared on the historical cost basis as per thousand Turkish Lira ("TRY") basis except for financial assets and liabilities recognized at fair value.

2.1.4 Restatement of Financial Statements in Hyperinflationary Economies

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29, "Financial Reporting in Hyperinflationary Economies" until 31 December 2004. In a circular issued on 28 April 2005, BRSA declared that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

On January 20, 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, 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.

2.1.5 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 realise the asset and settle the liability simultaneously.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 Going concern

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

2.1.7 Critical Accounting evaluations, estimates and assumptions

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

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

Significant interpretations, estimations and assumptions that may have an effect on the financial statements and effects on any possible change on carrying values of subsequent periods' assets and liabilities are as follows:

Allowance for impairment losses on factoring receivables

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 anticipated loan loss provision within the scope of TFRS 9, provided that they notify the BRSA. and the effective date of the regulation has been arranged as 30 September 2018. In this context, the company has not preferred to apply the expected credit loss provision calculation model within the scope of TFRS 9 defined in Article 6/A of the relevant regulation for its receivables from factoring transactions; as in previous periods.For factoring receivables as of 31 December 2021; Special and general provision has been allocated in accordance with Article 6 of the "Regulation on Accounting Practices and Financial Tables of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 by the BRSA.

Recognition of deferred tax assets

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the Company. The business plan is based on rational expectations of the Company under current circumstances.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Principles of Presentation

2.2.1 Comparatives knowledge and restatement of prior period financial statements

The financial statements of the Company are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. As of 31 December 2021 the company has prepared the changes in the financial position table, off-balance sheet, profit or loss statement, cash flow statement and equity statement in comparison with its financial statements dated 31 December 2020.

2.2.2 Changes in accounting policies

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

2.2.3 Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognized 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. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior year errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2.3 Amendments in standards and interpretations

2.3.1 New and revised standards and comments

Explanations on the effects of the new TAS/IFRS on the financial statements:

a) Title of TAS/IFRS,
b) The accounting policy change is made in accordance with the relevant transitional provisions,
c) An explanation of the change in accounting policy,
d) Explanation of transitional provisions, if any,
e) The effects of transitional provisions, if any, on future periods,
f) As far as possible, the correction amounts related to the current and presented previous periods:

    i Submitted for each item of financial statements affected and
    ii If TAS 33, "Earnings Per Share"; is valid for the company, the amount of ordinary shares and diluted earnings per share should be recalculated.

g) Correction amounts for the periods before the submission period if possible and,
h) If retrospective application is not possible for any period or periods, the events that cause this situation should be explained and the date of the change in accounting policy and how it is applied should be explained.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continues)

a) Standards, amendments and interpretations applicable as at 31 December 2021:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Amendments in standards and interpretations (Continues)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

    - o **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

    - o **Amendments to IAS 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.

    - o **Amendments to IAS 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 IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 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 estimates and changes in accounting policies.

  Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; 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.

The new standards, amendments and interpretations that will be effective as of 1 January 2022 are not expected to have a significant impact on the Company's financial statements.

The Company, in its financial statements, has started to evaluate the Phase 1 amendments made in TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicator Interest Rate Reform published by the Public Oversight Authority ("KGK") in the Official Gazette dated 14 December 2019 and numbered 30978.

In 2020, the International Accounting Standards Board and KGK published Phase 2 standards regarding the reform and related amendments to TFRS 9, TMS 39, TFRS 7, TFRS 4 and TFRS 16. According to this; It has been reported that as of January 1, 2022, the necessary changes/transitions regarding the reference interest rates should be completed.

As of 31 December 2021, the Company has no transactions within the scope of the said reform.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months and that are not subject to significant change in value (Note3).

Financial Instruments

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

Financial assets

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

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

a. Effective Interest Method

The effective interest method is the method of valuing the financial asset at amortized cost and allocating the related interest income to the related period. The effective interest rate is the rate that exactly discounts the estimated total cash to be collected over the expected life of the financial instrument or, if appropriate, a shorter period of time, to the net present value of the financial asset. Income related to financial assets other than financial assets at fair value through profit or loss and equity instruments classified as available for sale are calculated using the effective interest method.

Financial assets, other than those classified as financial assets at fair value through profit or loss and recorded at fair value, are accounted for at their fair market value and the total amount of expenses directly attributable to the purchase. As a result of the purchase or sale of financial assets subject to a contract with the condition of delivery of investment instruments in accordance with the period determined by the relevant market, the relevant assets are recorded or derecognised on the transaction date.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets are classified as “financial assets at fair value through profit or loss”, “financial assets measured at amortized cost” and “financial assets at fair value through other comprehensive income”. Classification is made depending on the nature and purpose of financial assets and is determined during initial recognition.

b. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through the income statement; Financial assets that are held for trading and are not acquired for trading but are recognized in this category at initial recognition. A financial asset is classified in that category when it is acquired for the purpose of selling it in the short term or when it is believed that a more accurate accounting representation will be obtained at initial recognition. Financial assets that constitute derivative products that have not been determined as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. Gain or loss resulting from valuation of financial assets at fair value through profit or loss is recognized in profit or loss. Net gains or losses recognized in profit or loss also include interest and/or dividends from the financial asset.

The Company has no financial assets at fair value through profit or loss as of the end of the reporting period. (31 December 2020: None).

c. Financial Assets Measured at Amortized Cost

Fixed maturity debt instruments with fixed or determinable payment schedules that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Financial assets measured at amortized cost are recorded by deducting the amount of impairment from their amortized cost using the effective interest method, and related income is calculated using the effective interest method.

The Company has no held-to-maturity investments as of the end of the reporting period. (31 December 2020: None).

d. Financial assets at fair value through other comprehensive income

Listed equity instruments and certain debt securities held by the Company and traded in an active market are classified as financial assets at fair value through other comprehensive income and are shown at fair value. If the Company has equity instruments that are not traded in an active market and are not listed on the stock exchange, but are classified as financial assets at fair value through other comprehensive income, and their fair values cannot be measured reliably, they are presented at cost. Gains and losses arising from changes in fair value, excluding impairment losses recorded in the income statement, interest calculated using the effective interest method, and foreign exchange gains/losses related to monetary assets, are recognized in other comprehensive income and are referred to as “Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss”. They are displayed in the ” account. In case of disposal or impairment of the investment, the total profit/loss accumulated in the financial assets revaluation fund is classified in the income statement.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Dividends related to equity instruments to be measured at fair value through profit or loss are recognized in the profit or loss statement when the Company's right to receive dividends occurs.

The fair value of monetary assets denominated in foreign currency at fair value through other comprehensive income is determined by converting their fair value in foreign currency into the reported currency using the conversion rate applicable at the reporting date. Changes in the fair value of the asset resulting from the conversion rate are accounted for in profit or loss, and other changes are accounted for under equity.

The Company has no financial assets at fair value through other comprehensive income as of the end of the reporting period. (31 December 2020: None).

Financial leasing transactions

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

(i) The lessor position

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

(ii) The lease position

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

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

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

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Factoring and other receivables

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

Provisions for impairment

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

Within the scope of the "Regulation Amending the Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, provided that the companies are notified to the BRSA, the expected credit loss provision within the scope of TFRS 9 and the effective date of the regulation has been arranged as 30 September 2018. In this context, the Company did not prefer to apply the expected credit loss provision calculation model within the scope of TFRS 9, defined in article 6/A of the relevant regulation, for its receivables from factoring transactions; As in the previous periods, for factoring receivables as of 31 December 2020; In accordance with Article 6 of the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring, Financing and Savings Financing Companies" published by the BRSA in the Official Gazette dated 24 December 2013 and numbered 28861, specific and general provisions have been set aside.

According to the provisions of the relevant Regulation, at least 20% of factoring receivables whose collection is delayed more than 90 days but not more than 180 days from the due date, after taking into account the collaterals, of factoring receivables whose collection is delayed for more than 180 days but not more than 1 year from the due date, after taking into account the collaterals. 100% of the factoring receivables, whose collection is overdue for more than 1 year from the due date, must be set aside at least 50%, after taking into account the collaterals. The Company allocates provisions in a way that fulfills at least the minimum provisions within the scope of this regulation.

Factoring receivables that are overdue less than 1 year are classified as Loans to be Liquidated under NPLs, and factoring receivables with overdue for more than 1 year are classified as Loss-Type Receivables. In accordance with its own risk policies, the Company may classify factoring receivables whose collection is not delayed for more than 1 year as receivables in the nature of loss.

However, the Company has not changed its policy of allocating provisions for its factoring receivables. In addition, the Company recognizes provisions canceled due to collections from non-performing receivables under other operating income.

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

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Financial Liabilities and Securities Issued

Financial liabilities and securities issued are initially reflected in the financial statements at their fair values, including the costs incurred during acquisition, and then recorded at amortized cost using the effective interest method. The difference between the amount remaining after deducting the transaction costs and the discounted cost value is reflected in the income statement as the financing cost during the loan period.

Property and equipment

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

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

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

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

Definition	**Year**
Machine and equipment	3-10
Furniture and fixtures	5-10
Motor vehicles	5
Leasehold	5-10

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

Intangible Assets

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

Definition	**Year**
Computer software licenses	1-15

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Impairment in assets

For assets that are subject to amortization, an impairment test is applied in cases where it is not possible to recover the book value. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. The recoverable amount is the higher of fair value less costs to sell or value in use. For assessment of impairment, assets are grouped at the lowest level with separately identifiable cash flows (cash generating units). Non-financial assets that are subject to impairment are reviewed for possible reversal of impairment at each reporting period.

Employee benefits

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

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

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

Provisions, contingent asset and liabilities

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

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments

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

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

Income and expense recognition

Factoring income

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

Other income and expenses

Other income and expenses are recognized on an accrual basis.

Finance expenses

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

Taxes calculated on the basis of the company's earnings

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

Corporate tax

Corporation tax liability which is arising from results of operations of the Company in the financial statements is calculated on Company's operating results adjusted by the Tax Procedure Law not acceptable expenses and exceptions.

It is deducted when there is a legal right to set off current tax assets against current tax liabilities or if such assets and liabilities are associated with income tax collected by the same tax authority.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

According to TAS 12, "Income Taxes"; deferred tax assets and liabilities are recognized in the accompanying financial statements, using the balance sheet method, on all taxable temporary differences to the extent that they are expected to increasing or decrease on the income tax payable in the period when they will reserve. Deferred tax assets are recognized to the extent that is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

Valuation of assets on the statement of income as a result of these differences and deferred tax income or expense in the income statement on the relevant valuation of the asset is accounted for in equity as a result of differences; the related deferred tax effect is also recognized in equity.

The Company calculates the deferred tax asset on the deductible temporary differences, excluding general provisions and deferred tax liability, on all taxable temporary differences as long as it is possible to obtain financial profit that can be deducted in the future periods according to the tax legislation.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the deferred tax and liabilities are realized simultaneously.

Related parties

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

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

Subsequent events

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

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

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Statement of cash flows

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

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

Segment reporting

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

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

Effects of foreign currency's rates

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

The foreign exchange rates used by the Company as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
USD	12,9775	7,3405
EUR	14,6823	9,0079
GBP	17,4530	9,9438

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

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Information on leasing activities

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

Earnings per share

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

3 - CASH AND CASH EQUIVALENTS

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Banks	182,645	81,485	18,947	3,294
- *Time deposit* (*)	*153,935*	-	-	-
- *Demand deposit* (**)	*28,710*	*81,485*	*18,947*	*3,294*
Interest rediscount	88	-	-	-
	182,733	**81,485**	**18,947**	**3,294**

(*) As of 31 December 2021, the maturity of the Company's time deposits is 3 January 2022, the deposit is in TRY and the interest rate is 22%. (31 December 2020: None).

(**) There are blocked deposits at Takasbank amounting to 28,268 TL in demand deposits. (31 December 2020: TRY18,918).

Cash and cash equivalents shown in the cash flow statements as of 31 December 2021 and 2020 are shown below:

	31 December 2021	31 December 2020
Banks	264,218	22,241
Interest rediscount (-)	88	-
	264,130	**22,241**

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

4 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Assets

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Swap	-	-	-	799
	-	**-**	**-**	**799**

5 - FACTORING RECEIVABLES AND NON-PERFORMING RECEIVABLES

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Domestic factoring receivables	2,867,493	742,003	1,833,513	304,710
Export factoring receivables	-	186,953	-	32,594
Unearned factoring income	(80,865)	(7,633)	(38,171)	(2,008)
	2,786,628	**921,323**	**1,795,342**	**335,296**

Unearned income represents cash collected income calculated over the maturities of factoring receivables.

Factoring transactions according to their types are as follows:

	31 December 2021	**31 December 2020**
Domestic revocable	2,521,708	1,537,341
Domestic irrevocable	999,290	560,704
Foreign revocable	41,522	6,693
Foreign irrevocable	145,431	25,900
	3,707,951	**2,130,638**

The total of the Company's checks and promissory notes against its factoring receivables is TRY2,675,442 as of 31 December 2021 (31 December 2020: TRY1,156,340). These checks and promissory notes are followed in off-balance sheet accounts.

	31 December 2021	**31 December 2020**
Factoring receivables:		
Fixed rate	2,917,864	1,573,845
Floating rate	790,087	556,793
	3,707,951	**2,130,638**

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

5 - FACTORING RECEIVABLES AND NON PERFORMING RECEIVABLES (Continued)

The average maturity distribution of factoring receivables is as follows:

	31 December 2021	31 December 2020
Until 30 days	806,318	655,086
30-60 days	1,064,065	541,041
60-90 days	716,364	329,036
90-180 days	929,639	487,043
180-365 days	184,569	104,871
1 year and above	6,996	13,561
	3,707,951	**2,130,638**

As of 31 December 2021 and 2020, the breakdown of total factoring receivables by industrial groups is as follows:

	31 December 2021	(%)	31 December 2020	(%)
Wholesale Trade and Brokerage	638,172	17	323,746	15
Construction	516,022	14	379,381	18
Financial Institutions (*)	462,973	12	139,547	7
Textile	317,987	9	85,650	4
Metal Industry	244,361	7	27,889	1
Transportation	227,179	6	138,716	7
Tourism	196,548	5	59,451	3
Chemical, Plastic and Pharmaceutical Industry	140,242	4	96,354	5
Other Manufacturing Industry	138,018	4	80,950	4
Food	131,959	4	67,816	3
Mining	106,351	3	55,200	3
Electrical and Electronics Industry	103,489	3	96,327	5
Oil Refinery Products	76,669	2	292,957	14
Other	407,981	11	286,654	13
Total	**3,707,951**	**100**	**2,130,638**	**100**

(*) It consists of refactoring operations.

Factoring receivables are analyzed as follows:

	31 December 2021	31 December 2020
Not overdue and not impaired	3,704,956	2,121,961
Past due but not impaired	2,995	8,677
Impaired loans	102,566	79,808
Total	**3,810,517**	**2,210,446**
Specific provision for impaired loans	(65,741)	(68,393)
Factoring receivables, net	**3,744,776**	**2,142,053**

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

5 - FACTORING RECEIVABLES AND NON PERFORMING RECEIVABLES (Continued)

The guarantees obtained by the Company regarding the factoring receivables are as follows, and in the event that the collateral amount exceeds the receivable amount, only the portion corresponding to the receivable amount is taken into account when calculating the collateral amounts:

Guarantee Information:

	31 December 2021	31 December 2020
Notes	3,663,599	2,039,448
Mortgage	81,177	102,605
	3,744,776	**2,142,053**

As of 31 December 2021 and 2020, the distribution of the Company's non-performing factoring receivables and provisions is as follows:

	31 December 2021	31 December 2020
Non-performing factoring receivables	102,566	79,808
Specific provisions (-)	(65,741)	(68,393)
Non performing receivables, net	**36,825**	**11,415**

As of 31 December 2021 and 2020, the aging of the Company's non-performing factoring receivables is as follows:

	31 December 2021	31 December 2020
90 - 180 days	52,246	16,966
180 - 365 days	11,648	939
1 year and above	38,672	61,903
	102,566	**79,808**

Movements in specific provision are as follows:

	2021	2020
1 January, opening	**(68,393)**	**(71,034)**
Provision for the period	(39,649)	(7,024)
Collection during the period (Note 18)	4,284	10,416
Provisions for NPLs sold (*)	37,235	-
Exchange rate differences	782	(751)
31 December, closing	**(65,741)**	**(68,393)**

(*) The total risk amount of the NPLs sold in question is TRY37,235, and these receivables sold to Emir Varlık Yönetim A.Ş. company, on 25 November 2021 for TRY450.

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

6 - PROPERTY AND EQUIPMENT

Movements of property and equipment during the period ended 31 December 2021 and 31 December 2020 are as follows:

	1 January 2021	Additions	Disposal	31 December 2021
Cost				
Machinery and equipment	1,925	71	(3)	1,993
Vehicles	-	6,443	-	6,443
Furniture and fixtures	55	-	-	55
Vehichles with the right of use (*)	3,312	1,241	(2,659)	1,894
Buildings with the right of use (*)	3,541	3,626	(3,288)	3,879
Leasehold improvements	289	5	(18)	276
	9,122	**11,386**	**(5,968)**	**14,540**

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

	1 January 2021	Current year depreciation	Disposals	31 December 2021
Accumulated depreciation				
Machinery and equipment	(1,026)	(368)	3	(1,391)
Vehicles	-	(932)	-	(932)
Furniture and fixtures	(47)	(8)	-	(55)
Vehicles with the right of use (*)	(1,826)	(1,093)	2,362	(557)
Buildings with the right of use (*)	(981)	(3,271)	3,300	(952)
Leasehold improvements	(73)	(43)	18	(98)
	(3,953)	**(5,715)**	**5,683**	**(3,985)**
Net carriying value	**5,169**			**10,555**

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

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Machinery and equipment	1,297	629	(1)	1,925
Real estate	125	-	(125)	-
Furniture and fixtures	55	-	-	55
Vehichles with the right of use (*)	3,469	1,190	(1,347)	3,312
Buildings with the right of use (*)	2,987	3,584	(3,030)	3,541
Leasehold improvements	150	181	(42)	289
	8,083	**5,584**	**(4,545)**	**9,122**

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

6 - PROPERTY AND EQUIPMENT (Continued)

	1 January 2020	Current year depreciation	Disposals	31 December 2020
Accumulated depreciation				
Machinery and equipment	(728)	(299)	1	(1,026)
Real estate	-	-	-	-
Furniture and fixtures	(37)	(10)	-	(47)
Vehicles with the right of use (*)	(1,461)	(1,589)	1,224	(1,826)
Buildings with the right of use (*)	(886)	(3,109)	3,014	(981)
Leasehold improvements	(78)	(37)	42	(73)
	(3,190)	**(5,044)**	**4,281**	**(3,953)**
Net carriying value	**4,893**			**5,169**

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

There are insurance agreements for machinery and equipment and vehicles, which are included in tangible fixed assets, amounting to the entire balance.

7 - INTANGIBLE ASSETS

Movements of intangible assets during the year ended 31 December 2020 and 31 December 2019 are as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Computer Software	11,524	711	-	12,235
	11,524	**711**	**-**	**12,235**

	1 January 2021	Current year depreciation	Disposals	31 December 2021
Accumulated amortisation				
Computer Software	(4,820)	(936)	-	(5,756)
	(4,820)	**(936)**	**-**	**(5,756)**
Net carrying value	**6,704**			**6,479**

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Computer Software	11,012	512	-	11,524
	11,012	**512**	**-**	**11,524**

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

7 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Current year depreciation	Disposals	31 December 2020
Accumulated amortisation				
Computer software	(3,422)	(1,397)	-	(4,820)
	(3,422)	**(1,397)**	**-**	**(4,820)**
Net carrying value	**7,590**			**6,704**

As of 31 December 2021 and 31 December 2020, the Company does not have any internally generated intangible assets.

8 - OTHER ASSETS

As of 31 December 2021 and 31 December 2020, the details of other assets are as follows:

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Other Receivables (*)	7,926	693	3,476	191
Prepaid expenses	1,764	-	1,215	-
Advances given	1,473	-	138	-
Other assets	16	-	-	-
	11,179	**693**	**4,829**	**191**

(*) As of 31 December 2021 and 2020, the other receivables balance consists of the BITT amounts of the interest income to be earned from factoring receivables.

9 - ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCOUNTINUED OPERATIONS

As of 31 December 2021, the company has TRY125 worth of real estate for sale, acquired in return for its factoring receivables (31 December 2020: TRY6,125).

During the period, the real estate with a book value of TRY6,000 was sold for TRY6,800, and the income from this transaction was classified under "Other Operating Income" in the statement of profit or loss and other comprehensive income.

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

10 - BORROWINGS

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Shot term borrowings	2,369,601	988,589	1,314,835	336,369
Total borrowings	**2,369,601**	**988,589**	**1,314,835**	**336,369**

The company has no long-term borrowings, and as of 31 December 2021 and 2020, the details of short-term bank borrowings are as follows:

Currency	Interest Rate	Original Amount	31 December 2021
TRY	%15.65-%26.78	2,369,601	2,369,601
EUR	%1.00-%3.15	33,576	492,966
USD	%1.72-%5.25	37,306	484,145
GBP	%2.58	658	11,478
			3,358,190

Currency	Interest Rate	Original Amount	31 December 2020
TRY	%16.25-%20.48	1,314,835	1,314,835
EUR	%1.58-%3.41	24,484	220,550
USD	%2.75-%4.46	15,776	115,806
GBP	%2.57-%2.57	1	13
			1,651,204

The details of borrowings by interest type are as follows:

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Fixed rate	2,089,601	567,402	1,277,400	224,311
Floating rate	280,000	421,187	37,435	112,058
	2,369,601	**988,589**	**1,314,835**	**336,369**

11 - FACTORING PAYABLES

	31 December 2021	31 December 2020
Payables from factoring transactions (*)	7,197	782
Total	**7,197**	**782**

(*) It consists of the collection and margin balances of invoices assigned to customers for whom financing and collection services are provided, and the corresponding payment instruments. Balances are refunded to customers after reconciliation.

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

12 - DEBT SECURITIES ISSUED

	31 December 2021	31 December 2020
Secutities issued	397,807	320,568
	397,807	**320,568**

The bonds issued by the Company to qualified investors as of 31 December 2021 and 2020 and their features are as follows:

	31 December 2021				
ISIN Code	**Issue date**	**Nominal amount**	**Redemption date**	**Interest rate**	**Coupon type**
TRFFINF12237	28 September 2021	161,099	29 January 2022	18.40%	Once at maturity
TRFFINF12211	25 August 2021	125,740	4 January 2022	19.10%	Once at maturity
TRFFINF12229	2 September 2021	74,260	10 January 2022	19.15%	Once at maturity
TRFFINF32219	21 December 2021	40,350	1 March 2022	18.25%	Once at maturity

	31 December 2020				
ISIN Code	**Issue date**	**Nominal amount**	**Redemption date**	**Interest rate**	**Coupon type**
TRFFINF22137	8 December 2020	98,600	24 February 2021	17.30%	Once at maturity
TRFFINF22129	25 November 2020	88,300	10 February 2021	16.25%	Once at maturity
TRFFINF22111	9 November 2020	43,000	2 February 2021	15.75%	Once at maturity
TRFFINF12112	2 November 2020	96,210	26 January 2021	15.43%	Once at maturity

13 - PROVISIONS

As of 31 December 2021 and 31 December 2020, details of provisions are as follows:

	31 December 2021	31 December 2020
Provisions for employee severance payments	4,364	2,518
Premium provisions	4,000	3,500
Provisions for unused vacation	916	794
Other	397	287
	9,677	**7,099**

Provisions for severance payment

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

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

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

13 - PROVISIONS (Continued)

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

	31 December 2021	**31 December 2020**
Net discount rate	3.74%	%4.24
Circulation rate on probability of retirement	93.00%	%97.92

The main assumptions are to increase the ceiling liability in effect from 1 January 2006 for each annual service in proportion to inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation. The severance pay ceiling is revised semi-annually and as of 31 December 2021, the full TRY10,596.74 effective from 1 January 2022 in the calculation of the severance pay provision of the Company (31 December 2020: Effective from 1 January 2021 in the calculation of the severance pay provision of the Company. The severance pay ceiling of 8,284.51 full TRY) was used.

Movements in reserve for employee severance payments are as follows:

	31 December 2021	**31 December 2020**
Balance at 1 January	2,518	1,769
Current service cost	460	385
Interest cost	321	213
Actuarial gain/(loss)	1,288	302
Payment during the period (-)	(342)	(261)
Other	119	110
	4,364	**2,518**

The movements of the bonus provision during the year are as follows:

	31 December 2021	**31 December 2020**
Balance at 1 January	3,500	3,000
Paid during the period	(2,855)	(3,000)
Canceled during the period	(645)	-
Allocated during the period	4,000	3,500
	4,000	**3,500**

Provisions for unused vacation

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

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

13 - PROVISIONS (Continued)

Movements in provision for unused vacation are as follows:

	31 December 2021	31 December 2020
Balance at 1 January	794	829
Provisions/(leave usage and payments),net	122	(35)
	916	**794**

14 - OTHER LIABILITIES

As of 31 December 2021 and 2020, the details of other liabilities are as follows:

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Taxes, duties, fees payable	6,478	-	3,637	-
Prepaid commissions	1,276	1,150	510	234
Correspondent commissions payable	-	369	-	194
Other payables	1,241	61	690	-
	8,995	**1,580**	**4,837**	**428**

In the accounting periods ending on 31 December 2021 and 2020, taxes, duties, fees, etc. payable are included in other liabilities. The details of the expenses are as follows:

	31 December 2021	31 December 2020
Banking and insurance transaction tax payable	5,319	2,658
Premiums payable	611	508
Income tax payable	508	434
VAT payable	24	23
Stamp duty payable	16	14
	6,478	**3,637**

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

15 - EQUITY

As of 31 December 2021 and 2020, The Company's shareholders and their shareholding distributions are as follows:

Paid in capital

	31 December 2021		31 December 2020	
Shareholders	**% Share**	**Amount**	**% Share**	**Amount**
QNB Finansbank A.Ş.	99,99996	64,999	99,99996	64,999
Ibtech Uluslararası Bilişim ve İletişim Tek. Araştırma Geliştirme Danışmanlık Destek San. ve Tic. A.Ş.	0,00001	<1	0,00001	<1
QNB Finans Finansal Kiralama A.Ş.	0,00001	<1	0,00001	<1
QNB Finans Yatırım Menkul Değerler A.Ş.	0,00001	<1	0,00001	<1
QNB Finans Portföy Yönetimi A.Ş.	0,00001	<1	0,00001	<1
	100	**65,000**	**100**	**65,000**

The registered capital of the company consists of 65,000,000 shares with a nominal value of TRY1 each (31 December 2020: 65,000,000).

Capital Reserves

In statutory financial statements, retained earnings excluding legal reserves are available for distribution, subject to the legal reserve requirement set out below.

According to the Turkish Commercial Code, legal reserves are divided into two as first and second legal reserves. According to the Turkish Commercial Code, primary legal reserves are set aside as 5% of the legal net profit until 20% of the paid-in capital of the company is reached. The second order legal reserves are 10% of the distributed profit exceeding 5% of the paid-in capital. According to the Turkish Commercial Code, as long as the legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset losses and cannot be used in any other way.

Pursuant to the Law No. 5228 on "Amendment of Certain Tax Laws" published in the Official Gazette No. 25539 dated 31 July 2004, inflation differences of equity items that appear in the first financial statement balancing transaction adjusted for inflation and are followed in the "Retained Years Profit/Loss" amount can be deducted from the previous year's losses resulting from the adjustment or added to the capital by the corporate taxpayers, but these transactions are not considered as profit distribution.

"Equity inflation adjustment differences" for all equity items can only be used for free capital increase or loss offset. The registered values of the extraordinary reserves can be used for free capital increase, profit distribution or loss offset.

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

15 - EQUITY (Continued)

Profit reserves

	31 December 2021	31 December 2020
Legal reserves	8,095	6,460
Total	**8,095**	**6,460**

The Company has set aside a total of TRY8,095 from its accumulated profit as first-order legal reserves amounting to TRY7,803 and second-order legal reserves amounting toTRY292 (31 December 2020: The company has set aside a total of TRY6,460 of first-order legal reserves and TRY292 of second-order legal reserves from its accumulated profit).

Legal reserves consist of first and second legal reserves set aside according to the Turkish Commercial Code. The first legal reserve is set aside at the rate of 5% of the annual net commercial profit and up to 20% of the paid-in capital. The second reserve is allocated from the first legal reserve and the profit remaining after the first dividend, up to 10% of the cash dividend distributions.

16 - OPERATING INCOME

For the years ended 31 December 2021 and 31 December 2020, details of operating income are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Interest income on factoring receivable	492,158	216,682
- Discounted	*314,207*	*123,960*
- Other	*177,951*	*92,722*
Fees and commissions on factoring receivables	23,389	14,425
- Discounted	*7,930*	*5,811*
- Other	*15,459*	*8,614*
Operating Income	**515,547**	**231,107**

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

17 - FINANCING EXPENSE

For the accounting periods ended at 31 December 2021 and 31 December 2020, details of financing expenses are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Interest expense on borrowings	275,572	124,900
Interest expense on securities issued	74,376	20,142
Fees and commissions	9,942	5,534
Interest expense on rent proceedings	456	408
	360,346	**150,984**

18 - OPERATING EXPENSES

For the accounting periods ended at 31 December 2021 and 31 December 2020, details of operating expenses are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses	32,360	28,521
Amortization expenses	6,651	6,441
Litigation expenses	1,537	2,546
Representation and Hospitality expenses	1,002	454
Advertising expenses	993	94
Tax duties and fees	742	776
Consulting expenses	698	642
Provision for severance payment expenses	557	447
IT expenses	450	9
Permit provision expense	232	-
Other	3,914	2,652
	49,136	**42,582**

For the accounting periods ended at 31 December 2021 and 31 December 2020, details of personnel expenses included in operating expenses are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Wages and salaries	21,731	19,150
Bonuses and premiums	4,000	3,500
Social security premium employer's share	3,647	3,124
Employee insurance expenses	1,222	1,114
Personnel food expenses	663	450
Other	1,097	1,183
	32,360	**28,521**

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

19 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

Expenses related to other services received from independent auditors and independent audit companies for the accounting periods ending on 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020(*)
Independent audit fee for the reporting period (**)	137	142
Fees for tax advisory services	-	-
Fee for other assurance services	-	-
Fees for services other than independent auditing	-	-
	137	**142**

(*) The independent audit service for the year 2020 was obtained from another audit firm.

(**) VAT is not included in the amounts.

20 - OTHER OPERATING INCOME/EXPENSE

For the accounting periods ended at 31 December 2020 and 31 December 2019, details of other income are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Collection from provisions (Note 5)	4,284	10,416
Interest received from banks	4,031	1,344
Foreign exchange gains/losses, net	3,746	2,288
Gain/(loss) from derivative transactions, net	(41)	(179)
Other, net	1,017	(3)
Net,Other Operating Income/Expense	**13,037**	**13,866**

21 - TAX ASSETS AND LIABILITIES

"Temporary Article 13" has been added to the Corporate Tax Law no. 5520 as it is stated on 11th article of "Amme Alacaklarının Tahsil Usulü Hakkında Kanun İle Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun" issued in Official Gazette numbered 31462 on 22 April 2021.Pursuant to the 1st provisional article, the 20% rate in the first paragraph of Article 32 of this Law is 25% for the corporate earnings of the corporations for the 2021 taxation period, and 23% for the corporate earnings of the 2022 taxation period, which must be given as of July 1, 2021. It is applied to corporate earnings for the taxation period starting from January 1, 2021.

In determining the net corporate income, the provisions of the Income Tax Law on commercial income are applied.

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

21 - TAX ASSETS AND LIABILITIES (Continued)

The corporate tax base is calculated as a result of the addition of non-deductible expenses and additional items to the commercial income of the corporations and taking into account the exceptions (associate earnings exception, investment incentive exemption, real estate sales gain exemption, etc.) and discounts (such as R&D discount). The corporate tax return is declared to the relevant tax office from the first day of the fourth month to the evening of the 25th day following the month in which the accounting period is closed and paid until the end of the 30th day of the same month.

Corporate taxpayers declare the provisional tax amount they have calculated on the tax bases calculated as explained above quarterly, until the 14th day of the second month following the relevant period, and pay it until the evening of the 17th day. The total of the temporary taxes paid during the year and the taxes paid through withholding during the year are deducted from the corporate tax calculated on the corporate tax return. In the event that there is a tax amount that needs to be refunded after the deduction, the said amount can be refunded in cash or, if requested, can be deducted from other tax liabilities of the institution.

Except for the dividends made to corporate taxpayers in Turkey, dividend payments are subject to withholding at the rate of 15%. Addition of profit to capital is not considered dividend distribution and is not subject to withholding.

In case of investment incentive exemption within the scope of Temporary Article 61 of the Income Tax Law, the benefited exemption amount is subject to withholding tax at the rate of 19.8%.

The statute of limitations period is five years. The five-year period is calculated starting from the beginning of the year following the calendar year in which the tax is incurred. A full or limited tax inspection can be made by those authorized for tax inspection within the said period.

Losses in the corporate tax return can be deducted from the corporate income of the relevant period, provided that they are not transferred for more than five years. However, the corporate loss for the current year cannot be deducted from the previous years' profits.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7532 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

As of 31 December 2021 and 2020, the Company has paid advance corporate tax in the current period.

Corporation tax

	31 December 2021	**31 December 2020**
Corporate tax provision	24,287	11,590
Prepaid taxes (-)	(22,686)	(7,362)
Prepaid tax/corporation tax payable, net	**1,601**	**4,228**

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

21 - TAX ASSETS AND LIABILITIES (Continued)

For the accounting periods ended at 31 December 2020 and 31 December 2019, tax expense in the income statement is summarized below:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Current period corporate tax provision expense	(24,287)	(11,590)
Deferred tax income/(expense)	6,304	(103)
Total tax expense	**(17,983)**	**(11,693)**

The reported income tax expense for the years ended 31 December 2021 and 31 December 2020 are different than the amounts computed by applying the statutory tax rate to profits before income taxes as shown in the following reconciliation:

	31 December 2021	**31 December 2020**
Profit before tax	79,453	44,383
Tax rate	%25	%22
Computed rate	(19,864)	(9,764)
Unacceptable expenses, net	(157)	(106)
Deferred tax rate difference (*)	2,038	(1,823)
Current tax expense	**(17,983)**	**(11,693)**

(*) As of 31 December 2021 and 2020, in the calculation of deferred tax, 20% or 23% tax rates are used, taking into account the periods in which deferred tax assets are realized or deferred tax liabilities are fulfilled. As a result, deferred tax items calculated over 20% and 23% cause a difference of TRY2,038 in the tax reconciliation calculated over 25% (31 December 2020: TRY1,823).

Deferred taxes

Calculated deferred tax assets and deferred tax liabilities are shown in the financial statements by netting.

The company uses 23% or 20% (31 December 2020: %20) in the deferred tax calculation, taking into account the periods when deferred tax assets are realized or deferred tax liabilities are fulfilled.

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

21 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes (Continued)

The breakdown of the accumulated temporary differences and deferred tax assets and liabilities that are subject to deferred tax as of 31 December 2021 and 2020, using the applicable tax rates, is as follows:

	Temporary Differences		Deferred tax assets/ (liabilities)	
	2021	**2020**	**2021**	**2020**
Ungained income	90,924	40,922	20,913	8,184
Impairment provision for doubtful factoring receivables	12,258	46,042	2,502	9,208
Provision for severance payment	4,364	2,519	873	505
Bonus provisions	4,000	3,500	920	700
Annual leave provisions	916	794	211	159
General administration expense rediscount	490	512	113	102
Provisions for business lawsuits	397	287	91	57
Usage rights	127	218	25	44
Deferred tax assets	**113,476**	**94,794**	**25,648**	**18,959**
Loans valuation difference	(1,145)	(61)	(263)	(12)
Prepaid expenses	(933)	(899)	(215)	(180)
Tangible and intangible assets	(779)	(773)	(156)	(154)
Derivative transactions	-	(799)	-	(160)
Deferred tax liabilites	**(2,857)**	**(2,532)**	**(634)**	**(506)**
Deferred tax assets/(liabilities), net			**25,014**	**18,453**

The movement table of deferred tax assets as of 31 December 2021 and 2020 is as follows:

	2021	**2020**
Opening balance, 1 January	**18,453**	**18,719**
Deferred tax (expense)/income	6,304	(103)
Amount recognized under equity	257	44
Year-end deferred tax adjustment (*)	-	(207)
Closing balance, 31 December	**25,014**	**18,453**

(*) It consists of the correction made in the 2019 Corporate Tax within the scope of the amendments to Income Tax Law and some other laws published in the Official Gazette dated 19 July 2019 and numbered 30836.

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

22 - RELATED PARTY DISCLOSURES

Funds Borrowed

QNB Finansbank A.Ş. (Shareholder)

	31 December 2021	31 December 2020
TRY	464,250	87,549
USD	117,297	88,244
EUR	333,779	74,359
	915,326	**250,152**

Demand Deposits

QNB Finansbank A.Ş. (Shareholder)

	31 December 2021	31 December 2020
TRY	416	13
USD	48,388	1,103
EUR	32,593	716
GBP	49	346
	81,446	**2,178**

Interest Income	1 January - 31 December 2021	1 January - 31 December 2020
QNB Finansbank A.Ş. (Shareholder)	373	22
	373	**22**

Financial Expenses (-)	1 January - 31 December 2021	1 January - 31 December 2020
QNB Finansbank A.Ş. (Shareholder)	73,733	20,045
QNB Finansbank A.Ş. (Shareholder) - rent interest	209	179
	73,942	**20,224**

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

22 - RELATED PARTY DISCLOSURES (Continued)

General administrative expenses (-)	1 January - 31 December 2021	1 January - 31 December 2020
Shareholders		
QNB Finansbank A.Ş.	3,971	3,651
QNB Finans Yatırım Menkul Değerler A.Ş.	2,199	957
IBTECH Uluslararası Bil. ve İlt. Teknolojileri	68	68
Other group companies		
Cigna Finans Emeklilik ve Hayat A.Ş.	12	13
EFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	30	9
	6,280	**4,698**

As of December 31, 2021, the sum of wages and benefits paid to senior managers (Members of the Company's Board of Directors and senior managers, general manager and assistant general managers) is TRY5,626. (31 December 2020: TRY5,141).

23 - COMMITMENTS AND CONTINGENCIES

Guarantees

As of 31 December 2021 and 2020, the details of the guarantees received are as follows:

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Bails	46,870,676	8,457,694	34,721,770	4,781,157
Notes	16,601,787	805,322	9,441,619	304,147
Cheques	150	-	338	925
Other	311,665	-	318,541	-
	63,784,278	**9,263,016**	**44,482,268**	**5,086,229**

Collaterals

As of 31 December 2021 and 31 December 2020, collaterals are comprised of notes given to the following institutions:

	31 December 2021	31 December 2020
Letters of guarantee given to Takasbank	455,000	305,000
Colleterals given to courts	13,490	7,762
GDS	200	100
	468,690	**312,862**

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

23 - COMMITMENTS AND CONTINGENCIES (Continued)

Irrevocable Commitments

None (31 December 2020: None).

Held in custody securities

The Company has obtained securities held in custody for its factoring receivables at 31 December 2020 and 31 December 2019 as detailed below:

	31 December 2021		31 December 2020	
	TRY	**FC**	**TRY**	**FC**
Customer checks	2,169,473	453,532	969,662	158,040
Customer notes	49,189	3,248	20,849	7,789
	2,218,662	**456,780**	**990,511**	**165,829**

Derivative Transactions

None (31 December 2020: TRY52,141).

24 - FINANCIAL RISK MANAGEMENT

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

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Company's Board of Director's have overall responsibility for the establishment and oversight of the Company's risk management framework.

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

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

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

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

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

Details of the financial assets exposed to credit risk as of 31 December 2021 and 31 December 2020 are as follows:

	Factoring Receivables			
31 December 2021	**elated Party**	**Non-related Party**	**Banks**	**Other**
Exposure to maximum credit risk as of reporting date (*)	-	3,744,776	264,218	-
- Exposure to maximum credit risk as of reporting date	-	3,744,776	-	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	3,704,956	264,218	-
- Secured portion by any guarantee	-	3,704,956	-	-
B. Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not	-	2,995	-	-
- Secured portion by any guarantee	-	2,995	-	-
D. Net carrying value of impaired assets	-	36,825	-	-
- Overdue (gross book value)	-	102,566	-	-
- Impairment (-)	-	(65,741)	-	-
- Secured portion of net book value	-	36,825	-	-
- Not due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of net book value (with letter of guarantee etc.)	-	-	-	-
E. Off-balance sheet items with credit risks	-	-	-	-

(*) Includes the Company's mortgages and guarantees acquired the provision of the factoring receivables in the process of prosecuting.

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

	Factoring Receivables			
31 December 2020	**Related Party**	**Non-related Party**	**Banks**	**Other**
Exposure to maximum credit risk as of reporting date (*)	-	2,142,053	22,241	799
- Exposure to maximum credit risk as of reporting date	-	2,142,053	-	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	2,121,961	22,241	799
- Secured portion by any guarantee	-	2,121,961	-	-
B. Net carrying value of financial assets that are restructured/renegotiated, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not	-	8,677	-	-
- Secured portion by any guarantee	-	8,677	-	-
D. Net carrying value of impaired assets	-	11,415	-	-
- Overdue (gross book value)	-	79,808	-	-
- Impairment (-)	-	(68,393)	-	-
- Secured portion of net book value	-	11,415	-	-
- Not due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of net book value (with letter of guarantee etc.)	-	-	-	-
E. Off-balance sheet items with credit risks	-	-	-	-

(*) Includes the Company's mortgages and guarantees acquired the provision of the factoring receivables in the process of prosecuting.

Liquidity Risk

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

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

	31 December 2021					
Expected maturities	**Carrying Amount**	**Contractual Cash Flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non derivative financial liabilities	**3,778,161**	**3,832,877**	**3,428,506**	**402,828**	**1,341**	**202**
Fund borrowed	3,358,190	3,408,606	3,008,147	400,459	-	-
Securities issued	397,807	401,449	401,449	-	-	-
Lease payables	4,392	5,050	1,138	2,369	1,341	202
Factoring payables	7,197	7,197	7,197	-	-	-
Other foreign payables	10,575	10,575	10,575	-	-	-

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

	31 December 2020					
Expected maturities	**Carrying Amount**	**Contractual Cash Flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non derivative financial liabilities	**1,982,076**	**2,018,685**	**1,734,220**	**283,408**	**841**	**216**
Fund borrowed	1,651,204	1,681,761	1,400,825	280,936	-	-
Securities Issued	320,568	326,110	326,110	-	-	-
Lease payables	4,257	4,767	1,238	2,472	841	216
Factoring payables	782	782	782	-	-	-
Other foreign payables	5,265	5,265	5,265	-	-	-

Market Risk

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

Foreign Currency Risk

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

Table below summarizes the Company's foreign currency position risk in detailed as of 31 December 2021 and 2020. The amounts of foreign currency assets and liabilities held by the Company according to their foreign currency types are as follows:

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Market Risk (Continued)

31 December 2021	USD	EUR	GBP	Total
Banks	48,495	32,794	196	**81,485**
Factoring receivables	436,498	470,846	13,979	**921,323**
Other assets	395	298	-	**693**
Total Assets	**485,388**	**503,938**	**14,175**	**1,003,501**
Funds borrowed	(484,144)	(492,966)	(11,479)	**(988,589)**
Factoring payables	(195)	(1,002)	(1,538)	**(2,735)**
Other liabilities	(519)	(889)	(172)	**(1,580)**
Total Liabilities	**(484,858)**	**(494,857)**	**(13,189)**	**(992,904)**
Net foreign currency position due to derivative financial instruments	-	-	-	-
Net foreign currency position	**530**	**9,081**	**986**	**10,597**

31 December 2020	USD	EUR	Other	Total
Banks	2,157	749	388	**3,294**
Factoring receivables	138,761	196,513	22	**335,296**
Other assets	120	870	-	**990**
Total Assets	**141,038**	**198,132**	**410**	**339,580**
Funds borrowed	(115,806)	(220,550)	(13)	**(336,369)**
Factoring payables	-	(137)	-	**(137)**
Other liabilities	(39)	(567)	(18)	**(624)**
Total Liabilities	**(115,845)**	**(221,254)**	**(31)**	**(337,130)**
Net foreign currency position due to derivative financial instruments	(25,691)	26,449	-	758
Net foreign currency position	**(498)**	**3,325**	**381**	**3,208**

Exchange Rate Sensitivity Analysis

The Company is exposed to currency risk mainly in US Dollar and Euro.

The table below shows the sensitivity of the Company to the related foreign currencies of the 10% increase/decrease in the US Dollar, Euro and British Pound exchange rates. The 10% rate used is the rate used when reporting the currency risk to the senior management within the Company, and the said rate represents the possible change expected by the management in foreign exchange rates. Sensitivity analyzes regarding the exchange rate risk that the Company is exposed to at the reporting date are determined according to the change at the beginning of the financial year and are kept constant throughout the reporting period. A positive amount represents revenue growth in profit/loss. This analysis was made with the assumption that all variables remained constant as of 31 December 2021.

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Exchange Rate Sensitivity Analysis (Continued)

	Profit / Loss		Equity	
31 December 2021	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
USD	53	(53)	53	(53)
EUR	908	(908)	908	(908)
GBP	99	(99)	99	(99)
Total	**1,060**	**(1,060)**	**1,060**	**(1,060)**

	Profit / Loss		Equity	
31 December 2020	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
USD	50	(50)	50	(50)
EUR	333	(333)	333	(333)
GBP	38	(38)	38	(38)
Total	**421**	**(421)**	**421**	**(421)**

The fair values of financial assets and liabilities shown at cost discounted with effective interest, including cash and cash equivalents, factoring receivables and short-term TRY-denominated bank loans, are considered to be close to their book values, considering that they are short-term and possible losses are insignificant.

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

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

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

		Fair value level as of the reporting date		
	31 December 2021	**Level 1**	**Level 2**	**Level 3**
Financial Assets	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Derivative financial assets held for trading purpose	-	-	-	-
Financial Liabilites				
Derivative financial liabilities held for trading purpose	-	-	-	-

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

24 - FINANCIAL RISK MANAGEMENT (Continued)

Exchange Rate Sensitivity Analysis (Continued)

		Fair value level as of the reporting date		
	31 December 2020	**Level 1**	**Level 2**	**Level 3**
Financial Assets	**799**	**-**	**799**	**-**
Financial assets at fair value through other comprehensive income (*)	799	-	799	-
Derivative financial assets held for trading purpose	-	-	-	-
Financial Liabilities				
Derivative financial liabilities held for trading purpose	-	-	-	-

25 - EARNINGS PER SHARE

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
Weighted average number of outstanding shares	65,000	65,000
Net profit for the period (TRY)	61,470	32,690
Basic earnings per share (full TRY)	0,9457	0,5029

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

26 - SUBSEQUENT EVENTS

The bond issued by the company on 6 January 2022 with a nominal value of TRY96.970 maturity of 60 days, redemption date of 7 March, 2022, with the ISIN code "TRFFINF32227" with a simple interest rate of 23.25% per annum is traded on the Borsa Istanbul Debt Securities Market Outright Purchases and Sales Market.

The bond issued by the company on 10 January 2022 with a nominal value of TRY73,030 maturity of 63 days, redemption date of 14 March, 2022, with the ISIN code "TRFFINF32235" with a simple interest rate of 22.50% per annum is traded on the Borsa Istanbul Debt Securities Market Outright Purchases and Sales Market.

…………………………