

**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 2022**



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

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 2022 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 2022, and its financial performance and its cash flows for the year then ended in accordance with “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation” which includes “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring 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
<p><b>Impairment of factoring receivables</b></p> <p>The Company’s total factoring receivables are amounting to TRY 9,593,485 thousand including the doubtful factoring receivables in the statement of financial position as of 31 December 2022. 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 2022.</p> <p>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.</p>	<p>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 calculation of impairment provision in line with the framework of the relevant legislation.</p> <p>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 provision calculations provided for impaired factoring receivables in accordance with the BRSA Accounting and Reporting Legislation.</p> <p>We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Company with respect to factoring receivables and related impairment provision.</p>



#### **4. 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.

#### **5. 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 independent audit conducted in accordance with SIA, 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 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### **Additional Paragraph for Convenience Translation:**

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board including the application of IAS 29- Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position, results of operations, changes in equity and cash flows of the Company in accordance with IFRS.

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

Talar Gül, SMMM  
Partner

Istanbul, 30 January 2023

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**QNB FİNANS FAKTORİNG A.Ş.**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**QNB FİNANS FAKTORİNG A.Ş.**

**STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2022**

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

	ASSETS	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK</b>	3	56,335	78,961	135,296	182,733	81,485	264,218
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
<b>IV.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AT AMORTISED COST (Net)</b>		9,047,431	464,403	9,511,834	2,823,453	921,323	3,744,776
<b>5.1</b>	<b>Factoring Receivables</b>	4	9,047,431	464,403	9,511,834	2,786,628	921,323	3,707,951
5.1.1	Discounted Factoring Receivables (Net)		4,028,760	171,448	4,200,208	1,851,755	515,907	2,367,662
5.1.2	Other Factoring Receivables		5,018,671	292,955	5,311,626	934,873	405,416	1,340,289
<b>5.2</b>	<b>Financial Saving Receivables</b>		-	-	-	-	-	-
5.2.1	From Savings Fund Pool		-	-	-	-	-	-
5.2.2	Equity		-	-	-	-	-	-
<b>5.3</b>	<b>Financial Loans</b>		-	-	-	-	-	-
5.3.1	Consumer loans		-	-	-	-	-	-
5.3.2	Credit Cards		-	-	-	-	-	-
5.3.3	Installment Commercial Loans		-	-	-	-	-	-
<b>5.4</b>	<b>Leasing Transactions (Net)</b>		-	-	-	-	-	-
5.4.1	Finance lease receivables		-	-	-	-	-	-
5.4.2	Operating Lease Receivables		-	-	-	-	-	-
5.4.3	Unearned Income (-)		-	-	-	-	-	-
<b>5.5</b>	<b>Other Financial Assets Measured at Amortised Cost</b>		-	-	-	-	-	-
<b>5.6</b>	<b>Non Performing Receivables</b>	4	81,651	-	81,651	102,566	-	102,566
	Allowance For Expected Credit Losses / Specific Provisions (-)	4	(81,651)	-	(81,651)	(65,741)	-	(65,741)
<b>VI.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		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 (Joint Ventures) (Net)		-	-	-	-	-	-
<b>VII.</b>	<b>TANGIBLE ASSETS (Net)</b>	5	19,276	-	19,276	10,555	-	10,555
<b>VIII.</b>	<b>INTANGIBLE ASSETS (Net)</b>	6	5,933	-	5,933	6,479	-	6,479
<b>IX.</b>	<b>INVESTMENT PROPERTY (Net)</b>		-	-	-	-	-	-
<b>X.</b>	<b>CURRENT TAX ASSETS</b>		-	-	-	-	-	-
<b>XI.</b>	<b>DEFERRED TAX ASSETS</b>	20	5,670	-	5,670	25,014	-	25,014
<b>XII.</b>	<b>OTHER ASSETS</b>	7	37,487	2,474	39,961	11,179	693	11,872
	<b>SUBTOTAL</b>		9,172,134	545,838	9,717,972	3,059,415	1,003,501	4,062,916
<b>XIII.</b>	<b>ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	8	26,733	-	26,733	125	-	125
13.1	Held for Sale		26,733	-	26,733	125	-	125
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
	<b>TOTAL</b>		9,198,867	545,838	9,744,705	3,059,540	1,003,501	4,063,041

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 FINANCIAL POSITION 31 DECEMBER 2022**

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

	LIABILITIES	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	<b>BORROWINGS</b>	9	7,383,690	540,439	7,924,129	2,369,601	988,589	3,358,190
II.	<b>FACTORING PAYABLES</b>	10	15,637	2,264	17,901	4,462	2,735	7,197
III.	<b>LIABILITIES FROM THE SAVING FUND POOL</b>		-	-	-	-	-	-
IV.	<b>LEASE PAYABLES (Net)</b>		6,410	-	6,410	4,392	-	4,392
V.	<b>SECURITIES ISSUED (Net)</b>	11	1,132,652	-	1,132,652	397,807	-	397,807
VI.	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
VII.	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		-	-	-	-	-	-
VIII.	<b>PROVISIONS</b>	12	29,314	-	29,314	9,677	-	9,677
8.1	Provision for Restructuring		-	-	-	-	-	-
8.2	Reserves For Employee Benefits		28,998	-	28,998	9,280	-	9,280
8.3	General Loan Loss Provisions		-	-	-	-	-	-
8.4	Other Provisions		316	-	316	397	-	397
IX.	<b>CURRENT TAX LIABILITIES</b>	20	26,654	-	26,654	1,601	-	1,601
X.	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
XI.	<b>SUBORDINATED DEBT</b>		-	-	-	-	-	-
XII.	<b>OTHER LIABILITIES</b>	13	22,348	1,373	23,721	8,995	1,580	10,575
	<b>SUBTOTAL</b>		8,616,705	544,076	9,160,781	2,796,535	992,904	3,789,439
XIII.	<b>LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	<b>EQUITY</b>	14	583,924	-	583,924	273,602	-	273,602
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		(6,340)	-	(6,340)	(1,925)	-	(1,925)
14.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
14.5	Profit Reserves		11,168	-	11,168	8,096	-	8,096
14.5.1	Legal Reserves		11,168	-	11,168	8,096	-	8,096
14.5.2	Statutory Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		-	-	-	-	-	-
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		514,096	-	514,096	202,431	-	202,431
14.6.1	Prior Years' Profit or Loss		199,359	-	199,359	140,961	-	140,961
14.6.2	Current Period Net Profit Or Loss		314,737	-	314,737	61,470	-	61,470
	<b>Total equity and liabilities</b>		9,200,629	544,076	9,744,705	3,070,137	992,904	4,063,041

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.**

**OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2022**

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

	OFF-BALANCE SHEET ITEMS	Note	Audited Current Period 31 December 2022			Audited Prior Period 31 December 2021		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>RECOURSE FACTORING TRANSACTIONS</b>		162,015	146,753	308,768	33,630	161,154	194,784
<b>II.</b>	<b>NON-RECOURSE FACTORING</b>		831,662	217,366	1,049,028	511,628	200,291	711,919
<b>III.</b>	<b>FINANCIAL SAVING AGREEMENT</b>		-	-	-	-	-	-
<b>IV.</b>	<b>GUARANTEES RECEIVED</b>	22	111,305,853	15,531,194	126,837,047	63,784,278	9,263,016	73,047,294
<b>V.</b>	<b>GUARANTEES GIVEN</b>	22	883,053	-	883,053	468,690	-	468,690
<b>VI.</b>	<b>COMMITMENTS</b>		-	-	-	-	-	-
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		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-	-	-	-
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		-	-	-	-	-	-
7.2.1	Forward Buy/Sell Transactions		-	-	-	-	-	-
7.2.2	Swap Buy/Sell Transactions		-	-	-	-	-	-
7.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
7.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
<b>VIII.</b>	<b>ITEMS HELD IN CUSTODY</b>	22	5,246,434	185,347	5,431,781	2,218,662	456,780	2,675,442
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS</b>		<b>118,429,017</b>	<b>16,080,660</b>	<b>134,509,677</b>	<b>67,016,888</b>	<b>10,081,241</b>	<b>77,098,129</b>

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 2022**

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

	INCOME AND EXPENSE ITEMS	Note	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>I.</b>	<b>OPERATING INCOME</b>			
	<b>FACTORING INCOME</b>	15	1,594,133	515,547
	1.1 Interest received from Factoring Receivables		1,594,133	515,547
	1.1.1 Discounted		1,550,145	492,158
	1.1.2 Other		828,115	314,207
	1.2 Fees and Commissions Received from Factoring Receivables		722,030	177,951
	1.2.1 Discounted		43,988	23,389
	1.2.2 Other		16,584	7,930
	1.3 Interest Received from Finance Loans		27,404	15,459
	1.4 Fees and Commissions Received from Finance Loans		-	-
	<b>LEASE INCOME</b>		-	-
	1.5 Financial Lease Income		-	-
	1.6 Operating Lease Income		-	-
	1.7 Fees and Commissions Received from Lease Transactions		-	-
	<b>FINANCIAL SAVING INCOME</b>		-	-
	1.8 Dividends Received from Financial Saving Receivables		-	-
	1.9 Fees and Commissions Received from Financial Saving Activities		-	-
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>	16	(1,087,960)	(360,346)
	2.1 Dividends Given to the Savings Fund Pool		-	-
	2.2 Interest on Funds Borrowed		(899,516)	(275,572)
	2.3 Interest on Factoring Payables		-	-
	2.4 Financial Lease Expenses		(543)	(456)
	2.5 Interest on Securities Issued		(124,875)	(74,376)
	2.6 Other Interest Expenses		-	-
	2.7 Fees and Commissions Given		(63,026)	(9,942)
<b>III.</b>	<b>GROSS PROFIT/LOSS (I+II)</b>		<b>506,173</b>	<b>155,201</b>
<b>IV.</b>	<b>OPERATING EXPENSE (-)</b>	17	(101,481)	(49,136)
	4.1 Personnel Expenses		(68,495)	(32,360)
	4.2 Provision Expense for Employment Termination Benefits		(1,828)	(557)
	4.3 Research and Development Expenses		-	-
	4.4 General Administration Expenses		(30,310)	(15,987)
	4.5 Other		(848)	(232)
<b>V.</b>	<b>GROSS OPERATING PROFIT/LOSS (III+IV)</b>		<b>404,692</b>	<b>106,065</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	19	<b>121,818</b>	<b>30,454</b>
	6.1 Interest Received from Banks		8,077	4,031
	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		20,464	-
	6.6 Foreign Exchange Gains		68,203	21,075
	6.7 Other		25,074	5,348
<b>VII.</b>	<b>PROVISIONS</b>	4	<b>(39,647)</b>	<b>(39,649)</b>
	7.1 Specific Provisions		(39,647)	(39,649)
	7.2 Expected Loss Provisions		-	-
	7.3 General Provisions		-	-
	7.4 Other		-	-
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	19	<b>(68,876)</b>	<b>(17,417)</b>
	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		(150)	(41)
	8.5 Foreign Exchange Loss		(68,726)	(17,329)
	8.6 Other		-	(47)
<b>IX.</b>	<b>NET OPERATING INCOME/EXPENSE (V+...+VIII)</b>		<b>417,987</b>	<b>79,453</b>
<b>X.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XI.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XII.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI+XII)</b>		<b>417,987</b>	<b>79,453</b>
<b>XIV.</b>	<b>TAXATION ON INCOME FROM CONTINUING OPERATIONS(±)</b>		<b>(103,250)</b>	<b>(17,983)</b>
	14.1 Current Tax Provision		(82,274)	(24,287)
	14.2 Deferred Tax Income Effect (-)		(23,496)	-
	14.3 Deferred Tax Expense Effect (+)		2,520	6,304
<b>XV.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)</b>		<b>314,737</b>	<b>61,470</b>
<b>XVI.</b>	<b>INCOME FROM DISCONTINUING OPERATIONS</b>		-	-
	16.1 Income from Assets Held for Resale		-	-
	16.2 Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
	16.3 Other income		-	-
<b>XVII.</b>	<b>EXPENSES FROM DISCONTINUING OPERATIONS (-)</b>		-	-
	17.1 Expenses from Assets Held for Resale		-	-
	17.2 Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
	17.3 Other Expenses		-	-
<b>XVIII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)</b>		-	-
<b>XIX.</b>	<b>TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)</b>		-	-
	19.1 Current Tax Provision		-	-
	19.2 Deferred Tax Expense Effect (+)		-	-
	19.3 Deferred Tax Income Effect (-)		-	-
<b>XX.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)</b>		-	-
<b>XXI.</b>	<b>NET PROFIT/LOSSES (XV+XX)</b>		<b>314,737</b>	<b>61,470</b>
	Earnings Per Share (Full TRY)		4,8421	0,9457

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 AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 31 DECEMBER 2022**

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

	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>I. CURRENT PROFIT/LOSS</b>	<b>314,737</b>	<b>61,470</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(4,415)</b>	<b>(1,031)</b>
2.1 <b>Items not to be reclassified under profit and loss</b>	<b>(4,415)</b>	<b>(1,031)</b>
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	(6,048)	(1,288)
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	1,633	257
2.2 <b>Items to be reclassified under profit and loss</b>	-	-
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	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>310,322</b>	<b>60,439</b>

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 CHANGES IN EQUITY FOR THE PERIOD 31 DECEMBER 2022**

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

STATEMENT OF CHANGES IN EQUITY	Paid in Capital	Stock Issue Premiums	Share Cancellation Profits	Other Reserves	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			Profit Reserves	Prior Period Net Income / (Loss)	Net Profit / Loss	Total Equity
					1	2	3	4	5	6				
<b>Prior Period (1 January - 31 December 2021)</b> (Audited)														
<b>I. Prior Period Ending Balance (1 January 2021)</b>	65,000	-	-	-	-	(894)	-	-	-	-	6,460	109,907	32,690	213,163
<b>II. Changes in Accounting Policies according to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balance (I+II)</b>	65,000	-	-	-	-	(894)	-	-	-	-	6,460	109,907	32,690	213,163
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	(1,031)	-	-	-	-	-	-	61,470	60,439
<b>V. Increase in Paid in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase From Internal Resources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Inflation Adjustments to Paid in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	1,636	31,054	(32,690)	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1,636	31,054	(32,690)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (31 December 2021)</b>	65,000	-	-	-	-	(1,925)	-	-	-	-	8,096	140,961	61,470	273,602
<b>Current Period (1 January - 31 December 2022)</b> (Audited)														
<b>I. Prior Period Ending Balance (1 January 2022)</b>	65,000	-	-	-	-	(1,925)	-	-	-	-	8,096	140,961	61,470	273,602
<b>II. Changes in Accounting Policies according to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balance (I+II)</b>	65,000	-	-	-	-	(1,925)	-	-	-	-	8,096	140,961	61,470	273,602
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	(4,415)	-	-	-	-	-	-	314,737	310,322
<b>V. Increase in Paid in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase From Internal Resources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Inflation Adjustments to Paid in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	3,072	58,398	(61,470)	-
11.1 Dividend Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3,072	58,398	(61,470)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (31 December 2022)</b>	65,000	-	-	-	-	(6,340)	-	-	-	-	11,168	199,359	314,737	583,924

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 2022**

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

	Note	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1.1 Operating Profit before Changes in Operating Assets and Liabilities</b>		<b>310,459</b>	<b>75,887</b>
1.1.1 Interest Received/Factoring Income		1,478,785	513,910
1.1.2 Interest Paid/Leasing Expense		(929,698)	(300,945)
1.1.3 Leasing Expense		(543)	(456)
1.1.4 Dividend Received		-	-
1.1.5 Fees and Commissions Received		43,988	23,389
1.1.6 Other Income		21,128	4,723
1.1.7 Collections from Previously Written-off Doubtful Receivables	4, 20	23,737	4,284
1.1.8 Payments to Personnel and Service Suppliers		(68,495)	(32,360)
1.1.9 Taxes Paid r		(57,221)	(26,914)
1.1.10 Other		(201,222)	(109,744)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(1,165,655)</b>	<b>91,704</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(5,621,880)	(1,580,796)
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		(33,306)	(4,637)
1.2.5 Net (Increase) Decrease in Financial Savings Receivables		-	-
1.2.6 Net Increase (Decrease) in Factoring Payables		10,704	6,415
1.2.7 Net Increase (Decrease) in Savings Fund Pool		-	-
1.2.8 Net Increase (Decrease) in Lease Payables		2,018	135
1.2.9 Net Increase (Decrease) in Funds Borrowed		4,471,245	1,657,983
1.2.10 Net Increase (Decrease) in Due Payables		-	-
1.2.11 Net Increase (Decrease) in Other Liabilities		5,564	12,604
<b>I. Net Cash Used in Operating Activities</b>		<b>(855,196)</b>	<b>167,591</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(10,133)	(7,226)
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		-	-
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>(10,133)</b>	<b>(7,226)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		2,475,864	1,641,796
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(1,741,019)	(1,564,557)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>III. Net Cash Provided from Financing Activities</b>		<b>734,845</b>	<b>77,239</b>
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>1,650</b>	<b>4,285</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>(128,834)</b>	<b>241,889</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>264,130</b>	<b>22,241</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>135,296</b>	<b>264,130</b>

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 ENDED 31 DECEMBER 2022**

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

	Current Period 31 December 2022 (*)	Prior Period 31 December 2021
<b>I. DISTRIBUTION OF CURRENT PERIOD PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	417,987	79,453
1.2 TAXES AND DUTIES PAYABLE (-)	(103,250)	(17,983)
1.2.1 Corporate Tax (Income Tax)	(82,274)	(24,287)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and duties (**)	(20,976)	6,304
<b>A. NET PERIOD PROFIT (1.1-1.2)</b>	<b>314,737</b>	<b>61,470</b>
1.3 PRIORS YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 LEGAL FUNDS THAT MUST BE LEFT IN THE ORGANIZATION AND MANDATORY SAVINGS (-)	-	-
<b>B. DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3+1.4+1.5))]</b>	<b>314,737</b>	<b>61,470</b>
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	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
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 ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
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.

(\*\*) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be considered as cash or internal resources and therefore the part of the period profit arising from the said assets should not be subject to profit distribution and capital increase.

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.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

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

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#### 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 136 employees as of 31 December 2022 (31 December 2021: 135).

The Company has 17 branches in total, namely Avrasya Ticari, Anadolu Ticari, Halkalı, Gebze, Bursa, Ankara, İvedik, Eskişehir, Konya, Samsun, İzmir, Antalya, Denizli, Antakya, Gaziantep, Kayseri, Adana. (31 December 2021: 17).

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 2022 were approved by the Board of Directors on 30 January 2023. 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”.

# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## QNB FİNANS FAKTORİNG A.Ş.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

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

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#### 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.

Additional paragraph for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of AS 29 - Financial Reporting in Hyperinflationary Economies by 30 June 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

##### 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 Adjustment of financial statements during periods of high inflation

Capital Markets Board (CMB), with a decision taken on 17 December 2005, for companies operating in Turkey and preparing financial statements in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards"), as of January 1, 2005, No 29. The implementation of the "Financial Reporting in Hyperinflationary Economies" Standard ("TAS 29") has been discontinued.

# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## QNB FİNANS FAKTORİNG A.Ş.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

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

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#### 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

##### 2.1 Basis of Preparation (Continued)

##### 2.1.4 Adjustment of financial statements during periods of high inflation

Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2022. As of the preparation date of this financial statements, POA did not make an additional announcement and no adjustment was made to this financial statements in accordance with TAS 29.

##### 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.

##### 2.1.6 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 2022;

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## 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Principles of Presentation

#### Allowance for impairment losses on factoring receivables

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.

#### 2.2.1 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 2022 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 2021.

#### 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.

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#### 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

##### 2.3 Amendments in standards and interpretations (Continues)

i)

###### a) *Standards, amendments and interpretations applicable as at 31 December 2022:*

- **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 2022:*

- **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.

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#### 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.

- **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.
- **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.
- **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 2022, the Company has no transactions within the scope of the said reform.

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#### 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.

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**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 2021: 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 2021: 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.

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**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 2021: None).

**Financial leasing transactions**

"IFRS 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 "IFRS 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 expensing the leases subject to IFRS 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.

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#### 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 2021; 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.

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**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**

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

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

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

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

<b>Definition</b>	<b>Year</b>
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.

<b>Definition</b>	<b>Year</b>
Computer software licenses	1-15

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#### 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.

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**2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**

**2.4 Summary of Significant Accounting Policies (Continued)**

**Derivative financial instruments**

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

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

**Income and expense recognition**

*Factoring income*

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

*Other income and expenses*

Other income and expenses are recognized on an accrual basis.

*Finance expenses*

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

**Taxes calculated on the basis of the company’s earnings**

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

*Corporate tax*

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.

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#### 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 increase or decrease on the income tax payable in the period when they will reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**QNB FİNANS FAKTORİNG A.Ş.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022**

(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 2022 and 31 December 2021 are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
USD	18,6983	12,9775
EUR	19,9349	14,6823
GBP	22,4892	17,4530

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**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**

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Banks	56,335	78,961	182,645	81,485
- <i>Time deposit</i> (*)	-	-	153,935	-
- <i>Demand deposit</i> (**)	56,335	78,961	28,710	81,485
Interest rediscount	-	-	88	-
	<b>56,335</b>	<b>78,961</b>	<b>182,733</b>	<b>81,485</b>

(\*) As of 31 December 2022, the Company has no time deposits. (31 December 2021: TRY 153.935).

(\*\*) There are blocked deposits at Takasbank amounting to 53,477 TL in demand deposits. (31 December 2021: TRY 28,268 ).

Cash and cash equivalents shown in the cash flow statements as of 31 December 2022 and 2021 are shown below:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Banks	135,296	264,218
Interest rediscount (-)	-	88
	<b>135,296</b>	<b>264,130</b>

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**4 - FACTORING RECEIVABLES AND NON-PERFORMING RECEIVABLES**

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Domestic factoring receivables	9,247,572	280,229	2,867,493	742,003
Export factoring receivables	-	189,651	-	186,953
Unearned factoring income	(200,141)	(5,477)	(80,865)	(7,633)
	<b>9,047,431</b>	<b>464,403</b>	<b>2,786,628</b>	<b>921,323</b>

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

Factoring transactions according to their types are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Domestic revocable	4,330,709	2,521,708
Domestic irrevocable	4,991,474	999,290
Foreign revocable	56,159	41,522
Foreign irrevocable	133,492	145,431
	<b>9,511,834</b>	<b>3,707,951</b>

The total of the Company's checks and promissory notes against its factoring receivables is TRY 5,431,781 as of 31 December 2022 (31 December 2021: TRY 2,675,442 ). These checks and promissory notes are followed in off-balance sheet accounts.

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Factoring receivables:</b>		
Fixed rate	7,777,464	2,917,864
Floating rate	1,734,370	790,087
	<b>9,511,834</b>	<b>3,707,951</b>

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

**4 - FACTORING RECEIVABLES AND NON PERFORMING RECEIVABLES (Continued)**

The average maturity distribution of factoring receivables is as follows:

	31 December 2022	31 December 2021
Until 30 days	3,919,256	806,318
30-60 days	2,180,800	1,064,065
60-90 days	1,375,444	716,364
90-180 days	1,855,422	929,639
180-365 days	180,912	184,569
1 year and above	-	6,996
	<b>9,511,834</b>	<b>3,707,951</b>

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

	31 December 2022	(%)	31 December 2021	(%)
Wholesale Trade and Brokerage	1,770,094	19	638,172	17
Motor vehicles	1,513,852	16	85,209	2
Financial Institutions (*)	792,631	8	462,973	12
Chemical, Plastic and Pharmaceutical Industry	714,071	8	140,242	4
Construction	702,614	7	516,022	14
Oil Refinery Products	614,721	6	76,669	2
Textile	564,467	6	317,987	9
Food	484,735	5	131,959	4
Metal Industry	427,600	4	244,361	7
Other Manufacturing Industry	340,813	4	138,018	4
Mining	222,511	2	106,351	3
Tourism	195,149	2	196,548	5
Electrical and Electronics Industry	164,192	2	103,489	3
Transportation	158,644	2	227,179	6
Other	845,740	9	322,772	9
<b>Total</b>	<b>9,511,834</b>	<b>100</b>	<b>3,707,951</b>	<b>100</b>

(\*) It consists of refactoring operations.

Factoring receivables are analyzed as follows:

	31 December 2022	31 December 2021
Not overdue and not impaired	9,511,136	3,704,956
Past due but not impaired	698	2,995
Impaired loans	81,651	102,566
<b>Total</b>	<b>9,593,485</b>	<b>3,810,517</b>
Specific provision for impaired loans	(81,651)	(65,741)
<b>Factoring receivables, net</b>	<b>9,511,834</b>	<b>3,744,776</b>

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**4 - 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:**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Notes	9,291,236	3,663,599
Mortgage	220,598	81,177
	<b>9,511,834</b>	<b>3,744,776</b>

As of 31 December 2022 and 2021, the distribution of the Company's non-performing factoring receivables and provisions is as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Non-performing factoring receivables	81,651	102,566
Specific provisions (-)	(81,651)	(65,741)
<b>Non performing receivables, net</b>	<b>-</b>	<b>36,825</b>

As of 31 December 2022 and 2021 the aging of the Company's non-performing factoring receivables is as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
90 - 180 days	14,000	52,246
180 - 365 days	26,624	11,648
1 year and above	41,027	38,672
	<b>81,651</b>	<b>102,566</b>

Movements in specific provision are as follows:

	<b>2022</b>	<b>2021</b>
<b>1 January, opening</b>	<b>(65,741)</b>	<b>(68,393)</b>
Provision for the period	(39,647)	(39,649)
Collection during the period (Note 18)	23,737	4,284
Provisions for NPLs sold (*)	-	37,235
Exchange rate differences	-	782
<b>31 December, closing</b>	<b>(81,651)</b>	<b>(65,741)</b>

(\*) As of 31 December 2022, the Company has no provision for NPL sold (31 December 2021: 37.235 TL).

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**5 - PROPERTY AND EQUIPMENT**

Movements of property and equipment during the period ended 31 December 2022 and 31 December 2021 are as follows:

	<b>1 January 2022</b>	<b>Additions</b>	<b>Disposal</b>	<b>31 December 2022</b>
<b>Cost</b>				
Machinery and equipment	1,993	249	(33)	2,209
Vehicles	6,443	8,881	-	15,324
Furniture and fixtures	55	-	-	55
Vehicles with the right of use (*)	1,894	1,001	(479)	2,416
Buildings with the right of use (*)	3,879	6,237	(3,880)	6,236
Leasehold improvements	276	243	(32)	487
	<b>14,540</b>	<b>16,611</b>	<b>(4,424)</b>	<b>26,727</b>

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

	<b>1 January 2022</b>	<b>Current year depreciation</b>	<b>Disposals</b>	<b>31 December 2022</b>
<b>Accumulated depreciation</b>				
Machinery and equipment	(1,391)	(334)	33	(1,692)
Vehicles	(932)	(2,212)	-	(3,144)
Furniture and fixtures	(55)	-	-	(55)
Vehicles with the right of use (*)	(557)	(505)	214	(848)
Buildings with the right of use (*)	(952)	(4,255)	3,611	(1,596)
Leasehold improvements	(98)	(50)	32	(116)
	<b>(3,985)</b>	<b>(7,356)</b>	<b>3,890</b>	<b>(7,451)</b>
<b>Net carrying value</b>	<b>10,555</b>			<b>19,276</b>

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

	<b>1 January 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2021</b>
<b>Cost</b>				
Machinery and equipment	1,925	71	(3)	1,993
Vehicles	-	6,443	-	6,443
Furniture and fixtures	55	-	-	55
Vehicles 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
	<b>9,122</b>	<b>11,386</b>	<b>(5,968)</b>	<b>14,540</b>

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**5 - PROPERTY AND EQUIPMENT (Continued)**

	1 January 2021	Current year depreciation	Disposals	31 December 2021
<b>Accumulated depreciation</b>				
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)
	<b>(3,953)</b>	<b>(5,715)</b>	<b>5,683</b>	<b>(3,985)</b>
<b>Net carrying value</b>	<b>5,169</b>			<b>10,555</b>

(\*) 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.

**6 - INTANGIBLE ASSETS**

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

	1 January 2022	Additions	Disposals	31 December 2022
<b>Cost</b>				
Computer Software	12,235	271	-	12,506
	<b>12,235</b>	<b>271</b>	<b>-</b>	<b>12,506</b>
	1 January 2022	Current year depreciation	Disposals	31 December 2022
<b>Accumulated amortisation</b>				
Computer Software	(5,756)	(817)	-	(6,573)
	<b>(5,756)</b>	<b>(817)</b>	<b>-</b>	<b>(6,573)</b>
<b>Net carrying value</b>	<b>6,479</b>	<b>(546)</b>		<b>5,933</b>
	1 January 2021	Additions	Disposals	31 December 2021
<b>Cost</b>				
Computer Software	11,524	711	-	12,235
	<b>11,524</b>	<b>711</b>	<b>-</b>	<b>12,235</b>

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**6 - INTANGIBLE ASSETS (Continued)**

	1 January 2021	Current year depreciation	Disposals	31 December 2021
<b>Accumulated amortisation</b>				
Computer Software	(4,820)	(936)	-	(5,756)
	<b>(4,820)</b>	<b>(936)</b>	<b>-</b>	<b>(5,756)</b>
<b>Net carrying value</b>	<b>6,704</b>	<b>(225)</b>		<b>6,479</b>

**7 - OTHER ASSETS**

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

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	TRY	FC	TRY	FC
Other Receivables (*)	19,421	485	7,926	693
Prepaid expenses	17,647	1,989	1,764	-
Advances given	145	-	1,473	-
Other assets	274	-	16	-
	<b>37,487</b>	<b>2,474</b>	<b>11,179</b>	<b>693</b>

(\*) As of 31 December 2022 and 2021, the other receivables balance consists of the BITT amounts of the interest income to be earned from factoring receivables.

**8 - ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS**

As of 31 December 2022, the company has TRY 26,733 worth of real estate for sale, acquired in return for its factoring receivables (31 December 2021: TRY 125).

During the period, the real estate with a book value of TRY 125 was sold for TRY 470, and the income from this transaction was classified under "Other Operating Income" in the statement of profit or loss and other comprehensive income.

In addition, the Company's assets held for sale pursuant to the contract dated 4 January 2022 have registered a right of fidelity of 44,554, and the balance of this right is 26,733 TL as of 31 December 2022.

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**9 - BORROWINGS**

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Shot term borrowings	7,383,690	540,439	2,369,601	988,589
<b>Total borrowings</b>	<b>7,383,690</b>	<b>540,439</b>	<b>2,369,601</b>	<b>988,589</b>

The company has no long-term borrowings, and as of 31 December 2022 and 2021, the details of short-term bank borrowings are as follows:

<b>Currency</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>31 December 2022</b>
TRY	% 13.25-% 31.00	7,383,690	7,383,690
EUR	% 4.04-% 8.19	18,285	364,519
USD	% 6.78-% 9.08	8,470	158,374
GBP	% 5.68-% 8.24	780	17,546
			<b>7,924,129</b>

<b>Currency</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>31 December 2021</b>
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
			<b>3,358,190</b>

The details of borrowings by interest type are as follows:

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Fixed rate	6,884,200	442,654	2,089,601	567,402
Floating rate	499,490	97,785	280,000	421,187
	<b>7,383,690</b>	<b>540,439</b>	<b>2,369,601</b>	<b>988,589</b>

**10 - FACTORING PAYABLES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Payables from factoring transactions (*)	17,901	7,197
<b>Total</b>	<b>17,901</b>	<b>7,197</b>

(\*) 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.

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**11 - DEBT SECURITIES ISSUED**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Securities issued	1,132,652	397,807
	<b>1,132,652</b>	<b>397,807</b>

The bonds issued by the Company to qualified investors as of 31 December 2022 and 2021 and their features are as follows:

<b>31 December 2022</b>					
<b>ISIN Code</b>	<b>Issue date</b>	<b>Nominal amount</b>	<b>Redemption date</b>	<b>Interest rate</b>	<b>Coupon type</b>
TRFFINF42317	12 December 2022	243,000	4 April 2023	22.50%	Once at maturity
TRFFINF22319	1 November 2022	165,300	14 February 2023	24.50%	Once at maturity
TRFFINF12377	25 October 2022	100,000	30 January 2023	21.00%	Once at maturity
TRFFINF12369	17 October 2022	140,000	24 January 2023	21.00%	Once at maturity
TRFFINF12351	10 October 2022	121,500	17 January 2023	21.00%	Once at maturity
TRFFINF12344	4 October 2022	119,100	10 January 2023	21.00%	Once at maturity
TRFFINF12336	28 September 2022	196,000	5 January 2023	21.00%	Once at maturity
TRFFINF12328	26 September 2022	71,100	3 January 2023	20.00%	Once at maturity

<b>31 December 2021</b>					
<b>ISIN Code</b>	<b>Issue date</b>	<b>Nominal amount</b>	<b>Redemption date</b>	<b>Interest rate</b>	<b>Coupon type</b>
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

**12 - PROVISIONS**

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Bonus provisions	15,000	4,000
Provisions for employee severance payments	12,240	4,364
Provisions for unused vacation	1,758	916
Other	316	397
	<b>29,314</b>	<b>9,677</b>

*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.

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**12 - PROVISIONS (Continued)**

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Net discount rate	%2.00	3.74%
Circulation rate on probability of retirement	%95.59	93.00%

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 2022, the full TRY 19,982.83 effective from 1 January 2023 in the calculation of the severance pay provision of the Company (31 December 2021: Effective from 1 January 2022 in the calculation of the severance pay provision of the Company. The severance pay ceiling of 10,848.59 full TRY) was used.

Movements in reserve for employee severance payments are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Balance at 1 January	4,364	2,518
Current service cost	790	460
Interest cost	802	321
Actuarial gain/(loss)	4,438	1,288
Payment during the period (-)	(835)	(342)
Other	2,681	119
	<b>12,240</b>	<b>4,364</b>

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Balance at 1 January	4,000	3,500
Paid during the period	(4,363)	(2,855)
Canceled during the period	363	(645)
Allocated during the period	15,000	4,000
	<b>15,000</b>	<b>4,000</b>

*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.

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**12 - PROVISIONS (Continued)**

Movements in provision for unused vacation are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Balance at 1 January	916	794
Provisions/(leave usage and payments),net	842	122
	<b>1,758</b>	<b>916</b>

**13 - OTHER LIABILITIES**

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

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Taxes, duties, fees payable	16,664	-	6,478	-
Prepaid commissions	670	619	1,276	1,150
Correspondent commissions payable	-	377	-	369
Other payables	5,014	377	1,241	61
	<b>22,348</b>	<b>1,373</b>	<b>8,995</b>	<b>1,580</b>

In the accounting periods ending on 31 December 2022 and 2021, taxes, duties, fees, etc. payable are included in other liabilities. The details of the expenses are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Banking and insurance transaction tax payable	14,182	5,319
Premiums payable	1,270	611
Income tax payable	1,111	508
VAT payable	74	24
Stamp duty payable	27	16
	<b>16,664</b>	<b>6,478</b>

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**14 - EQUITY**

As of 31 December 2022 and 2021, The Company’s shareholders and their shareholding distributions are as follows:

***Paid in capital***

<b>Shareholders</b>	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>% Share</b>	<b>Amount</b>	<b>% Share</b>	<b>Amount</b>
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
	<b>100</b>	<b>65,000</b>	<b>100</b>	<b>65,000</b>

The registered capital of the company consists of 65,000,000 shares with a nominal value of TRY1 each (31 December 2021: 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.

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**14 - EQUITY (Continued)**

*Profit reserves*

	<b>31 December 2022</b>	<b>31 December 2021</b>
Legal reserves	11,168	8,095
<b>Total</b>	<b>11,168</b>	<b>8,095</b>

The Company has set aside a total of TRY11,168 from its accumulated profit as first-order legal reserves amounting to TRY 10,876 and second-order legal reserves amounting to TRY 292 (31 December 2021: The company has set aside a total of TRY 8,095 from its accumulated profit as first-order legal reserves amounting to TRY 7,803 and second-order legal reserves amounting to TRY 292).

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.

**15 - OPERATING INCOME**

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Interest income on factoring receivable	1,550,145	492,158
- <i>Discounted</i>	828,115	314,207
- <i>Other</i>	722,030	177,951
Fees and commissions on factoring receivables	43,988	23,389
- <i>Discounted</i>	16,584	7,930
- <i>Other</i>	27,404	15,459
<b>Operating Income</b>	<b>1,594,133</b>	<b>515,547</b>

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**16 - FINANCING EXPENSE**

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Interest expense on borrowings	899,516	275,572
Interest expense on securities issued	124,875	74,376
Fees and commissions	63,026	9,942
Interest expense on rent proceedings	543	456
	<b>1,087,960</b>	<b>360,346</b>

**17 - OPERATING EXPENSES**

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Personnel expenses	68,495	32,360
Amortization expenses	8,173	6,651
Representation and Hospitality expenses	4,583	1,002
IT expenses	3,152	450
Litigation expenses	2,189	1,537
Provision for severance payment expenses	1,828	557
Advertising expenses	1,644	993
Consulting expenses	1,527	698
Tax duties and fees	1,072	742
Permit provision expense	842	232
Other	7,976	3,914
	<b>101,481</b>	<b>49,136</b>

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Wages and salaries	40,124	21,731
Bonuses and premiums	15,000	4,000
Social security premium employer’s share	6,645	3,647
Employee insurance expenses	2,441	1,222
Personnel food expenses	1,960	663
Other	2,325	1,097
	<b>68,495</b>	<b>32,360</b>

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**18 - 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 2022 and 2021 are as follows:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021<sup>(*)</sup></b>
Independent audit fee for the reporting period (**)	246	137
Fees for tax advisory services	-	-
Fee for other assurance services	-	-
Fees for services other than independent auditing	-	-
	<b>246</b>	<b>137</b>

**19 - OTHER OPERATING INCOME/EXPENSE**

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Collection from provisions (Note 5)	23,737	4,284
Interest received from banks	8,077	4,031
Foreign exchange gains/losses, net	(523)	3,746
Gain/(loss) from derivative transactions, net	20,314	(41)
Other, net	1,337	1,017)
<b>Net,Other Operating Income/Expense</b>	<b>52,942</b>	<b>13,037</b>

**20 - 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.

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#### 20 - 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 2022 and 2021, the Company has paid advance corporate tax in the current period.

#### Corporation tax

	31 December 2022	31 December 2021
Corporate tax provision	82,274	24,287
Prepaid taxes (-)	(55,620)	(22,686)
<b>Prepaid tax/corporation tax payable, net</b>	<b>26,654</b>	<b>1,601</b>

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**20 - TAX ASSETS AND LIABILITIES (Continued)**

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

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Current period corporate tax provision expense	(82,274)	(24,287)
Deferred tax income/(expense)	(20,976)	6,304
<b>Total tax expense</b>	<b>(103,250)</b>	<b>(17,983)</b>

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Profit before tax	417,987	79,453
Tax rate	%25	%25
Computed rate	(104,497)	(19,864)
Unacceptable expenses, net	(239)	(157)
Deferred tax rate difference <sup>(*)</sup>	1,486	2,038
<b>Current tax expense</b>	<b>(103,250)</b>	<b>(17,983)</b>

(\*) As of 31 December 2021, deferred tax is reflected to the records at 20% or 23% tax rate, taking into account the periods in which deferred tax assets are realized or deferred tax liabilities are fulfilled. The difference resulting from the determination of the 2022 corporate tax rate as 25% has been reflected to the relevant period. In addition, in the calculations of the tax provision amount calculated on 31 December 2021, the rediscounts of the unrealized expenses of the relevant period, realized until the 4th period temporary tax payment date, are accepted as expenses in the declaration, and the deferred tax difference of these expenses is recorded in the current year. (31 December 2021: 2.038 TL).

**Deferred taxes**

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

The company uses %25 (31 December 2021: 20% or %23) in the deferred tax calculation, taking into account the periods when deferred tax assets are realized or deferred tax liabilities are fulfilled.

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**20 - TAX ASSETS AND LIABILITIES (Continued)**

The breakdown of the accumulated temporary differences and deferred tax assets and liabilities that are subject to deferred tax as of 31 December 2022 and 2021, using the applicable tax rates, is as follows:

	<b>Temporary Differences</b>		<b>Deferred tax assets/ (liabilities)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Bonus provisions	15,000	4,000	3,750	920
Provision for severance payment	12,240	4,364	3,060	873
Impairment provision for doubtful factoring receivables	11,481	12,258	2,870	2,502
General administration expense rediscount	4,295	490	1,073	113
Annual leave provisions	1,758	916	440	211
Provisions for business lawsuits	316	397	79	91
Usage rights	201	127	50	25
Ungained income	18	90,924	5	20,913
<b>Deferred tax assets</b>	<b>45,309</b>	<b>113,476</b>	<b>11,327</b>	<b>25,648</b>
Prepaid expenses	(17,877)	(933)	(4,469)	(215)
Loans valuation difference	(3,192)	(1,145)	(798)	(263)
Tangible and intangible assets	(1,559)	(779)	(390)	(156)
Derivative transactions	-	-	-	-
<b>Deferred tax liabilities</b>	<b>(22,628)</b>	<b>(2,857)</b>	<b>(5,657)</b>	<b>(634)</b>
<b>Deferred tax assets/(liabilities), net</b>	<b>22,681</b>	<b>110,889</b>	<b>5,670</b>	<b>25,014</b>

The movement table of deferred tax assets as of 31 December 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
<b>Opening balance, 1 January</b>	<b>25,014</b>	<b>18,453</b>
Deferred tax (expense)/income	(20,976)	6,304
Amount recognized under equity	1,632	257
<b>Closing balance, 31 December</b>	<b>5,670</b>	<b>25,014</b>

(\*) 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.

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**21 - RELATED PARTY DISCLOSURES**

**Funds Borrowed**

**QNB Finansbank A.Ş. (Shareholder)**

	<b>31 December 2022</b>	<b>31 December 2021</b>
TRY	3,355,332	464,250
USD	151,392	117,297
EUR	291,262	333,779
	<b>3,797,986</b>	<b>915,326</b>

**Demand Deposits**

**QNB Finansbank A.Ş. (Shareholder)**

	<b>31 December 2022</b>	<b>31 December 2021</b>
TRY	2,849	416
USD	31,686	48,388
EUR	28,461	32,593
GBP	-	49
	<b>62,996</b>	<b>81,446</b>

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
<b>Interest Income</b>		
QNB Finansbank A.Ş. (Shareholder)	3,309	373
	<b>3,309</b>	<b>373</b>

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
<b>Financial Expenses (-)</b>		
QNB Finansbank A.Ş. (Shareholder)	346,267	73,733
QNB Finansbank A.Ş. (Shareholder) - rent interest	319	209
	<b>346,586</b>	<b>73,942</b>

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**21 - RELATED PARTY DISCLOSURES (Continued)**

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
<b>General administrative expenses (-)</b>		
<i>Shareholders</i>		
QNB Finansbank A.Ş.	5,153	3,971
QNB Finans Yatırım Menkul Değerler A.Ş.	3,569	2,199
IBTECH Uluslararası Bil. ve İlt. Teknolojileri	570	68
<i>Other group companies</i>		
Cigna Finans Emeklilik ve Hayat A.Ş.	186	12
EFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	21	30
	<b>9,499</b>	<b>6,280</b>

As of December 31, 2022, 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 TRY 10,754. (31 December 2021: TRY 5,626).

**22 - COMMITMENTS AND CONTINGENCIES**

**Guarantees**

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

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Bails	77,904,647	14,041,339	46,870,676	8,457,694
Notes	32,945,166	1,489,855	16,601,787	805,322
Cheques	32,500	-	150	-
Other	423,540	-	311,665	-
	<b>111,305,853</b>	<b>15,531,194</b>	<b>63,784,278</b>	<b>9,263,016</b>

**Collaterals**

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Letters of guarantee given to Takasbank	860,000	455,000
Collaterals given to courts	22,453	13,490
GDS	600	200
	<b>883,053</b>	<b>468,690</b>

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**22 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Irrevocable Commitments*

None (31 December 2021: None).

*Held in custody securities*

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

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
Customer checks	5,182,278	176,115	2,169,473	453,532
Customer notes	64,156	9,232	49,189	3,248
	<b>5,246,434</b>	<b>185,347</b>	<b>2,218,662</b>	<b>456,780</b>

*Derivative Transactions*

None (31 December 2021: None).

**23 - 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.

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**23 - 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 2022 and 31 December 2021 are as follows:

	<b>Factoring Receivables</b>			
	<b>Related Party</b>	<b>Non-related Party</b>	<b>Banks</b>	<b>Other</b>
<b>31 December 2022</b>				
Exposure to maximum credit risk as of reporting date (*)	-	9,511,834	135,296	-
- Exposure to maximum credit risk as of reporting date	-	9,511,834	135,296	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	9,511,136	-	-
- Secured portion by any guarantee	-	9,511,136	-	-
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	-	698	-	-
- Secured portion by any guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	81,651	-	-
- Impairment (-)	-	(81,651)	-	-
- Secured portion of net book value	-	-	-	-
- Not due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of net book value (with letter of guarantee etc.)	-	-	-	-
E. Off-balance sheet items with credit risks	-	-	-	-

(\*) Not included the Company's mortgages and guarantees acquired the provision of the factoring receivables in the process of prosecuting.

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

**23 - FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2021	Factoring Receivables			
	Related 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	264,218	-
A. Net carrying value of financial assets which are neither impaired or overdue	-	3,704,956	-	-
- 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	-	-	-	-
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	-	-	-	-

(\*) Not included 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:

Expected maturities	31 December 2022					
	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non derivative financial liabilities</b>	<b>9,104,813</b>	<b>9,336,429</b>	<b>6,178,500</b>	<b>3,156,369</b>	<b>1,385</b>	<b>175</b>
Fund borrowed	7,924,129	8,131,685	5,222,079	2,909,606	-	-
Securities issued	1,132,652	1,156,000	913,000	243,000	-	-
Lease payables	6,410	7,122	1,799	3,763	1,385	175
Factoring payables	17,901	17,901	17,901	-	-	-
Other foreign payables	23,721	23,721	10,575	-	-	-

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**23 - FINANCIAL RISK MANAGEMENT (Continued)**

Expected maturities	31 December 2021					
	Carrying Amount	Contractual Cash Flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non derivative financial liabilities</b>	<b>3,778,161</b>	<b>3,832,877</b>	<b>3,428,506</b>	<b>402,828</b>	<b>1,341</b>	<b>202</b>
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	-	-	-

**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 2022 and 2021. The amounts of foreign currency assets and liabilities held by the Company according to their foreign currency types are as follows:

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**23 - FINANCIAL RISK MANAGEMENT (Continued)**

<b>31 December 2022</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Total</b>
Banks	41,986	36,423	552	<b>78,961</b>
Factoring receivables	108,962	327,034	28,407	<b>464,403</b>
Other assets	804	1,670	-	<b>2,474</b>
<b>Total Assets</b>	<b>151,752</b>	<b>365,127</b>	<b>28,959</b>	<b>545,838</b>
Funds borrowed	(158,374)	(364,519)	(17,546)	<b>(540,439)</b>
Factoring payables	-	(2,264)	-	<b>(2,264)</b>
Other liabilities	(213)	(1,008)	(152)	<b>(1,373)</b>
<b>Total Liabilities</b>	<b>(158,587)</b>	<b>(367,791)</b>	<b>(17,698)</b>	<b>(544,076)</b>
Net foreign currency position due to derivative financial instruments	-	-	-	-
<b>Net foreign currency position</b>	<b>(6,835)</b>	<b>(2,664)</b>	<b>11,261</b>	<b>1,762</b>
<b>31 December 2021</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Total</b>
Banks	48,495	32,794	196	<b>81,485</b>
Factoring receivables	436,498	470,846	13,979	<b>921,323</b>
Other assets	395	298	-	<b>693</b>
<b>Total Assets</b>	<b>485,388</b>	<b>503,938</b>	<b>14,175</b>	<b>1,003,501</b>
Funds borrowed	(484,144)	(492,966)	(11,479)	<b>(988,589)</b>
Factoring payables	(195)	(1,002)	(1,538)	<b>(2,735)</b>
Other liabilities	(519)	(889)	(172)	<b>(1,580)</b>
<b>Total Liabilities</b>	<b>(484,858)</b>	<b>(494,857)</b>	<b>(13,189)</b>	<b>(992,904)</b>
Net foreign currency position due to derivative financial instruments	-	-	-	-
<b>Net foreign currency position</b>	<b>530</b>	<b>9,081</b>	<b>986</b>	<b>10,597</b>

***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 2022.

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**23 - FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2022	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
USD	(684)	684	(684)	684
EUR	(266)	266	(266)	266
GBP	1,126	(1,126)	1,126	(1,126)
<b>Total</b>	<b>176</b>	<b>(176)</b>	<b>176</b>	<b>(176)</b>

31 December 2021	Profit / Loss		Equity	
	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)
<b>Total</b>	<b>1,060</b>	<b>(1,060)</b>	<b>1,060</b>	<b>(1,060)</b>

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 2022	Level 1	Level 2	Level 3
<b>Financial Assets</b>	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Derivative financial assets held for trading purpose	-	-	-	-
<b>Financial Liabilities</b>	-	-	-	-
Derivative financial liabilities held for trading purpose	-	-	-	-

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**23 - FINANCIAL RISK MANAGEMENT (Continued)**

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

**24 - EARNINGS PER SHARE**

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

	31 December 2022	31 December 2021
Weighted average number of outstanding shares	65,000	65,000
Net profit for the period (TRY)	314,737	61,470
Basic earnings per share (full TRY)	4,8421	0,9457

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

**25 - SUBSEQUENT EVENTS**

The bond issued by the Company on 26 September 2022 with a nominal value of 71,100 TL, a maturity of 99 days and an annual simple interest rate of 20.00% with ISIN code “TRFFINF12328” was amortized on 3 January 2023.

The bond issued by the Company on 28 September 2022 with a nominal value of 196,000 TL, a maturity of 99 days and an annual simple interest rate of 21.00% with ISIN code “TRFFINF12336” was amortized on 5 January 2023.

The bond issued by the Company on 4 October 2022 with a nominal value of 119,100 TL, a maturity of 98 days and an annual simple interest rate of 21.00% with ISIN code “TRFFINF12344” was amortized on 10 January 2023.

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**25 - SUBSEQUENT EVENTS (Continued)**

The bond issued by the Company on 10 October 2022 with a nominal value of 121,500 TL, a maturity of 99 days and an annual simple interest rate of 21.00% with ISIN code “TRFFINF12351” was amortized on 17 January 2023.

The bond issued by the Company on 17 October 2022 with a nominal value of 140,000 TL, a maturity of 99 days and an annual simple interest rate of 21.00% with ISIN code “TRFFINF12369” was amortized on 24 January 2023.

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