

A&T FINANSAL KIRALAMA A. Ő.

**FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2023
*(CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2)*



**Convenience Translation into English of Independent Auditor's Report
Originally Issued In Turkish**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of A&T Finansal Kiralama A.Ş.

A) Report on the Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of A&T Finansal Kiralama A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring, Financing and Saving Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and, communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the 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 the matter is addressed in our audit
<p data-bbox="272 464 873 527">Expected credit losses for financial lease receivables</p> <p data-bbox="272 575 873 974">The Company has total expected credit losses for financial lease receivables amounting to TL 1,224,375,427 in respect to total gross financial lease receivables amounting to TL 5,965,712 which represent a significant portion of the Company’s total assets in its financial statements as at 31 December 2023. Explanations and notes related to expected credit losses for financial lease receivables are presented in Notes 2.1, 2.3 and 4 in the accompanying financial statements as at 31 December 2023.</p> <p data-bbox="272 1022 873 1850">In the scope of “Regulation on Amendments Related To Regulation On Accounting Applications And Financial Statements Of Financial Leasing, Factoring And Financing Companies” that is published on the Official Gazette on 2 May 2018 and numbered 30409, the Company recognizes the expected credit losses for financial lease receivables in accordance with TFRS 9 “Financial Instruments” as of 1 January 2019. Accordingly, the classification of financial lease receivables has been recognized as per their credit risk (staging) in accordance with TFRS 9 and expected credit loss approach is applied for impairment provision for financial lease receivables. The Company exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. To determine the stage classification of loans by identifying significant increase in credit risk with quantitative and qualitative assessments and default events disclosed in the accompanying financial statements in accordance with TFRS 9.</p>	<p data-bbox="896 499 1498 785">With respect to stage classification of financial lease receivables and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Company within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p data-bbox="896 833 1498 1379">We have evaluated and tested the appropriateness of expected credit loss methodologies and performance of parameters (life time expected credit losses and losses given default) in line with the requirement of TFRS 9 and the Company’s policies and procedures with our financial risk experts. We have carried loan review on a selected sample of loans with the objective to identify whether the classification of finance lease receivables is performed appropriately in accordance with the applicable regulation, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.</p> <p data-bbox="896 1428 1498 1787">In addition, for non-performing finance lease receivables that are subject to individual assessment based on the Company policies, we have evaluated the appropriateness of specific impairment provision with supportable input. Based on our discussions with the Company management, we have evaluated and challenged whether the key assumptions and other judgements, underlying the estimation of impairment were reasonable.</p>



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

4. Other Matter

The financial statements of the Company as of 31 December 2022 and for the year then ended were audited by another audit firm whose audit report dated 22 February 2023 expressed an unqualified opinion on those statements.



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

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

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

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

6. Auditors' 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 judgment 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.



- Asses 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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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) Report on Other Legal and 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 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional paragraph for convenience translation

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

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

A handwritten signature in blue ink, appearing to read "Didem Demer Kaya".

Didem Demer Kaya, SMMM
Independent Auditor

Istanbul, 15 February 2024

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A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	ASSETS	Notes	Audited 31 December 2023			Audited 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	3	24,156,182	158,106,526	182,262,708	33,336,666	57,171,944	90,508,610
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)		--	--	--	--	--	--
III.	DERIVATIVE FINANCIAL ASSETS		--	--	--	--	--	--
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (net)		--	--	--	--	--	--
V.	FINANCIAL ASSETS AT AMORTIZED COST (Net)	4	149,094,639	1,069,315,076	1,218,409,715	143,498,239	637,945,546	781,443,785
5.1	Factoring Receivables		--	--	--	--	--	--
5.1.1	Discounted Factoring Receivables (Net)		--	--	--	--	--	--
5.1.2	Other Factoring Receivables		--	--	--	--	--	--
5.2	Savings Finance Receivables		--	--	--	--	--	--
5.2.1	Saving Fund		--	--	--	--	--	--
5.2.2	Equity		--	--	--	--	--	--
5.3	Financing Loans		--	--	--	--	--	--
5.3.1	Consumer Loans		--	--	--	--	--	--
5.3.2	Credit Cards		--	--	--	--	--	--
5.3.3	Installment Commercial Loans		--	--	--	--	--	--
5.4	Leasing (Net)	4	149,394,798	1,074,442,279	1,223,837,077	144,035,646	640,220,230	784,255,876
5.4.1	Receivables From Finance Lease		203,499,799	1,200,261,041	1,403,760,840	187,459,652	704,038,669	891,498,321
5.4.2	Receivables From Operating Lease		--	--	--	--	--	--
5.4.3	Unearned Income (-)		(54,105,001)	(125,818,762)	(179,923,763)	(43,424,006)	(63,818,439)	(107,242,445)
5.5	Other Financial Assets At Amortized Cost		--	--	--	--	--	--
5.6	Non Performing Receivables	4	489,912	48,438	538,350	31,240	324,018	355,258
5.7	Allowances for Expected Credit Loss (-)	4	(790,071)	(5,175,641)	(5,965,712)	(568,647)	(2,598,702)	(3,167,349)
VI.	SHAREHOLDING (Partnership)		--	--	--	--	--	--
	INVESTMENTS		--	--	--	--	--	--
6.1	Investments In Associates (Net)		--	--	--	--	--	--
6.2	Investments In Subsidiaries (Net)		--	--	--	--	--	--
6.3	Investments In Joint Ventures (Net)		--	--	--	--	--	--
VII.	TANGIBLE ASSETS (NET)	5	53,964,240	--	53,964,240	26,451,318	--	26,451,318
VIII.	INTANGIBLE ASSETS (NET)	6	4,906,751	--	4,906,751	1,620,597	--	1,620,597
IX.	INVESTMENT PROPERTY (NET)		--	--	--	--	--	--
X.	CURRENT PERIOD TAX ASSETS		--	--	--	--	--	--
XI.	DEFERRED TAX ASSETS	16	539,447	--	539,447	--	--	--
XII.	OTHER ASSETS	7	2,815,382	25,520,354	28,335,736	1,713,079	30,737,409	32,450,488
	SUBTOTAL		235,476,641	1,252,941,956	1,488,418,597	206,619,899	725,854,899	932,474,798
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		--	--	--	--	--	--
13.1	Assets Held For Sale		--	--	--	--	--	--
13.2	Assets Held For DisContinued Operations		--	--	--	--	--	--
	TOTAL ASSETS		235,476,641	1,252,941,956	1,488,418,597	206,619,899	725,854,899	932,474,798

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	LIABILITIES	Notes	Audited 31 December 2023			Audited 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	8	25,371,827	1,191,483,463	1,216,855,290	14,101,929	689,911,062	704,012,991
II.	FACTORING PAYABLES		--	--	--	--	--	--
III.	PAYABLES FROM SAVINGS FUND		--	--	--	--	--	--
IV.	LEASE OBLIGATIONS (NET)		--	--	--	--	--	--
V.	SECURITIES ISSUED (NET)		--	--	--	--	--	--
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		--	--	--	--	--	--
VII.	DERIVATIVE FINANCIAL LIABILITIES	10	--	--	--	--	--	--
VIII.	PROVISIONS	11	8,781,185	--	8,781,185	10,531,406	--	10,531,406
8.1	Restructuring Reserves		--	--	--	--	--	--
8.2	Provisions For Employee Benefits	11	8,781,185	--	8,781,185	10,531,406	--	10,531,406
8.3	General Provisions		--	--	--	--	--	--
8.4	Other Provisions		--	--	--	--	--	--
IX.	CURRENT PERIOD TAX LIABILITIES	16	4,598,823	--	4,598,823	4,104,834	--	4,104,834
X.	DEFERRED TAX LIABILITIES	16	--	--	--	1,343,889	--	1,343,889
XI.	SUBORDINATED LOANS-DEBT		--	--	--	--	--	--
XII.	OTHER LIABILITIES	9	2,621,883	40,344,107	42,965,990	1,708,052	31,551,742	33,259,794
	SUBTOTAL		41,373,718	1,231,827,570	1,273,201,288	31,790,110	721,462,804	753,252,914
XIII.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		--	--	--	--	--	--
13.1	Held For Sale		--	--	--	--	--	--
13.2	DisContinued Operations		--	--	--	--	--	--
XIV.	SHAREHOLDERS' EQUITY	12	215,217,309	--	215,217,309	179,221,884	--	179,221,884
14.1	Paid-in Capital		153,500,000	--	153,500,000	140,000,000	--	140,000,000
14.2	Capital Reserves		228,147	--	228,147	228,147	--	228,147
14.2.1	Share Premiums		--	--	--	--	--	--
14.2.2	Share Cancellation Profits		--	--	--	--	--	--
14.2.3	Other Capital Reserves		228,147	--	228,147	228,147	--	228,147
14.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		32,031,749	--	32,031,749	15,527,866	--	15,527,866
14.4	Accumulated Other Comprehensive Income that may be Reclassified Subsequently to Profit or Loss		--	--	--	--	--	--
14.5	Profit Reserves		8,024,119	--	8,024,119	6,955,528	--	6,955,528
14.5.1	Legal Reserves		8,022,625	--	8,022,625	6,954,034	--	6,954,034
14.5.2	Statutory Reserves		--	--	--	--	--	--
14.5.3	Extraordinary Reserves		1,494	--	1,494	1,494	--	1,494
14.5.4	Other Profit Reserves		--	--	--	--	--	--
14.6	Profit or Loss		21,433,294	--	21,433,294	16,510,343	--	16,510,343
14.6.1	Prior Periods Profit / Loss		1,941,752	--	1,941,752	667,169	--	667,169
14.6.2	Current Period Profit / Loss		19,491,542	--	19,491,542	15,843,174	--	15,843,174
	TOTAL LIABILITIES AND EQUITY		256,591,027	1,231,827,570	1,488,418,597	211,011,994	721,462,804	932,474,798

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2023			Audited 31 December 2022		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING OPERATIONS		--	--	--	--	--	--
II.	REVOCABLE FACTORING OPERATIONS		--	--	--	--	--	--
III.	SAVINGS FINANCE CONTRACTS TRANSACTIONS		--	--	--	--	--	--
IV.	GUARANTEES TAKEN		1,314,964,519	7,664,321,610	8,979,286,129	1,314,964,519	7,664,321,610	8,979,286,129
V.	GUARANTEES GIVEN	10	303,518	-	303,518	483,613	--	483,613
VI.	COMMITMENTS	10	9,422,094	265,987,696	275,409,790	6,344,139	95,200,212	101,544,351
6.1	Irrevocable Commitments		--	56,314,471	56,314,471	--	11,311,517	11,311,517
6.2	Revocable Commitments		9,422,094	209,673,225	219,095,319	6,344,139	83,888,695	90,232,834
6.2.1	Lease Commitments		9,422,094	209,673,225	219,095,319	6,344,139	83,888,695	90,232,834
6.2.1.1	Finance Lease Commitments		--	--	--	--	--	--
6.2.1.2	Operational Lease Commitments		--	--	--	--	--	--
6.2.2	Other Revocable Commitments		--	--	--	--	--	--
VII.	DERIVATIVE FINANCIAL INSTRUMENTS		--	--	--	--	--	--
7.1	Derivative Financial Instruments for Hedging Purposes		--	--	--	--	--	--
7.1.1	Fair Value Hedges		--	--	--	--	--	--
7.1.2	Cash Flow Hedges		--	--	--	--	--	--
7.1.3	Net Investment Hedges		--	--	--	--	--	--
7.2	Derivative Financial Instruments Held For Trading		--	--	--	--	--	--
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		--	--	--	--	--	--
VIII.	ITEMS HELD IN CUSTODY		--	--	--	--	--	--
	TOTAL OFF BALANCE SHEET ITEMS		1,324,690,131	7,930,309,306	9,254,999,437	1,321,792,271	7,759,521,822	9,081,314,093

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira ("TL") unless otherwise indicated.)

		Notes	Audited 1 January – 31 December 2023	Audited 1 January – 31 December 2022
	INCOME STATEMENT			
I.	OPERATING INCOME		120,508,629	66,823,985
	FACTORING INCOME		--	--
1.1	Interest Income on Factoring Receivables		--	--
1.1.1	Discounted		--	--
1.1.2	Other		--	--
1.2	Fees and Commissions Income from Factoring Operations		--	--
1.2.1	Discounted		--	--
1.2.2	Other		--	--
	FINANCING LOANS INCOME		--	--
1.3	Interest income From Financing Credits		--	--
1.4	Fees and Commissions From Financing Credits		--	--
	FINANCE LEASE INCOME	13	120,508,629	66,823,985
1.5	Finance Lease Income		115,906,138	63,403,310
1.6	Operating Lease Income		--	--
1.7	Fees and Commissions Received from the Leasing Transactions		4,602,491	3,420,675
	SAVINGS FINANCE INCOME		--	--
1.8	Dividends from Savings Finance Receivables		--	--
1.9	Fees and Commissions Taken From Savings Finance Operations		--	--
II.	FINANCIAL EXPENSES (-)		61,100,374	18,728,736
2.1	Dividends to Savings Fund		--	--
2.2	Interest Expense From Funds Borrowed		60,829,836	18,293,195
2.3	Interest Expense From Factoring Payables		--	--
2.4	Interest Expense of Finance Lease Expenses		--	--
2.5	Interest Expense From Securities Issued		--	--
2.6	Other Interest Expenses		--	--
2.7	Fees and Commissions Paid		270,538	435,541
III.	GROSS PROFIT / LOSS (I+II)		59,408,255	48,095,249
IV.	OPERATING EXPENSES (-)	14	71,839,043	34,971,059
4.1	Personnel Expenses		47,421,366	22,234,591
4.2	Employee Severance Indemnity Expense		988,516	340,261
4.3	Research and Development Expenses		--	--
4.4	General Administrative Expenses	14	18,637,991	9,235,206
4.5	Other		4,791,170	3,161,001
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		(12,430,788)	13,124,190
VI.	OTHER OPERATING INCOME	15	656,375,895	288,721,406
6.1	Interest Income From Bank Deposits		10,002,680	5,607,027
6.2	Interest Income From Securities Portfolio		--	--
6.3	Dividend Income		--	--
6.4	Trading Account Income		--	--
6.5	Income From Derivative Financial Instruments		--	--
6.6	Foreign Exchange Gains		634,045,663	278,588,020
6.7	Other		12,327,552	4,526,359
VII.	PROVISION EXPENSES		4,594,201	1,927,565
7.1	Specific Provisions		--	--
7.2	Allowances for Expected Credit Loss		4,594,201	1,927,565
7.3	General Provisions		--	--
7.4	Other		--	--
VIII.	OTHER OPERATING EXPENSES (-)	15	627,205,876	278,546,224
8.1	Impairment Losses From Securities Portfolio		--	--
8.2	Impairment Losses From Non-Current Assets		--	--
8.3	Trading Account Loss		--	--
8.4	Loss From Derivative Financial Instruments		--	17,405
8.5	Foreign Exchange Loss		627,143,852	278,523,387
8.6	Other		62,024	5,432
IX.	NET OPERATING PROFIT / LOSS		12,145,030	21,371,807
X.	INCOME RESULTED FROM MERGER		--	--
XI.	PROFIT / LOSS FROM PARTNERSHIPS VALUED BY EQUITY METHOD		--	--
XII.	GAIN/LOSS ON NET MONETARY POSITION		--	--
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		12,145,030	21,371,807
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	16	7,346,512	(5,528,633)
14.1	Current Tax Charge	16	(2,943,425)	(6,026,855)
14.2	Deferred Tax Charge		--	--
14.3	Deferred Tax Benefit		10,289,937	498,222
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)		19,491,542	15,843,174
XVI.	INCOME FROM DISCONTINUED OPERATIONS		--	--
16.1	Income from Assets Held for Sale		--	--
16.2	Gain on Sale of Subsidiaries, Associates and Jointly Controlled Entities		--	--
16.3	Other Income from DisContinued Operations		--	--
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		--	--
17.1	Expense on Assets Held for Sale		--	--
17.2	Loss on Sale of Subsidiaries, Associates and Jointly Controlled Entities		--	--
17.3	Other Expenses from DisContinued Operations		--	--
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		--	--
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		--	--
19.1	Current Tax Charge		--	--
19.2	Deferred Tax Charge (+)		--	--
19.3	Deferred Tax Benefit (-)		--	--
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)		--	--
XXI.	NET PROFIT FOR THE PERIOD (XII+XVII)		19,491,542	15,843,174

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

A&T FİNANSAL KİRALAMA A.Ş.**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

		Notes	Audited 1 January – 31 December 2023	Audited 1 January – 31 December 2022
I.	PERIOD INCOME/LOSS		19,491,542	15,843,174
II.	OTHER COMPREHENSIVE INCOME		16,622,228	10,460,397
2.1	ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		16,622,228	10,460,397
2.1.1	Gains/(losses) on revaluation of tangible assets		25,027,200	15,227,964
2.1.2	Gains/(losses) on revaluation of intangible assets		--	--
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans	11	1,627	(2,866,728)
2.1.4	Other items that will not be reclassified to profit or loss		--	--
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss	16	(8,406,599)	(1,900,839)
2.2	ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		--	--
2.2.1	Translation differences for transactions in foreign currencies		--	--
2.2.2	Translation and classification profit / loss of financial assets at fair value through other comprehensive income		--	--
2.2.3	Gains/(losses) from cash flow hedges		--	--
2.2.4	Gains/(losses) from net investment hedges		--	--
2.2.5	Other items that will be reclassified to profit or loss		--	--
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		--	--
III.	TOTAL COMPREHENSIVE INCOME (I+II)		36,113,770	26,303,571

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira ("TL") unless otherwise indicated.)

CHANGES IN SHAREHOLDERS EQUITY	Notes	Paid in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other comprehensive income or expenses that will not be reclassified to profit or loss						Profit Reserves	Prior Years' Profit/(Loss)	Current Year Net Profit/(Loss)	Total Shareholders' Equity
							1	2	3	4	5	6				
I. Prior Period (31 December 2022)																
II. Balances at Beginning of Period		126,000,000	--	--	--	228,147	5,638,485	(571,016)	--	--	--	6,080,911	2,873,073	12,668,713	152,918,313	
III. Corrections made as per TAS 8		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.1 Effect of corrections		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.2 Effect of changes in accounting policies		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IV. Adjusted Balances at Beginning of Period (I+II)		126,000,000	--	--	--	228,147	5,638,485	(571,016)	--	--	--	6,080,911	2,873,073	12,668,713	152,918,313	
V. Total Comprehensive Income		--	--	--	--	--	12,610,443	(2,150,046)	--	--	--	--	--	15,843,174	26,303,571	
VI. Capital Increase in Cash		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
VII. Capital Increase from Internal Sources		14,000,000	--	--	--	--	--	--	--	--	--	--	(14,000,000)	--	--	
VIII. Capital Reserves from Inflation Adjustments to Paid-in Capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IX. Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
X. Subordinated Liabilities		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
XI. Other Changes		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
XI. Profit Distribution		--	--	--	--	--	--	--	--	--	--	874,617	11,794,096	(12,668,713)	--	
11.1 Dividends		--	--	--	--	--	--	--	--	--	--	874,617	11,794,096	(12,668,713)	--	
11.2 Transfers to Reserves		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
11.3 Others		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Balances at end of the period (III+IV+.....+XI)		140,000,000	--	--	--	228,147	18,248,928	(2,721,062)	--	--	--	6,955,528	667,169	15,843,174	179,221,884	
I. Current Period (31 December 2023)																
II. Balances at Beginning of Period		140,000,000	--	--	--	228,147	18,248,928	(2,721,062)	--	--	--	6,955,528	667,169	15,843,174	179,221,884	
III. Corrections made as per TAS 8		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.1 Effect of corrections		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
2.2 Effect of changes in accounting policies		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IV. Adjusted Balances at Beginning of Period (I+II)		140,000,000	--	--	--	228,147	18,248,928	(2,721,062)	--	--	--	6,955,528	667,169	15,843,174	179,221,884	
V. Total Comprehensive Income		--	--	--	--	--	16,647,922	(25,694)	--	--	--	--	--	19,491,542	36,113,770	
VI. Capital Increase in Cash		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
VII. Capital Increase from Internal Sources		13,500,000	--	--	--	--	--	--	--	--	--	--	(13,500,000)	--	--	
VIII. Capital Reserves from Inflation Adjustments to Paid-in Capital		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
IX. Convertible Bonds		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
X. Subordinated Liabilities		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
XI. Other Changes		--	--	--	--	--	--	(118,345)	--	--	--	--	--	--	(118,345)	
XI. Profit Distribution		--	--	--	--	--	--	--	--	--	--	1,068,591	14,774,583	(15,843,174)	--	
11.1 Dividends		--	--	--	--	--	--	--	--	--	--	1,068,591	14,774,583	(15,843,174)	--	
11.2 Transfers to Reserves		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
11.3 Others		--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Balances at end of the period (III+IV+.....+XI)		153,500,000	--	--	--	228,147	34,896,850	(2,865,101)	--	--	--	8,024,119	1,941,752	19,491,542	215,217,309	

1. Revaluation Increase/Decrease of property and equipment,
2. Accumulated revaluation profit/loss from defined benefit plans,
3. Other (Other comprehensive income and expenses from equity method investments not to be reclassified on profit/loss, and other accumulated comprehensive income and expenses not to be reclassified on profit/loss)
4. Foreign exchange conversion differences,
5. Revaluation and/or reclassification differences of financial assets at fair value through other comprehensive income,
6. Other (Profit/loss from cash flow hedges, other comprehensive income and expenses from equity method investments to be reclassified on profit/loss, and other accumulated comprehensive income and expenses to be reclassified on profit/loss).

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

		Notes	Audited 1 January – 31 December 2023	Audited 1 January – 31 December 2022
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating profit before changes in operating assets and liabilities		(25,997,230)	30,731,733
1.1.1	Interest/Leasing income received		125,593,471	67,916,776
1.1.2	Interest/Leasing expenses		(67,970,474)	(15,879,208)
1.1.3	Leasing Expense		--	--
1.1.4	Dividends received		--	--
1.1.5	Fees and commissions received		4,602,491	3,247,418
1.1.6	Other income		12,265,528	1,071,437
1.1.7	Collections from previously written off receivables	4	1,783,449	1,516,518
1.1.8	Payments to personnel and service suppliers		(59,146,330)	(21,272,309)
1.1.9	Taxes paid	16	(1,883,336)	(6,209,737)
1.1.10	Other		(41,242,029)	340,838
1.2	Changes in operating assets and liabilities		98,744,350	(71,838,643)
1.2.1	Net (increase) decrease in factoring receivables		--	--
1.2.2	Net (increase) decrease in financial loans		--	--
1.2.3	Net (increase) decrease in receivables from leasing transactions		(439,425,759)	(138,928,457)
1.2.4	Net (increase) decrease in savings finance receivables		--	--
1.2.5	Net (increase) decrease in other assets		(20,210,800)	(5,865,423)
1.2.6	Net increase (decrease) in factoring payables		--	--
1.2.7	Net increase (decrease) in savings fund		--	--
1.2.8	Net (increase) decrease in payables from leasing transactions		--	--
1.2.9	Net increase (decrease) in funds borrowed		519,712,399	59,988,603
1.2.10	Net increase (decrease) in due payables		--	--
1.2.11	Net increase (decrease) in other liabilities		38,668,510	12,966,634
I.	Net cash provided from operating activities		72,747,120	(41,106,910)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		--	--
2.2	Cash obtained from sale of joint ventures, associates and subsidiaries		--	--
2.3	Fixed assets purchases	5,6	(3,476,876)	(1,257,506)
2.4	Fixed assets sales		(369,653)	141,249
2.5	Cash paid for purchase of financial assets available for sale		--	--
2.6	Cash obtained from sale of financial assets available for sale		--	--
2.7	Cash paid for purchase of financial assets held to maturity		--	--
2.8	Cash obtained from sale of financial assets held to maturity		--	--
2.9	Other		4,523,992	(956,622)
II.	Net cash provided from investing activities		677,463	(2,072,879)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash obtained from funds borrowed and securities issued		--	--
3.2	Cash used for repayment of funds borrowed and securities issued		--	--
3.3	Capital increase		--	--
3.4	Dividends paid		--	--
3.5	Payments for finance leases		--	--
3.6	Other		--	--
III.	Net cash provided from financing activities		--	--
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		18,032,989	20,771,264
V.	Net increase/decrease in cash and cash equivalents		91,457,572	(22,408,525)
VI.	Cash and cash equivalents at the beginning of the period	3	90,178,147	112,586,672
VII.	Cash and cash equivalents at the end of the period	3	181,635,719	90,178,147

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

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

	Notes	Audited (*) 1 January – 31 December 2023	Audited (**) 1 January – 31 December 2022
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)			
1.1 CURRENT PERIOD PROFIT		12,145,030	21,371,807
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	15	7,346,512	(5,528,633)
1.2.1 Corporate tax (income tax)		(2,943,425)	(6,026,855)
1.2.2 Withholding tax		--	--
1.2.3 Other taxes and duties		10,289,937	498,222
A. NET PROFIT FOR THE PERIOD (1.1-1.2)		19,491,542	15,843,174
1.3 ACCUMULATED LOSSES (-)		--	--
1.4 FIRST LEGAL RESERVES (-)		--	1,068,590
1.5 OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]		--	14,774,584
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1 To owners of ordinary shares		--	--
1.6.2 To owners of privileged shares		--	--
1.6.3 To owners of redeemed shares		--	--
1.6.4 To profit sharing bonds		--	--
1.6.5 To holders of profit and loss sharing certificates		--	--
1.7 DIVIDENDS TO PERSONNEL (-)		--	--
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1 To owners of ordinary shares		--	--
1.9.2 To owners of privileged shares		--	--
1.9.3 To owners of redeemed shares		--	--
1.9.4 To profit sharing bonds		--	--
1.9.5 To holders of profit and loss sharing certificates		--	--
1.10 SECOND LEGAL RESERVES (-)		--	--
1.11 STATUS RESERVES (-)		--	--
1.12 EXTRAORDINARY RESERVES		--	--
1.13 OTHER RESERVES		--	--
1.14 SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1 APPROPRIATED RESERVES		--	--
2.2 SECOND LEGAL RESERVES (-)		--	--
2.3 DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1 To owners of ordinary shares		--	--
2.3.2 To owners of privileged shares		--	--
2.3.3 To owners of redeemed shares		--	--
2.3.4 To profit sharing bonds		--	--
2.3.5 To holders of profit and loss sharing certificates		--	--
2.4 DIVIDENDS TO PERSONNEL (-)		--	--
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE (per TL'000 face value each)			
3.1 TO OWNERS OF ORDINARY SHARES		0.1270	0.1132
3.2 TO OWNERS OF ORDINARY SHARES (%)		12.70	11.32
3.3 TO OWNERS OF PRIVILEGED SHARES		--	--
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES		--	--
4.2 TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3 TO OWNERS OF PRIVILEGED SHARES		--	--
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		--	--

(*) The General Assembly Meeting has not been made for Operation results of 2023.

(**) Restated after the General Assembly Meeting on 20 March 2023.

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

A&T FİNANSAL KİRALAMA A. Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

A&T Finansal Kiralama Anonim Şirketi (“the Company”) was established on 4 July 1997, pursuant to the license obtained from the Under secretariat of Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226.

The Company’s leasing operations principally focused on construction, office equipment and other equipment with vehicles, equipment for real estate and agricultural activities equipment. Head Office address of the company is as follows: Örnek Mahallesi Finans Çıkmaz Sokağı No:4 Ataşehir – İstanbul

The main shareholder of the Company is Arap Türk Bankası A.Ş. with 99.98% of the shares.

The financial statements were approved for issue by the Board of Directors based on the Board of Directors decision dated 15 February 2024. The General Assembly has the authority to change the financial statements.

A significant part of the Company’s Operates in one geographical region (Turkey) and one commercial area (leasing) are carried out. The number of personnel working for the Company as at 31 December 2023 is 22 (31 December 2022: 21).

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance and declaration of conformity TAS

The Company prepares its financial statements in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the communiqué on “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the “Regulation on Principles For Establishment And Operations Of Financial Leasing, Factoring and Financing Companies” and other regulations, communiqués and circulars published by the BRSA and Turkish Accounting Standards (“TAS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not legislated by the aforementioned regulations (together “the BRSA Accounting and Financial Reporting Legislation”).

Changes regarding classification and measurement of financials assets

Within the scope of "Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies" published in the Official Gazette dated 2 May 2018 and numbered 30409, companies are entitled to apply for the expected credit loss model under TFRS 9 as long as informing BRSA and the effective date of the regulation is 30 September 2018. The Company has started to calculate its expected credit loss in accordance with TFRS 9 starting with the Board of Directors decision dated 9 October 2019.

A&T FİNANSAL KİRALAMA A. Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

2.1.2 Preparation of financial statements in hyperinflationary periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with Turkish Accounting Standards on “Preparation of Financial Statements in Hyperinflationary Periods” (“TAS 29”) for the financial statements prepared until 31 December 2004. BRSA issued a circular on 28 April 2005 stating that the indicators requiring the application of inflation accounting ceased to exist; consequently inflation accounting was not applied in the financial statements after 1 January 2005.

On November 23, 2023, POA announced that, entities reporting under the TFRS should begin implementing "TAS- 29 Financial Reporting in Hyperinflationary Economies" standard in their financial statements, from periods ending on and after December 31, 2023. Besides, regulatory and auditing bodies that are authorized in their respective areas have flexibility to determine alternative transition dates for the application of TAS - 29. Within the scope of the decision dated December 12, 2023 and numbered 10744 by the BRSA, banks, financial leasing, factoring, financing, savings financing, and asset management companies are not subject to inflation adjustments required under TAS-29 in their financial statements as of December 31, 2023. Based on the decision dated January 11, 2024 and numbered 10825, these entities are required to implement inflation accounting starting from January 1, 2025.

2.1.3 Offsetting

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

2.1.4 Going concern

The Company prepared the financial statements according to going concern principles.

2.1.5 Functional currency

Financial statements of the Company are presented in the currency (functional currency unit) valid in the basic economic environment in which it operates. The financial position and operating result of the company are expressed in Turkish Lira (“TL”), which is the Company's valid currency and the presentation currency for the financial statement.

2.1.6 Significant accounting evaluation estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. 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 period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

**NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Impairment of leasing receivables

Assumptions and methods used to estimate the timing and amount of future cash flows from financial leasing receivables are frequently reviewed to resolve the difference between impairment estimates and financial losses.

The Bank uses a statistical model with credit risk parameters in accordance with the relevant legislation and accounting standards in the calculation of expected credit losses. Expected credit losses are measured using reasonable and supportable information and including macroeconomic variables, taking into account macroeconomic projections for the future as well as historical information. Within the scope of the macroeconomic model, it is used in the final estimation studies obtained by weighting three scenarios as base, positive and negative. The changes in “Gross Domestic Product (GDP), USD/TRY and CPI” are used as the main macroeconomic independent variable used in these estimates. Credit risk parameters used in the calculation of expected credit losses are reviewed and evaluated at least once a year within the framework of model validation processes. The macroeconomic forecasts used in risk parameter models and the historical default data of portfolios are re-evaluated in each quarter in order to reflect the changes in the economic conjuncture and updated as needed.

2.2. – Changes in accounting policies

2.2.1 Comparative information and restatement of previous period financial statements

The financial statements of the Company are prepared comparatively with the previous period for determining of financial status and performance trends. The comparative information are restated or classified when necessary in terms of ensuring compliance with the presentation of current period statement of comprehensive income.

2.2.2 Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated in accordance with accounting policies. The Company has applied the accounting policies in line with the prior financial year.

2.2.3 Changes in accounting estimates and errors

If the changes in accounting estimates relate to only one period, changes are applied in the current period but if changes in estimates relate to future periods, changes are applied both in the current and following periods prospectively. There has not been a significant change in the accounting estimates of the Company in the current year. Material prior period errors are corrected retrospectively and prior period financial statements are restated.

The management is required to apply accounting policies and make decisions, estimations, and assumptions that affect the reported assets, liabilities, income, and expenses, in order to prepare the financial statements in accordance with the BRSA Accounting and Reporting Legislation. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed constantly. The effect of a change in accounting estimates is recognized prospectively in the current and future periods. The main notes for the items including estimates are as follows:

Note 4 – Financial Assets at Amortized Cost (net)

Note 5 – Tangible Assets

Note 6 – Intangible Assets

Note 11 – Provisions

**NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2. – Changes in accounting policies (Continued)

2.2.4 Change in standards and comments

Summary of significant accounting policies

Standards, amendments, and interpretations applicable as of 31 December 2023:

Standards, amendments and interpretations that have been published but have not yet applicable as of the reporting date and are not implemented by the Company early, although early implementation is allowed, are as follows:

- **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;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
 - **Amendment to IAS 12 - International tax reform ;** The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
 - **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.
- b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:*
- **Amendment to IAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
 - **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

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(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2. – Changes in accounting policies (Continued)

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **IFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The effects of these changes/improvements on the financial position and performance of the Company are evaluated.

2.3 Summary of significant accounting policies

Cash, cash equivalents and Central Bank

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note

Related parties

For the purpose of this report, the shareholders of the Company and the companies controlled by/associated with them are referred to as related parties. Related parties also include individual that are principal owners, management, and members of the Board of Directors and their families (Note 17).

TFRS 16 Leases

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

A. Definition of leasing

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRS 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply it as it used to be defined as a lease by using the practical expedient to the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

The Company used the following facilitating practices when applying TFRS 16 for leases previously classified as operating leases under TAS 17.

Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term. The Company does not have a lease agreement to be accounted for under TFRS 16.

Financial instruments

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

TFRS 9 contains three principal classification categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Company classifies its financial assets at the time of purchase.

“Financial assets measured at amortized cost” are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Company also include “cash and cash equivalents”, “leasing receivables”.

Related assets are initially recognized at fair value in the financial statements; subsequently, they measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

“*Financial assets at fair value through other comprehensive income*” are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Interest income, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income. When financial assets are excluded from the statement of financial position, the total gains or losses that previously recognized in other comprehensive income are reclassified to profit or loss.

For investments in equity-based financial assets, the Company may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the income statement.

“*Financial assets at fair value through profit or loss*” are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the income statement.

Disclosures on impairment of financial assets

As at 1 January 2019, loss allowance for expected credit losses is set aside for leasing receivables measured at amortized cost based on TFRS 9 and the regulation published in the Official Gazette no. 30409 dated 2 May 2018 and effective from 30 September 2018. In connection with “Regulation on Making Amendments to the Regulation on Accounting Practices and Financial Statements of Leasing, Factoring and Financing Companies” TFRS 9 impairment requirements.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument. As at the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, it shall be measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, it is measured loss allowance regarding such instrument at an amount equal to lifetime expected credit losses. The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis. The impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

Calculation of expected credit losses

Expected credit losses are calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the “time value of money” calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as at the reporting date. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate, and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: Lifetime expected credit losses are recognized for the impaired lease receivables. The method is similar to Stage 2 Assets.

In the following two conditions, it is considered to be a default on the related lease receivables;

1.Objective Default Definition: Although the definition of default in practice for financial institutions is based on the criterion that the debt is overdue more than 90 days, the Company is taking into account the payment behavior of its customers and the characteristics of the loans and has used 150 days as valid. If the debt is delayed for 150 days, it is not considered as default, and the default starts on the 151th day.

Subjective Default Definition: It means that the debt will not be paid. If the borrower is judged unable to fulfill its debts on the loan, the borrower should be considered in default, regardless of whether there is a balance in delay or the number of days of delay.

Forward looking macroeconomic information

Forward-looking macroeconomic information is included in credit risk parameters in the evaluation of the significant increase in credit risk and calculation of expected credit loss.

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Significant increase in credit risk

In the criteria applied for the debts classified at the first stage; future payment issues are not expected, and the credit worthiness of the borrower has not weakened. According to TFRS 9, the debts are include twelve-month credit impairment debts implementation is classified at first stage.

In the criteria applied for the debts classified at the second stage; adverse event in debt payment or cash flows of borrowers are observed or estimated, problems arise in principal and / or interest payments in accordance with the terms of the debts agreement, and the credit risk of the borrower is significantly increased.

- Loans overdue more than 30 days,
- Restructuring status,
- Loans classified as watch list,
- Negative intelligence and official blacklist records.

According to TFRS 9, debts classified as Stage 2 are subject to the implementation of the expected lifetime loan loss allowance.

Low credit risk

TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as at the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

Financial instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

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

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off.

Tangible assets

Tangible assets that except for buildings are shown over the amount after accumulated depreciation and accumulated impairments are deducted from their cost values. Buildings are reflected to the financial statements with their fair values according to the revaluation method. Independent valuation experts are used in the fair value calculation of land and buildings. Tangible assets are depreciated principally on a straight-line basis considering the expected useful lives. The estimated useful lives, residual values, and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Expenses for the maintenance of tangible assets are normally recorded in profit and loss statement. Gain or loss arising on the disposal or retirement of an item of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Buildings	50 years
Fixtures	5 years
Leasehold improvements	the shortest of the lease period or useful life

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit (Note 5).

Intangible assets

Intangible assets consist of computer software and are defined with inflation adjusted costs until 31 December 2004. Intangible assets mainly comprise of expenditures to acquire software licenses and amortized by using the straight-line method over their useful lives of 5 years (Note 6).

Impairment of assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets suffered impairment is reviewed for possible reversal of the impairment at each reporting date.

Capital increase

Capital increases by the existing shareholders are decided in the General Assembly Meetings and accounted for over the registered nominal values.

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(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provisions for severance pay

Severance pay is paid in case of retirement or dismissal in accordance with the provisions of the current laws and collective bargaining agreements in Turkey. In accordance with the updated TAS 19 Employee Benefits Standard (“TAS 19”), such payments are considered as defined retirement benefit plans. Liability of severance pay recognized in the balance sheet has been calculated according to the net present value of the expected future liability amounts due to retirement of all employees and reflected in the financial statements. All calculated actuarial losses and gains are accounted for as other comprehensive income.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

The company, severance pay and the obligation to allow rights "Turkey on the Benefits Employee Accounting Standards" (“TAS 19”) is recognized under the provisions of the balance sheet and the "Employee Benefits Provision" is classified under account.

The Company is required to make a payment to the employee who is paid off due to retirement or resignation and except the reasons of the behaviors that are specified in Labor Law, in accordance with the existing labor law in Turkey. The provision for employment termination benefits, the probable liability incurred under this act, is calculated on the basis of today's value using certain actuarial estimates and reflected to the financial statements (Note 11).

Interest income and expenses

Interest Income and Expenses are accounted basis using effective rate of interest method.

Borrowing costs

All of borrowing costs when incurred are recorded on income statement.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary Of Significant Accounting Policies (Continued)

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in profit or loss as realized during the course of the year.

Foreign exchange rates used by the Company as at 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
USD	29.4382	18.6983
EUR	32.5739	19.9349

Taxation

Corporate tax

Corporate tax is calculated according to the provisions of the Tax Procedure Law and tax expenses other than those taxes are accounted in general administrative expenses.

If there is a legal right to offset current tax assets and current tax liabilities or if the related assets and liabilities are associated with income tax collected by the same tax authority.

Deferred tax

The Company calculates deferred tax for taxable temporary differences that arise between the book value of an asset or liability and its tax basis determined in accordance with the tax legislation, in accordance with the provisions of the “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the BRSA explanations regarding this standard, and accounts. In the calculation of deferred tax, enacted tax rates valid as of the balance sheet date are used in accordance with the current tax legislation.

The principal temporary differences arise from the provision for reserve for annual leave provision, property, plant and equipment depreciation differences, unused investment allowances and provision for employment termination benefits (Note 15).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management’s judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 Company intends to settle its current tax assets and liabilities on a net basis.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Capital and dividend

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded at the time they are declared.

Recognition of income and expenses

Income and expenses are recorded based on accrual.

Financial leasing income

In financial leasing, the asset subject of leasing is recorded in the financial statements as a receivable equal to net lease investment. Financial income related to financial lease is determined to bring a fixed periodic return to the net investment under the financial lease. Lease payments received are deducted from the gross lease investment to reduce principal and unearned finance income. Unearned finance income is the difference between the gross lease investment and the present value of the gross investment calculated on the implicit interest rate on the lease. As at the beginning of the lease, the implicit interest rate is the discount rate that equals the sum of the minimum lease payments and the unsecured value remaining to the sum of the fair value of the leased asset and the initial costs.

Funds borrowed

Funds borrowed are first recorded at fair value, including transaction costs. Subsequently, funds borrowed are measured at discounted cost values using the effective interest method (Note 8).

Earnings per SHARE

Earnings per share that mentioned on income statement was calculated dividing the net profit of the period by the weighted average number of shares issued during the period. In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “Bonus Share” distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events after the reporting period

Events after the balance sheet date providing additional information about the Company’s status on the balance sheet date (events requiring correction) are reflected in the financial statements. Events that do not require correction are explained in report notes if they have a certain importance (Note 21).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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3 - CASH, CASH EQUIVALENTS AND CENTRAL BANK

	31 December 2023	31 December 2022
Cash	5,745	-
Banks	182,281,571	90,520,830
- <i>Time deposits</i>	34,698,225	67,147,305
- <i>Demand deposits</i>	147,583,346	23,373,525
Expected credit loss provision	(24,608)	(12,220)
Total	182,262,708	90,508,610

The amount of cash and cash equivalents is TL 181,604,677 on the statement of cash flows for the year ended 31 December 2023 (31 December 2022: TL 90,178,147) and does not include income accruals for these accounts.

As at 31 December 2023, time deposits are shorter than three months, and the effective interest rate in USD and TL respectively is 4.28% and 43.95% (As at 31 December 2022, time deposits are shorter than three months, effective interest in Euros, USD and TL rate is 0.25%, 0.93% and 22.71%, respectively).

4 - FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2023	31 December 2022
Finance lease receivables	1,391,012,770	885,866,256
Invoiced lease receivables	12,748,070	5,632,065
Gross leasing receivables	1,403,760,840	891,498,321
Unearned interest income	(179,923,763)	(107,242,445)
Leasing receivables	1,223,837,077	784,255,876
Non-performing receivables	538,350	355,258
Expected credit loss/specific provisions	(5,965,712)	(3,167,349)
Total receivables from lease transactions	1,218,409,715	781,443,785

As at 31 December 2023 a significant part of the financial lease receivables is fixed interest rate.

As at 31 December 2022, financial lease receivables have fixed interest rate.

The maturity profile of the minimum finance lease receivables is as follows:

	Finance lease receivables	
	31 December 2023	31 December 2023
		Net
31 December 2024	710,257,676	600,778,854
31 December 2025	433,844,120	383,316,289
31 December 2026	195,349,105	180,125,642
31 December 2027	52,126,841	48,447,340
31 December 2028 and beyond	12,183,098	11,168,952
Total	1,403,760,840	1,223,837,077

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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4 - FINANCIAL ASSETS AT AMORTIZED COST(Continued)

	Finance lease receivables	
	31 December 2022	31 December 2022
		Net
31 December 2023	403,329,032	345,451,309
31 December 2024	260,246,300	228,322,558
31 December 2025	142,276,921	129,585,503
31 December 2026	63,725,820	59,762,879
31 December 2027 and beyond	21,920,248	21,133,627
Total	891,498,321	784,255,876

Net lease receivables are analyzed as follows:

	31 December 2023	31 December 2022
Not overdue and not impaired	1,211,089,007	778,623,811
Overdue but not impaired	12,748,070	5,632,065
Non-performing receivables	538,350	355,258
Total	1,224,375,427	784,611,134
Impairment provision	(5,965,712)	(3,167,349)
Net finance lease receivables	1,218,409,715	781,443,785

As at 31 December 2023 and 31 December 2022, details of the Company’s net leasing receivables is as follows:

31 December 2023	Finance lease receivables	Provision for impairment	Finance lease receivables, net
Stage 1	1,028,048,109	(3,011,799)	1,025,036,310
Stage 2	195,788,968	(2,622,208)	193,166,760
Stage 3	538,350	(331,705)	206,645
Total	1,224,375,427	(5,965,712)	1,218,409,715

31 December 2022	Finance lease receivables	Provision for impairment	Finance lease receivables, net
Stage 1	708,752,271	(2,284,419)	706,467,852
Stage 2	75,503,605	(531,053)	74,972,552
Stage 3	355,258	(351,877)	3,381
Total	784,611,134	(3,167,349)	781,443,785

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira ("TL") unless otherwise indicated.)

4 - FINANCIAL ASSETS AT AMORTIZED COST (Continued)

As at 31 December 2023 and 31 December 2022, details of the Company's aging table including the invoiced amount and principals of the overdue but not impaired finance lease receivables are follows:

	31 December 2023		31 December 2022	
	Invoiced amount	Remaining principal	Invoiced amount	Remaining principal
0 - 30 days	7,220,320	128,844,362	3,697,098	40,524,855
31 - 60 days	3,703,567	60,990,535	822,772	2,569,328
61 - 90 days	1,394,465	5,202,721	948,154	3,231,863
91 - 150 days	429,717	1,040,557	164,041	213,705
Total	12,748,069	196,078,175	5,632,065	46,539,751

Movement of the Company's allowances for expected credit loss/specific provisions for the years 31 December are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Opening balance 1 January	3,167,349	2,758,968
Provision expenses	4,581,812	1,924,899
Collections ^(*)	(1,783,449)	(1,516,518)
Closing balance 31 December	5,965,712	3,167,349

(*) The cash collection amount realized in 2023 is TL 1,783,449.

Within the scope of TFRS 9, there are no receivables written off during the period (31 December 2022: Company have written off TL 3,250,409 loans and its effect on NPL ratio is 0.68%).

As at 31 December 2023, the amount of collaterals received from customers, excluding tangible assets subject to financial leasing, is TL 13,141,976,795 (31 December 2022: TL 8,979,286,129). The Company does not take into account collaterals that exceed the risk amount in risk reporting. The details of the guarantees are as follows:

	31 December 2023	31 December 2022
Warranties received	9,358,461,443	6,375,819,548
Promissory notes received	3,012,465,215	1,991,738,486
Mortgage documents received	721,985,513	552,914,977
Guarantees received	19,057,803	11,731,426
Assignment of receivables	13,942,711	10,686,582
Vehicle pledge	13,681,000	36,219,920
Customer notes	2,382,800	175,000
Cash blockage	310	190
Total	13,141,976,795	8,979,286,129

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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4 - FINANCIAL ASSETS AT AMORTIZED COST (Continued)

The sectorial breakdown of gross lease receivables as at 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023	%	31 December 2022	%
Manufacturing industry	934,930,378	67	640,329,527	72
Wholesale and retail trade	196,777,849	14	136,355,998	15
Real estate and rental services	171,253,552	12	69,886,592	8
Construction	65,466,592	5	16,533,714	2
Farming and livestock	18,430,941	1	16,601,964	2
Transportation and communication	9,886,141	1	1,058,130	--
Financial mediation	4,304,400	0	6,903,627	1
Extraction of energy producing mines	2,685,735	0	2,431,170	--
Tourism	25,252	0	1,342,079	--
Other	--	--	55,503	--
Health and social services	--	--	17	--
Total	1,403,760,840	100	891,498,321	100

The lease receivable consists of the rents to be collected during the lease period. In accordance with the lease agreements with tenants, the ownership of the leased items is delivered to the tenants at the end of the lease period.

5 - TANGIBLE ASSETS

Acquisition cost	Building	Furniture and equipment	Motor vehicles	Total
1 January 2023	25,135,000	630,986	2,001,376	27,767,362
Additions	--	375,611	2,939,985	3,315,596
Revaluation Surplus	24,865,000	--	--	24,865,000
Disposals	--	(14,653)	(355,000)	(369,653)
31 December 2023	50,000,000	991,944	4,586,361	55,578,305
Accumulated amortization				
1 January 2023	--	(468,537)	(847,507)	(1,316,044)
Amortization for the year	(162,200)	(87,103)	(579,821)	(829,124)
Disposals	162,200	13,903	355,000	531,103
31 December 2023	--	(541,737)	(1,072,328)	(1,614,065)
Net book value	50,000,000	450,207	3,514,033	53,964,240

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5 - TANGIBLE ASSETS (Continued)

Acquisition cost	Building	Furniture and equipment	Motor vehicles	Total
1 January 2022	10,011,000	557,588	958,517	11,527,105
Additions	--	73,398	1,184,108	1,257,506
Revaluation Surplus	15,124,000	--	--	15,124,000
Disposals	--	--	(141,249)	(141,249)
31 December 2022	25,135,000	630,986	2,001,376	27,767,362
Accumulated amortization				
1 January 2022	(103,965)	(417,557)	(868,866)	(1,390,388)
Amortization for the year	--	(50,980)	(103,528)	(154,508)
Disposals	103,965	--	124,887	228,852
31 December 2022	--	(468,537)	(847,507)	(1,316,044)
Net book value	25,135,000	162,449	1,153,869	26,451,318

⁽¹⁾ The building for use is measured over their fair values and are subject to valuation in this context. The expertise report related to the real estates was prepared by the CMB licensed real estate appraisal company on 1 December 2023.

As at 31 December 2023, the total insurance value on tangible assets is TL 17,305,000 (31 December 2022: TL 10,941,318), insurance premium amount is TL 217,319 (31 December 2022: 205,654 TL).

As at 31 December 2023, there are no pledges or mortgages on other tangible assets (31 December 2022: None).

6 - INTANGIBLE ASSETS

Cost (software)	31 December 2023	31 December 2022
1 January	2,421,079	1,278,427
Additions	3,882,607	1,142,652
Disposals	--	--
31 December	6,303,686	2,421,079
Accumulated amortization		
1 January	(800,482)	(747,685)
Amortization for the year	(596,453)	(52,797)
Disposals	--	--
31 December	(1,396,935)	(800,482)
Net book value	4,906,751	1,620,597

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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7 - OTHER ASSETS

	31 December 2023	31 December 2022
Advances given for leasing operations	10,905,662	1,919,967
Other receivables related to financial lease	10,427,114	4,365,017
Expenses related to the next periods	5,814,083	6,273,804
Salary advances	505,596	398,991
Deposits and guarantees given	15,956	12,358
Leased construction in progress	3,000	19,021,608
Other	664,325	458,743
Total	28,335,736	32,450,488

8 - FUNDS BORROWED

31 December 2023	Book value					
Balance in original	Interest rates range	Up to 3 months	Between 3 months and 1 years	Over 1 year	Balance in TL	
Domestic banks						
Fixed rate borrowings:						
TL	25,371,827	%30,00 - %49,75	-	25,371,827	-	25,371,827
EUR	1,201,337	%9,00 - %10,33	-	39,132,231	-	39,132,231
Total			-	64,504,058	-	64,504,058
Total domestic banks borrowings			--	64,504,058	-	64,504,058
Foreign banks						
Fixed rate borrowings:						
- USD	1,210,200	6,00%	35,626,110	-	-	35,626,110
- EUR	3,023,375	5,50%	98,483,114	-	-	98,483,114
Total			134,109,224			134,109,224
Foreign banks						
Floating rate borrowings:						
- USD	--	--	--	--	--	--
- EUR	31,259,444	%3,17 - %5,89	45,890,983	141,262,657	831,088,368	1,018,242,008
Total			45,890,983	141,262,657	831,088,368	1,018,242,008
Total foreign banks borrowings			180,000,207	141,262,657	831,088,368	1,152,351,232
Total borrowings			180,000,207	205,766,715	831,088,368	1,216,855,290

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed Turkish lira (“TL”) unless otherwise indicated.)

8 - FUNDS BORROWED (Continued)

31 December 2022	Balance in original	Interest rates range	Book value			Balance in TL
			Up to 3 months	Between 3 months and 1 years	Over 1 year	
Foreign banks						
Fixed rate borrowings						
TL	14,101,929	%17.64-%30.00	-	8,361,997	5,739,932	14,101,929
Total			-	8,361,997	5,739,932	14,101,929
Total domestic banks borrowings	--	-	-	8,361,997	5,739,932	14,101,929
Foreign banks						
Floating rate						
7 borrowings						
USD	1,210,200	%6,00	-	-	22,628,683	22,628,683
EUR	3,023,375	%5,50	-	-	60,270,678	60,270,678
Total			6,646,507	49,235,337	551,129,857	607,011,701
Total foreign banks borrowings			6,646,507	49,235,337	634,029,218	689,911,062
Total borrowings			6,646,507	57,597,334	639,769,150	704,012,991

As at 31 December 2023, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2022: no guarantees were given to lending institutions as collateral against loans obtained).

9 - OTHER LIABILITIES

Based on financial lease agreements, other liabilities are mainly consists of commercial debts that emerged from fixed asset purchases made from foreign and domestic vendors.

	31 December 2023	31 December 2022
Payables to suppliers	27,483,279	17,445,037
Advances received	2,018,886	6,490,651
Other payables	13,463,825	9,324,106
Total	42,965,990	33,259,794

As at 31 December 2023 and 31 December 2022, other liabilities maturity period is less than 1 year.

10 - COMMITMENTS AND POSSIBLE OBLIGATIONS

Derivatives

As at 31 December 2023 there are no derivative product contracts in the Company's portfolio. (31 December 2022: None).

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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10 - COMMITMENTS AND POSSIBLE OBLIGATIONS (Continued)

Letters of guarantee given and letters of credit issued:

The company delivered letters of guarantee amounting to TL 303,518 to the courts (31 December 2022: 483,613).

As at 31 December 2023, a total of TL 219,095,319 revocable commitments consist of financial leasing commitments approved by the notary public but not activated yet (31 December 2022: TL 90,232,834). As at 31 December 2023, there are irrevocable commitments amounting to TL 56,314,471 (31 December 2022: TL 11,311,517).

As at 31 December 2023, there is no mortgage on the goods subject to financial leasing registered on the company (31 December 2022: None).

As at 31 December 2023, there is no filed against the Company (31 December 2022: None).

11 - PROVISIONS

	31 December 2023	31 December 2022
Reserve for employee severance indemnity	845,540	4,888,918
Vacation pay liability	3,003,629	3,561,791
Total	3,849,169	8,450,709

As at 31 December 2023, the Company has provided a reserve for foreign employee severance indemnity amount of TL 4,932,016 (31 December 2022: TL 2,080,697).

Provision for severance pay is set aside within the framework of the explanations below.

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive reserve for employee severance indemnity.

The liability has no legal funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees.

Regulation requires actuarial valuation methods to be developed to estimate the enterprise’s obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2023	31 December 2022
Discount rate (%)	%2.50	%0.99
Circulation rate regarding the probability of retirement (%)	%0.96	%0.87

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11 – PROVISIONS (Continued)

The basic assumption is that the ceiling provision determined for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation. Severance pay provision calculation is based on the severance pay ceiling determined by the government. As of 31 December 2023 and 31 December 2022, the applicable severance pay ceiling is 35,058.58 TL TL and 19,982.83 TL, respectively.

Movements in the reserve for employee severance indemnity are as follows:

	31 December 2023	31 December 2022
Opening balance	4,888,918	1,807,872
Service cost	259,858	93,167
Interest cost	730,287	294,045
Paid during the year	(5,031,896)	(172,894)
Actuarial losses	(1,627)	2,866,728
Ending balance	845,540	4,888,918

12 - SHAREHOLDERS' EQUITY

a) Paid-In capital

The shareholders of the Company and their ownership percentages at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Nominal amount	Shares (%)	Nominal amount	Shares (%)
Arap Türk Bankası A.Ş.	153,469,300	%99.98	139,972,000	%99.98
Salih Hatipoğlu	7,675	%0.01	7,000	%0.01
Feyzullah Küpeli	7,675	%0.01	7,000	%0.01
Aziz Aydoğduoğlu	7,675	%0.01	7,000	%0.01
Erdem Özenci	7,675	%0.01	7,000	%0.01
Total paid-in share capital	153,500,000	%100.00	140,000,000	%100.00

At 31 December 2023, the Company's statutory nominal value of authorized and paid-in share capital is TL 153,500,000 comprising of 153,500,000 registered shares having par value of TL 1 nominal each.

At the meeting of the General Assembly of the Company held on 20 March 2023, a capital increase decision was taken and this time and amount TL 12,832,831 was decided to use the profits of previous years in capital increase.

Capital adjustment differences define the difference between the total amounts of equity items adjusted based on inflation and the amounts before inflation adjustment.

Accumulated profits in the statutory books can be distributed except for the provision related to the legal reserves mentioned as follows.

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

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12 - SHAREHOLDERS’ EQUITY (Continued)

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

b) Capital reserves

At 31 December 2023, the Company has TL 228,147 of capital reserves (31 December 2022: TL 228,147).

c) Other comprehensive Income

At 31 December 2023, the Company’s other comprehensive income amounting to TL 32,031,749 consist of actuarial gain and revaluation surplus (31 December 2022: TL 15,527,866).

d) Income reserves

At 31 December 2023, the Company has TL 8,024,119 of income reserves (31 December 2022: TL 6,955,528).

e) Prior year income / loss

At 31 December 2023, the Company’s prior year income is TL 1,941,752 (31 December 2022: TL 667,169).

13 – FINANCE LEASE INCOME

Finance lease income for the years ended 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Finance lease income	115,906,138	63,403,310
Fees and commissions received from the leasing transactions	4,602,491	3,420,675
Total	120,508,629	66,823,985

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14 - MAIN OPERATING EXPENSES

The main operating expenses for the years ended on 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Personnel expenses	47,421,366	22,234,591
General operating expenses	18,637,991	9,235,206
Severance pay expense	988,516	340,261
Other	4,791,170	3,161,001
Total	71,839,043	34,971,059

General operating expenses for the years ended on 31 December 2023 and 31 December 2022 are as follows:

	1 January- 31 December 2023	1 January- 31 December 2022
Expenses related to the financial leasing	5,507,844	4,487,617
Audit and consultancy expenses	2,914,385	881,627
Office-related expenses	1,729,079	744,962
Tax, duties and fees	1,425,577	207,305
Insurance expenses	1,310,706	468,882
Depreciation and amortization expenses (Note 5, 6)	981,502	418,013
Communication and transportation expenses	149,087	144,145
Transport vehicle expenses	120,861	98,729
Rent expenses	93,822	57,922
Other general expenses(*)	4,405,128	1,726,004
Total	18,637,991	9,235,206

(*) Other expenses include, notary and translation expenses, representation, and staff training expenses, and expenses that are not legally accepted.

15 - OTHER OPERATING INCOME AND EXPENSE

	1 January- 31 December 2023	1 January- 31 December 2022
Other operating income		
Foreign exchange transactions profit	634,045,663	278,588,020
Interest received from banks	10,002,680	5,607,027
Income from derivative financial transactions	--	--
Others(*)	12,327,552	4,526,359
Total	656,375,895	288,721,406
Other operating expense		
Loss from foreign exchange transactions	627,143,852	278,523,387
Loss from derivative financial transactions	--	17,405
Others	62,024	5,432
Total	627,205,876	278,546,224

(*) Others in other operating income include special provision revenues, revenues from severance pay cancellations and revenues from sales of assets. Special provision incomes consist of the revenues obtained from the provisions included in the provision and impairment income at the end of the last year but canceled this year.

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16 – TAX ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
VAT to be paid	2,767,674	1,877,412
Corporation tax	834,935	1,243,594
Income tax payable	599,224	319,113
Social insurance premiums to be paid	339,250	625,809
Stamp tax to be paid	57,740	38,906
Total	4,598,823	4,104,834

Corporate tax

The company is subject to corporate tax valid in Turkey.

In accordance with the 11 and 14th articles of the Law numbered 7316 on “Amendment of Law on Collection Procedure of Public Receivables and Certain Laws” published in the Official Gazette dated April 22, 2021 and numbered 31462, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. Standard corporate tax rate for financial sector is increased to 25% starting from the declarations as of July 1, 2022 and to be valid for the taxation periods of 2022 according to the Law numbered 7394 published in the Official Gazette No. 31810 dated April 15, 2022. In accordance with the Law numbered 7456 which is published in Official Gazette dated July 15, 2023 and numbered 32249, corporate tax rate is increased to 30% for banks starting from the declarations of October 1, 2023 and to be valid for the taxation periods from January 1, 2023.

Dividends paid to non-resident corporations, which have a place of business in Türkiye or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

In accordance with the Corporate Tax Law, three quarterly temporary corporate tax statements are submitted in total in the first nine months of reporting year. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for five years. In accordance with the Law numbered 7456 which is published in the Official Gazette dated July 15, 2023 and numbered 32249, the tax exemption on profits from the sales of immovables has been terminated as of July 15, 2023. For immovables that were a part of company’s assets before the date of July 15, 2023, the exemption rate on profits arising from their sales has been set as 25%.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

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16 – TAX ASSETS AND LIABILITIES (Continued)

Non-monetary items on the financial statements must have been restated for inflation according to the repeated article 298/A of Tax Procedure Law. In law numbered 7352 published on 29 January 2022 in the Official Gazette numbered 31734, 2021 and 2022 accounting periods including advance tax periods are deemed as the periods in which the requirements for inflation adjustment are not met. In the fiscal year of 2023, quarterly advance tax periods were not subject to inflation adjustment, but the financial statements prepared in accordance with Tax Procedure Law as of December 31, 2023 are subject to inflation adjustment regardless of whether the conditions for inflation adjustment are met. The profit/loss difference arising from inflation adjustment is recognized in retained earnings and has no effect on the corporate tax base.

Current period net profit and tax liabilities for the accounting periods ending on 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Corporation tax expense	2,943,425	6,026,855
Minus: Prepaid taxes	(2,108,490)	(4,783,261)
Current income tax liability (net)	834,935	1,243,594

	1 January – 31 December 2023	1 January – 31 December 2022
Tax expense		
Current period corporate tax expense	(2,943,425)	(6,026,855)
Deferred tax income / (expense) effect	10,289,937	498,222
Total	7,346,512	(5,528,633)

The reconciliation of the current year tax expense and the tax expense calculated using the Company's legal tax rate is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Pre-tax profit	12,145,030	21,371,807
Tax expense with a 30% tax rate	(3,643,509)	(5,342,952)
Disallowable expenses	(736,463)	(620,223)
Other (additions) / discounts	11,726,484	434,542
Current year tax expense	7,346,512	(5,528,633)

Deferred taxes

The company, an asset or liability's book value and for taxable temporary differences arising between the tax basis is determined in accordance with tax legislation “Income Related to Tax Turkey Accounting Standards” (“TAS 12”) to calculate deferred taxes in accordance with the provisions and accounts. In the deferred tax calculation, the enacted tax rates that are valid as at the balance sheet date are used in accordance with the tax legislation in force.

Calculated deferred tax assets and deferred tax liabilities are shown as offset in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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16 – TAX ASSETS AND LIABILITIES (Continued)

Tax effects related to transactions directly accounted for in equity are also reflected in equity.

The accumulated temporary differences subject to deferred tax and the effects of deferred tax assets and liabilities are summarized below using the applicable tax rates:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Expected credit loss (stage 1- stage 2)	5,634,008	2,815,472	1,690,202	703,868
Provision for unused vacation	3,003,629	3,561,791	901,089	890,448
Provision for severance pay	5,777,556	6,969,615	1,733,267	1,742,404
Other	331,705	351,877	99,511	87,969
Deferred tax assets	14,746,898	13,698,755	4,424,069	3,424,689
Base difference of tangible and intangible assets	(12,948,359)	(22,630,793)	(1,691,819)	(3,665,513)
Leasing interest income accrual	(6,881,982)	(4,024,345)	(2,064,594)	(1,006,086)
Other	(427,363)	(387,924)	(128,209)	(96,979)
Deferred tax liabilities	(20,257,704)	(27,043,062)	(3,884,622)	(4,768,578)
Deferred tax assets, (net)	(5,510,808)	(13,344,307)	539,447	(1,343,889)

The deferred tax asset movement table is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
1 January	(1,343,889)	58,728
Deferred tax effect recognized under profit or loss	10,289,937	498,222
Deferred tax effect recognized under equity	(8,406,599)	(1,900,839)
31 December	539,447	(1,343,889)

17 - RELATED PARTY TRANSACTIONS

Balance sheet items

	31 December 2023	31 December 2022
Banks		
Türkiye İş Bankası AŞ	29,014,711	5,292,150
TC Ziraat Katılım Bankası AŞ	29,216,723	--
TC Ziraat Bankası AŞ	14,418,303	7,803,035
Arap Türk Bankası AŞ	718,636	330,366
Total	73,368,373	13,425,551
Finance leases		
Arap Türk Bankası AŞ	3,447,253	5,009,451
Total	3,447,253	5,009,451
Funds borrowed		
Libyan Foreign Bank	488,608,500	299,023,500
Aresbank	371,607,930	188,980,738
Banque BIA-Paris	147,740,552	115,007,428
Alubaf Bahreyn	133,047,540	82,242,660
Arap Türk Bankası A.Ş	28,176,049	--
TC Ziraat Katılım Bankası A.Ş	30,740,647	--
Total	1,199,921,218	685,254,326

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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17 - RELATED PARTY TRANSACTIONS (Continued)

Profit/loss

	1 January – 31 December 2023	1 January – 31 December 2022
Interest expense		
Aresbank	14,283,371	2,985,634
Libyan Foreign Bank	18,001,024	4,141,147
Banque BIA-Paris	7,951,007	3,689,018
Alubaf Bahreyn	4,259,852	2,551,969
Arap Türk Bankası A.Ş.	2,367,356	384,300
TC Ziraat Bankası AŞ	312,110	--
Türkiye İş Bankası AŞ	--	1
Total	47,174,720	13,752,069
Interest income from finance lease		
Arap Türk Bankası AŞ	1,037,028	753,017
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ	16	39,191
Total	1,037,044	792,208
Interest income from banks		
TC Ziraat Bankası A.Ş.	1,440,440	--
Arap Türk Bankası A.Ş.	--	7,576
Türkiye İş Bankası A.Ş.	1,836	6
Total	1,442,276	7,582

For the year ended 31 December 2023, the Company paid to executive members and key management personnel amounting to TL 22,593,555 (31 December 2022: TL 10,996,541) as fringe benefit.

18 - NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

a. Credit risk

The risk of a financial loss to the Company due to the failure of one of the parties to fulfill its contractual obligation is defined as credit risk. The company is exposed to credit risk due to leasing transactions. Credit risk is kept under control by allocating certain limits to the parties generating credit risk and following the collections expected from customers. Credit risk is concentrated mainly in the activities that take place in Turkey. Credit risk is distributed by serving many customers from different sectors.

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Maximum exposure to credit risk table:

	31 December 2023			31 December 2022		
	Financial leasing receivables	Other Assets	Deposits at banks	Financial leasing receivables	Other assets	Deposits at banks
Maximum credit risk exposed as at balance sheet date (A+B+C+D+E)	1,224,043,721	28,335,736	182,281,571	784,259,257	32,450,488	90,520,830
- The part of the maximum risk secured by collateral	1,223,837,077	28,335,736	--	784,255,876	32,450,488	--
A. Carrying value of financial assets that are not past due nor impaired	1,211,089,007	28,335,736	182,281,571	778,623,811	32,450,488	90,520,830
- The part under guarantee with collateral	1,211,089,007	28,335,736	--	778,623,811	32,450,488	--
Net book value of financial assets whose terms are reassessed, if not						
B. accepted as past due nor impaired	--	--	--	--	--	--
C. Financial assets that are past due but not impaired	12,748,070	--	--	5,632,065	--	--
- The part under guarantee with collateral	12,748,070	--	--	5,632,065	--	--
D. Net book value of impaired assets	206,645	--	--	3,381	--	--
- Past due (gross carrying value)	538,350	--	--	355,258	--	--
- Impairment (-)	(331,705)	--	--	(351,877)	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
- Not past due (gross carrying value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
E. Off balance sheet items that include credit risk	--	--	--	--	--	--

Expected loss provisions for Stage 1 and Stage 2 leasing receivables are not included in the table.

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b. Market risk

Market risk is the risk that the Company's capital and earnings and the ability of the Company to achieve its goals will be negatively affected by fluctuations in interest rates, inflation rates in foreign currency rates, and prices in the market. The company follows market risk under the titles of liquidity risk, currency risk and interest rate risk.

b1. Liquidity risk

Liquidity risk is the possibility of the Company is not meeting its net financing needs. Liquidity risk arises from problems in the sector or decreases in credit ratings leading to the decline of some fund resources in a short time. As a precaution against liquidity risk, management diversifies its financing resources and manages its assets with liquidity priority.

The following table provides an analysis for the Company’s financial assets and liabilities according to the relevant maturity grouping based on the period remaining on the balance sheet date and the maturity dates included in the contracts. Interests to be collected and paid on the Company’s assets and liabilities are included in the table below.

31 December 2023	Non-maturity	In 3 months	3 – 12 month	Over 1 year	Total
Cash and cash equivalents and the Central Bank	--	182,256,963	--	--	182,256,963
Financial lease receivables	--	169,569,038	425,782,454	623,058,223	1,218,409,715
Investments in scope of leasing	--	10,905,662	--	--	10,905,662
Other receivables	--	--	10,427,114	--	10,427,114
Advances given for leasing transactions	--	3,000	--	--	3,000
Other assets	65,876,696	--	--	--	65,876,696
Deferred Tax Asset	539,447	--	--	--	539,447
Assets used to manage liquidity risk	66,416,143	362,734,663	436,209,568	623,058,223	1,488,418,597
Funds borrowed	--	180,000,207	205,766,715	831,088,368	1,216,855,290
Other liabilities	--	--	42,965,990	--	42,965,990
Provisions	8,781,185	--	--	--	8,781,185
Current tax debt	--	3,763,888	834,935	--	4,598,823
Total liabilities	8,781,185	183,764,095	249,567,640	831,088,368	1,273,201,288
Net liquidity surplus/(deficit)	57,634,958	178,970,568	186,641,928	(208,030,145)	215,217,309
31 December 2022	Non-maturity	In 3 months	3 – 12 month	Over 1 year	Total
Cash and cash equivalents and the Central Bank	23,373,525	67,135,085	--	--	90,508,610
Financial lease receivables	--	112,494,910	230,144,298	438,804,577	781,443,785
Investments in scope of leasing	--	1,919,967	--	--	1,919,967
Other receivables	--	--	4,365,017	--	4,365,017
Advances given for leasing transactions	--	19,021,608	--	--	19,021,608
Other assets	35,215,811	--	--	--	35,215,811
Assets used to manage liquidity risk	58,589,336	200,571,570	234,509,315	438,804,577	932,474,798
Funds borrowed	--	16,109,766	57,597,334	630,305,891	704,012,991
Other liabilities	--	--	33,259,794	--	33,259,794
Provisions	10,531,406	--	--	--	10,531,406
Current tax debt	--	2,861,240	1,243,594	--	4,104,834
Deferred tax liability	1,343,889	--	--	--	1,343,889
Total liabilities	11,875,295	18,971,006	92,100,722	630,305,891	753,252,914
Net liquidity surplus/(deficit)	46,714,041	181,600,564	142,408,593	(191,501,314)	179,221,884

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2023 and 31 December 2022, the undiscounted representation of the contractual maturity values of financial liabilities is as follows:

31 December 2023	In 3 months	3 - 12 month	Over 1 year	Non-maturity	Total
Funds borrowed	199,954,875	253,696,980	877,039,807	--	1,330,691,661
Other payables	--	42,965,990	--	--	42,965,990
Total liabilities	199,954,875	296,662,970	877,039,807	--	1,373,657,651
31 December 2022	In 3 months	3 - 12 month	Over 1 year	Non-maturity	Total
Funds borrowed	16,157,418	59,791,744	691,729,358	--	767,678,520
Other payables	--	33,259,794	--	--	33,259,794
Total liabilities	16,157,418	93,051,538	691,729,358	--	800,938,314

b2. Currency risk

Foreign currency assets and liabilities create foreign currency risk. The Company carries a certain amount of foreign exchange position arising from the transactions carried out by its operations. The foreign exchange position is monitored daily by Planning Control and reported monthly on the basis of maturity and currency types. The Company conducts forward foreign exchange transactions in order to balance its foreign exchange assets and liabilities.

As at 31 December 2023 and 31 December 2022, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

31 December 2023	USD	Euro	Others	Total
Cash and cash equivalents and the Central Bank	15,076,261	143,030,265	--	158,106,526
Financial leasing receivables	26,072,443	1,174,188,598	--	1,200,261,041
Unearned income (-)	(2,308,019)	(123,510,743)	--	(125,818,762)
Non-performing loans	--	48,438	--	48,438
Expected loss provisions (-)	(73,983)	(5,101,658)	--	(5,175,641)
Investments in scope of leasing	--	10,901,640	--	10,901,640
Advances given for leasing transactions	--	--	--	--
Other assets	1,567,190	13,051,524	--	14,618,714
Total assets	40,333,892	1,212,608,064	--	1,252,941,956
Funds borrowed	35,626,110	1,155,857,353	--	1,191,483,463
Other liabilities	1,187,303	39,156,804	--	40,344,107
Total liabilities	36,813,413	1,195,014,157	--	1,231,827,570
Net foreign currency position	3,520,479	17,593,907	--	21,114,386

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	USD	Euro	Others	Total
Cash and cash equivalents and the Central Bank	6,574,117	50,597,827	--	57,171,944
Financial leasing receivables	24,786,406	679,252,263	--	704,038,669
Unearned income (-)	(2,469,788)	(61,348,651)	--	(63,818,439)
Non-performing loans	--	324,018	--	324,018
Expected loss provisions (-)	(57,191)	(2,541,511)	--	(2,598,702)
Investments under leasing	163	1,917,527	--	1,917,690
Advances given for leasing transactions	1,879,179	17,139,429	--	19,018,608
Other assets	1,451,413	8,349,698	--	9,801,111
Total assets	32,164,299	693,690,600	--	725,854,899
Funds borrowed	22,628,683	667,282,379	--	689,911,062
Other liabilities	1,205,651	30,346,091	--	31,551,742
Total liabilities	23,834,334	697,628,470	--	721,462,804
Net foreign currency position	8,329,965	(3,937,870)	--	4,392,095

Currency risk sensitivity analysis

The table below shows the Company's sensitivity to 10% change in US Dollars and Euros. During this analysis, it is assumed that all variables, especially interest rates, will remain constant.

31 December 2023	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case the US Dollar changes 10% against TL				
1 – Net asset / liability of USD	352,048	(352,047)	352,047	(352,047)
2- The amount hedged for USD risk (-)	--	--	--	--
3- Net effect of USD (1 +2)	352,048	(352,047)	352,047	(352,047)
In case the Euro changes 10% against TL				
4 – Net asset / liability of Euro	1,759,390	(1,759,390)	1,759,390	(1,759,390)
5- The amount hedged for Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	1,759,390	(1,759,390)	1,759,390	(1,759,390)
TOTAL (3+6)	2,111,437	(2,111,437)	2,111,437	(2,111,437)

(*) Equity effect includes the effect of income statement.

31 December 2022	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case the US Dollar changes 10% against TL				
1 – Net asset / liability of USD	832,997	(832,997)	832,997	(832,997)
2- The amount hedged for USD risk (-)	--	--	--	--
3- Net effect of USD (1 +2)	832,997	(832,997)	832,997	(832,997)
In case the Euro changes 10% against TL				
4 – Net asset / liability of Euro	(393,787)	393,787	(393,787)	393,787
5- The amount hedged for Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	(393,787)	393,787	(393,787)	393,787
TOTAL (3+6)	439,210	(439,210)	439,210	(439,210)

(*) Equity effect includes the effect of income statement.

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b3 Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

According to the analysis calculated by the Company as at 31 December 2023, an increase / (decrease) of 5% in foreign currency interest rates, an increase / (decrease) of TL 176,337 in the net present value of variable interest financial liabilities, assuming that all other variables remain constant (31 December 2022: TL 1,082,191).

31 December 2023 31 December 2022

Financial assets and liabilities with fixed interest

Time deposits	34,698,225	67,147,305
Financial lease receivables, net	1,220,940,940	781,830,367
Funds borrowed	198,613,282	97,001,290

Financial assets and liabilities with variable interest

Financial lease receivables, net	2,896,137	2,425,509
Funds borrowed	1,018,242,008	607,011,701

The tables below analyze the Company's non-derivative financial assets and liabilities according to the appropriate maturity grouping, based on the contract's repricing date as of the balance sheet date.

31 December 2023	In 3 months	3-12months	1-5years	Interest free	Total
Cash, cash equivalents and the Central Bank	182,256,963	--	--	--	182,256,963
Receivables from leasing transactions(net)	263,907,511	411,149,136	543,353,068	--	1,218,409,715
Investments under leasing	--	--	--	10,905,662	10,905,662
Other receivables related to leasing transactions	--	--	--	10,427,114	10,427,114
Advances given for leasing transactions	--	--	--	3,000	3,000
Property, plant and equipment, net	--	--	--	53,964,240	53,964,240
Intangible assets, net	--	--	--	4,906,751	4,906,751
Deferred tax assets	--	--	--	539,447	539,447
Other assets	--	--	--	7,005,705	7,005,705
Total assets	446,164,474	411,149,136	543,353,068	87,751,919	1,488,418,597
Funds borrowed	569,733,847	647,121,443	--	--	1,216,855,290
Other obligations	--	--	--	42,965,990	42,965,990
Provisions	--	--	--	8,781,185	8,781,185
Current tax debt	--	--	--	4,598,823	4,598,823
Deferred tax liabilities	--	--	--	--	-
Total liabilities	569,733,847	647,121,443	--	56,345,998	1,273,201,288
Net repricing position	(123,569,373)	(235,972,307)	543,353,068	31,405,921	215,217,309

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	In 3 months	3-12months	1-5years	Interest free	Total
Cash, cash equivalents and the Central Bank	67,135,085	--	--	23,373,525	90,508,610
Receivables from leasing transactions(net)	159,159,880	225,426,574	396,857,330	--	781,443,785
Investments under leasing	--	--	--	1,919,967	1,919,967
Other receivables related to leasing transactions	--	--	--	4,365,017	4,365,017
Advances given for leasing transactions	--	--	--	19,021,608	19,021,608
Property, plant and equipment, net	--	--	--	26,451,318	26,451,318
Intangible assets, net	--	--	--	1,620,597	1,620,597
Deferred tax assets	--	--	--	--	--
Other assets	--	--	--	7,143,897	7,143,897
Total assets	226,294,965	225,426,574	396,857,330	83,895,929	932,474,798
Funds borrowed	110,368,843	8,361,997	585,282,151	--	704,012,991
Other obligations	--	--	--	33,259,794	33,259,794
Provisions	--	--	--	10,531,406	10,531,406
Current tax debt	--	--	--	4,104,834	4,104,834
Deferred tax liabilities	--	--	--	1,343,889	1,343,889
Total liabilities	110,368,843	8,361,997	585,282,151	49,239,923	753,252,916
Net repricing position	115,926,122	217,064,577	(188,424,821)	34,656,006	179,221,884

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid except compulsory sales and Non-performing loans to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

The table below indicates the fair value of the financial assets which are stated at amortized cost in the statement of financial position:

	Carrying amount		Fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Banks	182,281,571	90,520,830	182,256,963	90,520,830
Finance lease receivables	1,218,409,715	781,443,785	1,190,339,281	736,685,494
Funds borrowed	1,216,855,290	704,012,991	1,108,713,867	661,683,593

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18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Fair values of financial assets and liabilities that are carried with their fair values on the balance sheet are determined as follows:

- First Level: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities.
- Second Level: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the quoted market price of the relevant asset or liability mentioned in Level 1.
- Third Level: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

As at 31 December 2023 and 2022, the Company does not have any financial assets and liabilities that are reflected in the financial statements at fair value.

c. *Capital management*

In Accordance with Article 12 of the “Regulation on Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated April 24, 2013, the Company is required to keep min 3% standards ratio calculated by dividing equity to total assets. The rate of Company is 19% according to calculation made as at 31 December 2023.

19 - OTHER MATTERS

None (31 December 2022: None).

20 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/ AUDITOR'S FIRM

In accordance with the decision of the Public Oversight Accounting and Auditing Standards Authority (POA) dated 20 April 2023, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is disclosed in the table below, excluding VAT.

	1 January – 31 December 2023	1 January – 31 December 2022
Independent audit fees in the reporting period	638,334	140,000
Fees for tax advisory	--	--
Fees for other assurance services	--	--
Fees for other services except independent audit	--	--
Total	638,334	140,000

21 - SUBSEQUENT EVENTS

The Company decided to increase the Company capital by 8,000,000 TL in accordance with the Board of Directors Decision No. 24/1-9 dated February 15, 2024.

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