

FINANSAL KURUMLAR BİRLİĐİ

1 January - 31 December 2022

Financial Statements and Independent Auditors' Report

(Convenience Translation Into English Of Independent Auditor's Report Originally Issued In Turkish)

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

**To the Board of Directors
Finansal Kurumlar Birliği
Audit of The Consolidated Financial Statements**

Opinion

We have audited the consolidated financial statements of Finansal Kurumlar Birliği'nin ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics published by the Public Oversight Accounting and Auditing Standards Authority. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

It was decided that we did not have a key audit matter to report in our report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

In independent audit, the responsibilities of us as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control).
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Reports on Independent Auditor’s Responsibilities Arising from Other Regulatory Requirement

1) Pursuant to subparagraph 4, Article 402 of “TCC”, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2022 is not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

2) Pursuant to subparagraph 4, Article 402 of “TCC”, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Zekeriya Çelik is the auditor responsible for conducting and finalizing this independent audit.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate Member of Praxity AISBL)

Zekeriya Çelik
Sorumlu Denetçi, YMM

27 Mart 2023, İstanbul

TABLE OF CONTENTS	Page
STATEMENT OF CONSOLIDATED FINANCIAL POSITIONS.....	1-2
STATEMENT OF CONSOLIDATED PROFIT OR LOSS and OTHER INCOME.....	3
STATEMENT OF CONSOLIDATED CHANGE IN EQUITY.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	6-38

FİNANSAL KURUMLAR BİRLİĞİ
CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2022
(Currency in Turkish Lira (“TL”) unless otherwise stated)

ASSETS	Not	<i>Audited</i> 31 December 2022	<i>Audited</i> 31 December 2021
Current Assets		37.326.949	21.864.331
Cash and Cash Equivalents	4	33.040.169	21.307.493
Trade Receivables	6	3.058.512	519.045
Other Receivables	7	118	1.320
Prepaid Expenses	8	1.051.423	--
Other Current Assets	13	176.727	36.473
Non-Current Assets		13.866.834	13.312.333
Subsidiaries	5	8.288.186	8.288.186
Tangible Assets	11	2.471.680	2.917.797
Intangible Assets	12	3.106.968	2.051.750
Other Assets	--	--	54.600
TOTAL ASSETS		51.193.783	35.176.664

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

FİNANSAL KURUMLAR BİRLİĞİ**CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2022**

(Currency in Turkish Lira (“TL”) unless otherwise stated)

		<i>Audited</i>	<i>Audited</i>
LIABILITIES	Not	31 December	31 December
		2022	2021
Current Liabilities		15.015.864	6.405.938
Short Term Lease Liabilities	10	1.379.329	1.211.983
Trade Payables	6	5.016.383	884.318
Employee Benefit Obligations	14	845.814	544.215
Deferred Income	8	5.810.860	3.156.817
Income Tax Payable	22	608.794	92.318
Short Term Provisions for Employee Benefits	15	1.043.604	405.929
Other Liabilities	9	311.080	110.358
Non-Current Liabilities		2.010.444	2.775.907
Long Term Lease Liabilities	10	--	1.930.211
Provision for Employee Termination Benefits	16	1.974.855	815.233
Deferred Tax Liabilities	22	35.589	30.463
Equity		34.167.475	25.994.819
Other Comprehensive Income Items not to be Reclassified to Profit or Loss			
-Actuarial loss arising from employee benefits		(1.255.235)	(346.416)
Restricted Reserves		15.000	15.000
Retained Earnings		26.315.601	19.274.458
Net Profit for the Year		9.092.109	7.051.777
TOTAL LIABILITIES		51.193.783	35.176.664

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

FİNANSAL KURUMLAR BİRLİĞİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2022

(Currency in Turkish Lira (“TL”) unless otherwise stated)

	Not	<i>Audited</i> 1 January - 31 December 2022	<i>Audited</i> 1 January - 31 December 2021
Profit or Loss			
Sales	17	45.307.973	28.680.204
Cost of Sales (-)	17	(15.965.429)	(8.206.923)
Gross Profit		29.342.544	20.473.281
General Administrative Expenses (-)	18	(25.390.678)	(14.912.398)
Other Operating Income	19	409.234	73.615
Other Operating Expense (-)	19	(173.432)	(310.605)
Operating Profit		4.187.668	5.323.893
Income from Investing Activities	20	6.938.060	3.066.942
Operating Profit Before Financial Expenses		11.125.728	8.390.835
Financing Expenses (-)	21	(422.010)	(559.789)
Profit Before Tax		10.703.718	7.831.046
Tax Expense		(1.611.609)	(779.269)
- Current Tax Expense	22	(1.575.823)	(746.523)
- Deferred Tax Income/ (expense)	22	(35.786)	(32.746)
Profit For the Year		9.092.109	7.051.777
Other Comprehensive Income / (Expense)			
Other comprehensive income items not to be reclassified to			
- Actuarial Loss from Employee Benefits		(939.481)	(271.978)
- Tax Effect of Actuarial Loss from Employee Benefits		30.662	5.419
		(908.819)	(266.559)
Total Comprehensive Income		8.183.290	6.785.218

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

FİNANSAL KURUMLAR BİRLİĞİ**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

(Currency in Turkish Lira (“TL”) unless otherwise stated)

	Acturial Gain / Loss	Retained Earnings	Net profit for the Year	Total Equity	Acturial Gain / Loss
Balance as of 1 January 2021	(79.857)	15.000	4.057.931	15.216.527	19.209.601
Transfers	--	--	15.216.527	(15.216.527)	--
Net profit for the period	(266.559)	--	--	7.051.777	6.785.218
Balance as of 31 December 2021	(346.416)	15.000	19.274.458	7.051.777	25.994.819
Balance as of 1 January 2022	(346.416)	15.000	19.274.458	7.051.777	25.994.819
Restatement of tax provions	--	--	(10.634)	--	(10.634)
Transfers	--	--	7.051.777	(7.051.777)	--
Net profit for the period	(908.819)	--	--	9.092.109	8.183.290
Balance as of 31 December 2022	(1.255.235)	15.000	26.315.601	9.092.109	34.167.475

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

FİNANSAL KURUMLAR BİRLİĞİ
STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED
31 DECEMBER 2022

(Currency in Turkish Lira (“TL”) unless otherwise stated)

	Note	Audited 1 Jan.- 31 Dec. 2022	Audited 1 Jan.- 31 Dec. 2021
A. Cash Flows From (Used In) Operating Activities		11.040.960	5.808.140
Profit for The Year		9.092.109	7.051.777
Adjustments to Reconcile Profit for The Period		1.948.851	(1.243.637)
Adjustments for Depreciation and Amortisation Expense	11-12	1.899.456	1.723.764
Adjustments for Provisions	15-16	857.816	244.753
Adjustments for Impairment Loss (Reversal of Impairment)	6	184.898	(12.000)
Adjustments for Interest Income	20	(5.383.853)	(3.090.541)
Adjustments for Interest Loss	21	420.715	115.280
Adjustment Tax Expense	22	1.611.609	779.269
Adjustments for Decrease (Increase) In Trade Accounts	6	(2.724.365)	33.624
Adjustments for Decrease (Increase) In Other Receivables	7	1.202	9.053
Adjustments for Decrease (Increase) In Trade Accounts	6	4.132.065	64.354
Changes in Due to Employee Benefits	14	301.599	(11.849)
Changes in Other Liabilities	7	--	(3.068)
Adjustments for Deferred Income Operating Payables	8	2.654.043	(380.683)
Adjustments for increase (decrease) In other Operating Payables	--	(946.987)	85.178
Income Taxes Refund (Paid)	22	(1.059.347)	(800.771)
B. Cash Flows From (Used In) Investing Activities		2.328.026	2.535.222
Purchase of Property, Plant and Equipment and Intangible Assets	10-11-12	(2.508.557)	(470.614)
Cash Inflows From Financial Investments	20	4.836.583	3.005.836
C. Cash Flows From (Used In) Financial Activities		(2.183.580)	(1.390.006)
Cash Outflows Related to Lease Obligations (-)	11-12	(2.174.713)	(1.823.131)
Bank Loans Obtained	21	(8.867)	433.125
Net Increase (Decrease) in Cash and Cash Equivalents	4	11.185.406	6.953.356
D. Cash and Cash Equivalents at The Beginning of The	4	21.119.112	14.165.756
Cash and Cash Equivalents at The End of The	4	32.304.518	21.119.112

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

(All amounts expressed in Turkish Lira (“TL”)).

1. THE GROUP’S ORGANIZATION AND NATURE OF ACTIVITIES

The Group’s Organization:

According to Article 40 of the Financial Leasing, Factoring and Financing Companies Law No. 6361, The Association is a professional organization that has a legal entity and is a public institution with publication of the Association Status (“Status”) in the Official Gazette on 25 July 2013. In accordance with the relevant articles of Law No. 7292, which came into force after being published in the Official Gazette dated 7 March 2021, the name of Law No. 6361 was changed to "Financial Leasing, Factoring, Financing and Savings Financing Companies Law", and the title of the Association was changed to "Association of Financial Institutions".

With the General Assembly meeting held on 5 July 2019, the new term Board of Directors was elected for 3 years and took over. As a result of the amendment to Law No.7292, the Board of Directors will be elected for 2 years in the elections in 2022.

According to the law provisions, all financial leasing, factoring and financing companies that operate in Turkey, as of the date they receive permission to operate, have to join the Association within one month, comply with the provisions of the Status, and must implement the decisions taken by the Association’s competent bodies.

To assist realization of the objective of the Association pursuant to decision of the Board of Directors dated 7 January 2014,2014/2,2014/3 and 2014/4 and to generate permanent income for the Association, it was decided to establish three commercial enterprises (Subsidiaries) with the following titles in accordance with the provisions of the Law.

1. Finansal Kurumlar Birliđi Finansal Kiralama İktisadi İřletmesi (previously titled as “Finansal Kiralama , Faktoring ve Finansman řirketleri Birliđi Finansal Kiralama İktisadi İřletmesi”)
2. Finansal Kurumlar Birliđi Ticaret Finansmanı İktisadi İřletmesi (previously titled as “Finansal Kiralama , Faktoring ve Finansman řirketleri Birliđi Finansal Kiralama İktisadi İřletmesi”)
3. Finansal Kurumlar Birliđi İktisadi İřletmesi (previously titled as “Finansal Kiralama , Faktoring ve Finansman řirketleri Birliđi Finansal Kiralama İktisadi İřletmesi”)

Finansal Kurumlar Birliđi “The Association of Financial Leasing, Factoring and Financing Companies” (“the Association”) is operating in Turkey and located in Esentepe Mahallesi, Büyükdere Caddesi, Bahar Sokak, No:13 River Plaza Kat:18 Ofis No: 48-49 34394 řiřli, İstanbul, Turkey. As of the balance sheet date the number of personnel of the Association is 16 (31 December 2021: 16).

(All amounts expressed in Turkish Lira (“TL”)).

1. THE GROUP’S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Subject of activity:

Association is a professional organization that has a legal personality established in accordance with the Law and is a public institution.

Within the framework of free market economy and full competition principles and in line with regulation principles and rules of the industry, the aim of the Association is to defend the rights and interests of the companies, to work for the sectors’ growth, trusted work and the development of relevant professions, and for raising the competitiveness.

The Group’s performs the following tasks to accomplish this aim:

- a) Create policies for the development of sectors and relevant professions and take decisions,
- b) Determine the professional principles and standards that companies have to comply,
- c) To provide the companies to work in the unity, dignity and discipline that the profession requires according to the needs of the economy, by determining the principles and ethics of the profession,
- d) Inform the companies about the decisions taken by relevant legislation and by the Agency and the measures,
- e) Take the necessary measures to protect the competitive environment,
- f) Represent the sectors in the country and abroad to promote and to make efforts to enlighten the public on this issue
- g) Transfer the information which is collected through the economy, the financial sector and domestic and international developments in their system by monitoring; to its members and relevant persons,
- i) Take decision that will strengthen professional solidarity relations between the companies,
- j) Ensure the cooperation on joint projects between the members,
- k) Collect the companies’ and sectors’ non confidential statistics and announce to public,
- l) Follow up the regulations related to the sectors and to publicize these regulations to companies,
- m) Identify the principles to be followed in advertisements and announcements of the companies under the relevant legislation,
- n) Follow up the implementation of the decisions and measures and decide to administrative penalty about the companies do not exactly comply with these totally and on time, within the context of the law,
- o) Organize seminars symposiums, conferences and such education programs on issues related to industry,
- p) Litigate about the common interests of the companies according to the Board of Directors’ decision,
- q) Take the measures which are required to be taken by the Agency,
- r) Determine the principles and procedures related to the registration of lease contracts to the special registry, by taking the relevant opinion of the Board,
- s) Consolidate the information about the assigned receivables including the invoice information of the factoring companies and banks with approval of the Association under the consideration of the Risk Center, determine the procedures and principles about sharing the information,
- t) Impose disciplinary penalties in accordance with the law, relevant legislation and this Status and to make arrangements in this regard,
- u) Become a member or to participate as a shareholder in national or international financial, economic and professional institutions, organizations or partnerships within the framework of the relevant legislation,
- v) Represent the Association in institutions or organizations of which the Association is a member and a shareholder,

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 1-THE GROUP’SORGANIZATION AND NATURE OF ACTIVITIES (Continued)**Subject of activity (Continued)**

- w) Ensure the flow of information between the members and the Association, and vice versa, within the requested framework,
- x) Undertake activities to resolve the conflict between the parties by evaluating the complaints made about the members who have been submitted to the Association through all kinds of channels, including the complaints platform,
- y) Carry out other tasks given by the legislation.

Finansal Kurumlar Birliđi Ticaret Finansmanı İktisadi İşletmesi was established on 27 February, 2014. The Entity’s purpose and scope are as follows:

- a) Making required investments in order to establish the system on which the information regarding transferred receivables including the data of invoices will be consolidated; as it is mentioned in article 43, titled as ‘Central Invoice Recording’, of Financial Leasing, Factoring and Financing Companies Law numbered 6361 ;
- b) Making operating and personnell expenses for the system to be run on a regular basis,
- c) Achieving service revenue related to the registration process that is performed in order for the system to operate in a well-ordered manner by performing any kind of activity, and collecting their fees,
- d) Generating revenue via organizing training and consultancy activities like seminars and conferences about system operations,
- e) Claiming extra fee, in case the information which is demanded by the Association members and banks is not provided in a full and timely manner,
- f) Providing revenue on books, magazines and all kind of publications related to Central Invoice Recording System,
- g) Generating income in other activities performed according to the regulations to be published in accordance with the Financial Leasing, Factoring and Financing Companies Law numbered 636.1, Article 43 with the title Central Invoice Recording,
- h) Investing the revenue collected as a result of its financial activities, and depositing the Revenue to the bank accounts that are deemed appropriate, being authorized for such actions,
- i) Acting as a private integrator within the scope of the Tax Procedure Law General Notification numbered 421,
- j) Providing electronic invoice storage services under the Tax Procedure Law General Notification numbered 416, 421 and 424,
- k) Providing “e-Archives” service under the Tax Procedure Law General Notification numbered 433,
- l) Manufacturing, developing, handling and reproducing software in every kind of physical and electronic atmosphere, trading of them and acting as a service provider for them which are electronic invoicing, electronic books, electronic invoice software derived from or an integrated part of mentioned software and the service packages consisting of this software,
- m) Producing services on internet, communication medium and all kinds of informatics and exporting, importing domestically trading every kind of computer hardware, software whilst obeying the legislation,
- n) Maintaining, repairing, modifying and leasing the mentioned hardware and software, performing activities for software development and licencing, importing, exporting and domestically trading the related hardware and software.
- o) Providing service for establishing and operating of computer systems,

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 1-THE GROUP’SORGANIZATION AND NATURE OF ACTIVITIES (Continued)**Subject of activity (Continued)**

p) Organizing seminars, symposiums, conferences and such education and consulting services on issues related to the activities and services within the Factoring Commercial Enterprise, and generating income in return.

Finansal Kurumlar Birliği İktisadi İşletmesi was established on 24 March 2014. The Commercial Enterprise’s purpose and scope are as follows:

- a) Conducting activities related to the expansion and development of the financial leasing, factoring ve financing companies in Turkey,
- b) Conducting and promoting studies and research regarding financial leasing, factoring and financing companies in order to provide highest level of service and quality,
- c) Making necessary investments for the establishment of the systems for certification, training, testing and evaluation of the creation and development of human resources of the sectors,
- d) Making operational and personnel expenses for the system to be run on a regular basis,
- e) Preparing and implementing educational programs in order to increase the number of specialized staff in the sectors and promoting related sectors,
- f) Organizing required promoting in order to ensure enhancing the sector mage to the highest level, publishing books, magazines ated brochures, preparing video band, CD, DVD etc., to taking ads related to thefts, assuming, importing and selling the publication lights of related books, to make periodical and now-periodical publications, organizing seminars, symposiums, and conferences with technicality, oi ganizing training courses towards the training of personnel working at member institution ated other entities,
- g) Organizing various events, including dinner meetings to improve the feeling of social solidarity among employees of the Association’s members companies,
- h) Engaging activities in the areas which focus on generating revenue front services within the area of its activity.

Finansal Kurumlar Birliği Finansal Kiralama İktisadi İşletmesi was established on 27 February 2014. The Financial Leasing Commercial Enterprise’s purpose and scope are as follows:

- a) Making necessary investments according to Financial Leasing, Factoring and Financing Companies Law numbered 6361, Articles 21 and 22 for the establishment of the system related to registration process,
- b) Making operational and personnel expenses for the system to be run on a regular basis,
- c) Performing all kind of activities in order to generate service revenue from registration process,
- d) Organizing trainings, conferences, publications and consulting activities regarding the registration process,
- e) Investing the revenue collected as a result of financial activities and depositing the revenue to the bank accounts that are deemed appropriate, being authorized for such actions,
- f) Signing of financial leasing contracts to be signed by financial leasing companies with their customers, making transactions regarding the receipt of guarantees within the scope of the contract, valuation and on-site supervision of the goods subject to the financial lease or the guarantee received in this context, assembly, transportation, storage and sale of goods returned to financial leasing companies from their tenants, financial leasing companies realizing the activities of determining whether the companies that sell the contracted goods to the leasing companies are production adequacy and/or whether they are authorized dealers, or coordinating the realization by a third party;

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 1-THE GROUP’SORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Subject of activity (Continued)

To meet the needs of the Financial Leasing Industry.

g) Producing, developing, processing, reproducing, distributing, trading, and providing services related to software products that are software or inseparable parts of them, and service packages created with this software and any other similar software.

h) Producing services in the fields of informatics, communication, electronic communication environment, internet multimedia; to import, export and internal trade of all kinds of computer hardware, software, provided that they comply with the current legislation;

i) Maintaining, repairing, modifying, and leasing these hardware and software; to carry out all kinds of software development and licensing activities, to import, export and domestic sales.

j) Providing installation and operation services of computer systems; being engaged in activities in all kinds of training and consultancy issues such as seminars, conferences, which may benefit the economic enterprise activities by contributing to the development of the leasing sector, related to all kinds of activities and services provided within the Financial Leasing Commercial Enterprise.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The consolidated financial statements and disclosures have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) promulgated by the Public Oversight Accounting and Auditing Standards Authority (POA).

The Group maintain their books of accounts and prepare their statutory financial statements on the basis of Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards and the format specified in the Guidelines for Use issued by POA.

The consolidated financial statements have been prepared on a historical cost basis.

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**2.2 Basis of Consolidation**

The accompanying financial statements include the accounts of the parent company and its subsidiary. The basis of consolidated financial statement preparation is as follows:

- The Subsidiary is a company in which the Company has the power to control the financial and operating policies for the benefit of the Company either through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself; or although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition of control or up to the effective date of disposal, as appropriate. Where necessary adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group
- The financial statements of subsidiary are consolidated using the full consolidation method. In this context, subsidiary' shareholders equity and their book value are offsetting. The book value of the Company's shares and dividends that arise from these shares are offsetting from related shareholders and income statement accounts.
- The receivables and liabilities of subsidiary included in consolidation with each other, they are made to each other sales of goods and services, income and expense items with each other is formed due to the transactions are eliminated as a mutual.
- Consolidation of subsidiary under the equity share capital account, including all items of the group, the parent company and subsidiary to minority interests deducted from the amounts accrued and it is indicated under the name of “Non-Controlling Interest” in the consolidated financial position statement equity group.

The subsidiary included in consolidation and the shareholding percentage is set out below:

	Group’s proportion of ownership and voting power held (%)	31 December 2022
Subsidiaries		
Finansal Kiralama İktisadi İşletmesi	% 100	100.000
Ticaret Finansmanı İktisadi İşletmesi	% 100	100.000
Birlik İktisadi İşletmesi	% 100	105.000
		305.000

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**2.3 Functional and Presentation Currency**

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

2.4 Correction of Financial Statements During the Hyperinflationary Periods

TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied to the financial statements since 1 January 2005.

2.5 Going Concern

The financial statements have been prepared assuming that the Group will continue as a going concern on the basis that the entities will be able to realize their assets and discharge its liabilities in the normal course of business.

2.6 New and Revised Turkish Accounting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, POA issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations. The amendments updated TFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendment has no impact on the consolidated financial position and performance of the Group.

Amendments to TAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

In July 2020, POA issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to July 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendment has no impact on the consolidated financial position and performance of the Group.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 New and Revised Turkish Accounting Standards (Continued)****Amendments to TAS 16 - Property, Plant and Equipment Proceeds before Intended Use**

In July 2020, POA issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendment has no impact on the consolidated financial position and performance of the Group.

Annual Improvements to TFRS 2018–2020

IASB issued Annual Improvements to TFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. These improvements to TFRSs have no impact on the consolidated financial position and performance of the Group.

b) Standards Issued But Not Yet Effective and Not Early Adopted as of 31 December 2022**TFRS 17 – Insurance Contracts**

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17. The Group does not expect that application of TFRS 17 will have significant impact on its consolidated financial statements.

Amendments to TAS 1 - Classification of Liabilities as Current or Non-current

On January 15, 2021, POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 1.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 New and Revised Turkish Accounting Standards (Continued)****b) Standards Issued But Not Yet Effective and Not Early Adopted as of 31 December 2022 (Continued)****Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. In the absence of a definition of the term ‘significant’ in TFRS, POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 1.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 8.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities Arising From a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of TAS 12.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 New and Revised Turkish Accounting Standards (Continued)****Amendments to TAS 1 – Non-Current Liabilities with Covenants**

On December 20, 2022, POA issued amendments to TAS 1 Non-Current Liabilities with Covenants. The amendments set out in ‘Non-current Liabilities with Covenants (Amendments to TAS 1)’ state that at the reporting date, the entity doesn’t need to consider covenants to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements. With these changes, aims to help investors understand the risk that such debt could become repayable early and therefore, has improved the information being provided on the long-term debt.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments.

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

On 20 December 2022, the POA issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments.

2.7 Changes in Accounting Estimates and Corrections of Errors

The effect of a change in accounting policy is applied retrospectively. Adjustments relating to prior periods are made to the opening balance of retained earnings. The effect of a change in accounting policy should be applied prospectively only when the amount of the adjustment to the opening balance of retained earnings cannot be reasonably determined. The effect of a change in an accounting estimate should be included in the determination of net profit or loss in the period of the change, if the change affects the period only; or the period of the change and future periods, if the change affects both.

The Association reclassified the balance amounting to TL 3.066.942 in the financing income account in the financial statements as of 31 December 2021 to the investing activities account. The relevant classification did not have an impact on the profit or loss statement.

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.8 Offsetting**

Financial assets and liabilities are offset and the net amount reported in the financial position statement 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.

2.9 Summary of Significant Accounting Policies

İlişikteki finansal tabloların hazırlanması sırasında uygulanan önemli muhasebe politikaları aşağıdaki gibidir:

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash in transit. Cash and cash equivalents consist of short-term highly liquid investments including time deposits generally having original maturities of three months or less. Foreign currency bank deposits valued at the end of period rate.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are recorded at invoice values after deducting provision for doubtful trade receivables carried at amortized cost. Finance cost imputed in trade receivables is computed by discounting the receivables at the current market rate of return for government bonds quoted in an organized stock exchange or for a similar financial asset with appropriate due dates and is reflected in the financial statements. Short term trade receivables with no stated interest rate are measured at invoice amount unless the effect of imputing interest accrual is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Credit risk provision is made based on the best estimates of the Management about the market conditions. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Trade payables

Trade payables are carried at amortized values which reflect the fair value of goods and services purchased.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.9 Summary of Significant Accounting Policies (Continued)****Property, plant, and equipment**

The tangible assets are shown as cost of purchasing value less accumulated depletion and permanent depreciation. The historical cost of the tangible asset consists of the purchase price and non-refundable taxes and expenses to make the tangible asset available. The costs of tangible assets in except for land, landed property and construction in progress, are subjected to pro rata depreciation using straight-line method of depreciation based on their expected useful lives. The expected useful life, residual value and method of depreciation are reviewed each year for the possible effects of the changes that may occur in the estimations and accounted prospectively in case of a change in the estimations. The estimated useful lives of such assets, are stated as follows:

	Years
Furniture and fixtures	4 – 15
Leaseholds improvements	50

Profits or losses from sales of property, plant and equipment are included in the other operating income and expense accounts respectively.

Intangible Assets

Intangible assets are assets consisting of primary rights and computer software, and they were first valued at the purchase price. Intangible assets are capitalized in order to obtain economic benefits in the future and to be able to accurately determine the cost. In the first records, there are intangible assets, accumulated amortization and cost. Intangible assets are subject to linear depreciation at estimated rates.

Impairment of Assets

The Association assesses whether there is any indication of impairment in relation to an asset at each balance sheet date. If there is any such indication, the recoverable amount of that asset is estimated. Impairment occurs if the book value of the said asset or any cash generating unit pertaining to that asset is higher than the amount to be recovered through use or sale. The recoverable amount is found by selecting the higher of its fair value less costs to sell and its value in use. Value in use is the estimated present value of the future cash flows expected to be derived from an asset after its continuous use and disposal at the end of its useful life. Impairment losses are recognized in the statement of profit or loss.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.9 Summary of Significant Accounting Policies (Continued)****Revenue****Expense share and member entry fee**

Association member entry fee incomes consist of the Association member entry fees to be given to the operators for once to be allocated to the Association budget and the bonuses to be determined by the Association Board of Directors.

Cost participation shares consist of participation fees for the Union and sector expenses, the amount of which is determined by the Board of Directors of the Association after the budgets to be made and approved by the General Assembly.

Revenue is recognized on an accrual basis at fair value of the consideration received upon the provision of the service, the transfer of risks and benefits related to the service, the ability to reliably determine the amount of income and the probable flows of economic benefits related to the transaction to the Association.

Foreign Currency Transactions

The foreign currency transactions realized within the year are converted over the foreign exchange rates valid at the dates of transactions. The monetary assets and liabilities depending on foreign exchange are converted into Turkish Lira over the exchange rates valid at the end of the period. The exchange difference arising out of the conversions of monetary assets and liabilities depending on foreign exchange are reflected into the statement of income at the period their income or losses are realized.

Events After the Balance Sheet Date

The events after the date of the Financial statement include all events that occurred between the date of the Financial statement and the date of authorization for the publication of the Financial statement; even if they took place after an announcement on the income for the period or a public disclosure of other selected financial information.

If events that require the adjustment occur after the date of the financial statement, the Association corrects the amounts recognized in the financial statements in compliance with this new situation.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.9 Summary of Significant Accounting Policies (Continued)****Provisions, Contingent Assets and Liabilities**

In order for any amount of provisions to be recognized in the financial statements, the Company is to have a present legal or constructive obligation as a result of past events, it should be probable that an outflow of resources with economic benefits will be required to fulfill this obligation, and a reliable estimate of the amount of the said liability can be made. If the said criteria did not occur, then the Company discloses the said matters in the relevant notes. Contingent assets are not recognized until they are realized and only disclosed in the notes.

Contingent assets are continuously assessed in order for the true representation of the related developments in the financial statements. In the event that the inflow of economic benefit into the operation is almost certain, the relevant asset and the income related thereto are reflected into the financial statements of the term that the change occurred. In the event that the inflow of economic benefit becomes probable, the operation displays the said contingent asset in the notes of the financial statement.

Employee Benefits

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees’ service relates. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the statement of other comprehensive income.

Related Parties

Within the scope of this report, the Company shareholders, affiliates, subsidiaries and other entities than subsidiaries that the Company shareholders are in a capital or administrative relationship directly or indirectly, The Company or administrative personnel such as the member of The Company’s board of directors, general manager, etc., authorized and responsible for planning, performance and auditing of the Company operations directly or indirectly, close family members of these persons and companies under direct or indirect control of these persons are considered as the related parties. Transactions with related parties are disclosed in the notes to the financial statement.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.9 Summary of Significant Accounting Policies (Continued)****Statement of Cash Flows**

In the statement of cash flows, cash flows in relation to the period are reported as classified on the basis of operating activities, investment activities and financing activities. The cash and cash equivalents in the statement of cash flows include the cash and bank deposits.

Leases*As a lease*

At the beginning of a contract, the Group evaluates whether the contract is a lease or whether it contains a lease. If the contract delegates the right to control the use of the asset defined for a price, for a certain period, this contract is a lease or includes a lease.

Right of use asset

The right of use asset is initially recognized at cost comprising of amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and Costs incurred by the Group in the restoration of the underlying asset to the extent required by the terms and conditions of the lease. The Group applies the depreciation provisions of TAS 16, “Property, Plant and Equipment while depreciating the right of use.

Rent obligations.

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

As a lessor

the rental income acquired is charged to the statement of profit or loss on a straight-line method basis over the period of the lease.

Operating Segments

The Group has a single segment of activity due to the nature of the Group's products, services and processes, and the similarity of the methods used to provide the services. Segment reporting is not required.

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Critical Accounting Estimates and Assumptions

The critical accounting estimates that have significant effect on the book values of the assets and liabilities are as follows:

Employment termination benefits:

The provision for employment termination benefits is reduced to its value at the balance sheet date by calculating the personnel turnover rate based on the past year experiences and expectations.

Useful life:

Tangible and intangible assets are subjected to amortization and depreciation throughout their estimated useful lives.

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 3 – RELATED PARTIES DISCLOSURES

As of 31 December 2022, and 31 December 2021, there are no benefits provided to senior management from related parties.

NOTE 4 – CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Group as of 31 December 2022 and 2021 are as follows :

	31 December 2022	31 December 2021
Cash	4.371	3.875
Banks		
- Time deposits	4.051.088	12.072
- Demand deposits	28.984.710	21.291.546
	33.040.169	21.307.493
	31 December 2022	31 December 2021
Cash and cash equivalents	33.040.169	21.307.493
Interest accruals (-)	735.651	188.381
Cash and cash equivalents in the statement of cash flows	32.304.518	21.119.112

The cash and cash equivalents of the Association as of 31 December 2022 and 2021 are as follows:

The annual interest rate of the pending time deposits as of 31 December 2022 varies between 6.50% and 26.00% (31 December 2021: 6.50% to 18.00%), the accrued interest income is 735,651 TL (31 December 2021: 188,381 TL).

The maturity period of deposits in banks will be between January 2, 2023, and January 31, 2023 (31 December 2021: 3 January 2022 to 31 January 2022).

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 5 – FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Financial investments		
JCR Avrasya Derecelendirme A.Ş.(*)	5.788.186	5.788.186
Birleşik İpotek Finansmanı A.Ş.**)	2.500.000	2.500.000
	8.288.186	8.288.186

(*) The Group has purchased 59,999 shares with a nominal value of 59,999 TL, representing 6% of the capital of JCR Avrasya Rating A.Ş., for 5,788,186 TL.

(**) Group has purchased 2,500,000 shares of Group B with a nominal value of 2,500,000 TL, representing 5% of the capital of Birleşik İpotek Finansmanı A.Ş. for a price of 2.500.000 TL.

NOT 6 – TRADE RECEIVABLES AND PAYABLES

The trade receivables and payables of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Trade receivables		
Trade receivables	3.058.512	519.045
Doubtful receivables	617.084	801.982
Provision for doubtful receivables (-)	(617.084)	(801.982)
	3.058.512	519.045

The doubtful trade receivables of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Opening balance 1 January	801.982	766.382
Provision/collected on the current period, net	(184.898)	35.600
Closing balance as of 31 December 2022	617.084	801.982

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

The movement table for trade payables/receivables for 2022 and 2021 is as follows :

	31 December 2022	31 December 2021
Trade payables		
Trade payables (*)	5.016.383	884.318
	5.016.383	884.318

(*) As of 31 December 2022, 282,598 TL old trade payables related to the Central Registry Agency, (31 December 2021: 207,489 TL Central Registry Agency) and classified in the trade payables as of 31 December 2022, are included in the trade payables for the contract registration system. TL 2,044,696 Downloading the software for collecting, recording, querying, checking for duplication and reporting invoice information and other information and/or documents regarding the receivables taken over by the payment with the Factoring Enterprises within the scope of the contract made with Kredi Kayıt Bürosu There are contractual debts concluded within the scope of the system and infrastructure installations (31 December 2021: 355.348 TL Kredi Kayıt Bürosu).

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

As of 31 December 2022, the Group has other receivables that will come in the near future by TL 118 (December 31, 2021: TL 1,320).

NOTE 8 – PREPAID EXPENSES AND DEFERRED INCOME

	31 Aralık 2022	31 Aralık 2021
Prepaid expenses		
Prepaid expenses (*)	954.660	--
Other advances	96.763	--
	1.051.423	--

(*) As of 31 December 2022, the information part of the prepaid expenses amounting to TL 954.660 consists of transaction service purchases and insurance expenses.

Deferred Incomes

January 1 - December 31, 2022, the air part of the membership fees and expense shares, which is the highest level among the members whose date of 31 December 2022 has passed, has been determined as income, 5.807.878 TL belonging to the next year has been accounted for as deferred income, and 2.982 TL has been received in advance, apart from the relevant amounts. (31 December 2021: The entire amount of 3.156.817 TL consists of the parts of the dues and expense participation fees collected from the members for the next period).

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 9 – OTHER SHORT TERM LIABILITIES

Other short-term periods of the Group on 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Other short term liabilities		
VAT payables	311.080	105.977
Other liabilities	--	4.381
	311.080	110.358

NOTE 10 – FINANCIAL BORROWINGS

The financial borrowings of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Short term lease liabilities		
Lease liabilities	1.379.329	1.211.983
	1.379.329	1.211.983

	31 Aralık 2022	31 Aralık 2021
Long term lease liabilities		
Lease liabilities	--	1.930.211
	--	1.930.211

The Association reports its real estate rents in liabilities under “financial borrowings” within the scope of TFRS 16 as “liability arising from lease transactions”.

The lease contract subject to TFRS 16 calculations is 5 years between 1.1.2019 - 31.12.2023 and has the right to terminate with 4 months' notice. Calculations made for the remaining 2 years as of the end of 31 December 2021 are included in the reporting.

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 11 – TANGIBLE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Furniture and fixtures	1.176.382	1.087.170	--	2.263.552
Right-of-use assets	1.420.231	--	--	1.420.231
Leasehold improvements	5.491.987	--	--	5.491.987
	8.088.600	1.087.170	--	9.175.770
Accumulated depreciation				
Furniture and fixtures	816.018	254.570	--	1.070.588
Right-of-use assets	1.420.231	--	--	1.420.231
Leasehold improvements	2.934.554	1.278.717	--	4.213.271
	5.170.803	1.533.287	--	6.704.090
Net book value	2.917.797			2.471.680

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 11 – TANGIBLE ASSETS (Continued)

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Furniture and fixtures	872.342	304.040	--	1.176.382
Right-of-use assets	1.420.231	--	--	1.420.231
Leasehold improvements	5.491.987	--	--	5.491.987
	7.784.560	304.040	--	8.088.600
Accumulated depreciation				
Furniture and fixtures	638.790	177.228	--	816.018
Right-of-use assets	1.420.231	--	--	1.420.231
Leasehold improvements	1.534.832	1.399.722	--	2.934.554
	3.593.853	1.576.950	--	5.170.803
Net book value	4.190.707			2.917.797

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 12 – INTANGIBLE ASSETS

Movements in intangible assets and related accumulated depreciation for the periods ending on 31 December 2022 and 2021 are as follows:

	1 January 2021	Addition	31 December 2021	Addition	31 December 2022
Costs					
Rights	3.016.700	157.573	3.174.273	1.261.186	4.435.459
Other intangible assets	50.000	9.000	59.000	160.200	219.200
	3.066.700	166.573	3.233.273	1.421.386	4.654.659
Accumulated depreciation					
Rights	989.709	139.987	1.129.696	335.085	1.464.781
Other intangible assets	45.000	6.827	51.827	31.083	82.910
	1.034.709	146.814	1.181.523	366.168	1.547.691
Net book value	2.031.991		2.051.750		3.106.968

NOTE 13 – OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Other current assets		
Deferred VAT receivables	176.727	--
Other assets	--	36.473
	176.727	36.473

NOTE 14 – EMPLOYEE BENEFITS

As of 31 December 2022 and 2021, the debts of the Group within the scope of employee benefits are as follows;

	31 December 2022	31 December 2021
Due to personnel	105.228	--
Taxes and funds payable for personnel	740.586	544.215
	845.814	544.215

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December the movement of the provision for unused vacation is as follows:

15.1 Short term debt provisions

	31 December 2022	31 December 2021
Short term debt provisions for employee	1.043.604	405.929
	1.043.604	405.929

As of 31 December 2022 and 31 December 2021, the movement table of short term debt provisions for employee is as follows:

	31 December 2022	31 December 2021
Balance at January 1	405.929	309.329
Provision during the period	637.675	96.600
Provision as of the end of the period	1.043.604	405.929

15.2 Guarantees given/received

As of 31 December 2022, the Group has given a guarantee amounting to TL 562,542, and the related guarantee has been issued in favor of Özdilek AVM, from which the Group has leased real estate.

The Group has no guarantees received.

NOTE 16 – EMPLOYEE BENEFITS

Within the framework of the existing laws in Turkey, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or completes a total of 20 years of service for women and 25 years for men or achieves the retirement age. Monthly severance pay ceiling should not be exceeded in the calculations.

The employment termination benefits to be paid as of the date of 31 December 2022 is calculated over the monthly severance pay ceiling of TL 19.982,83 valid starting from 1 January 2023 (31 December 2021: TL 10.848,59). The employment termination benefits liability is not subject to any legal funding.

Employment termination benefits liability is calculated according to the estimated present value of the potential future liability arising out of the retirement of the Group employees. TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the liabilities of the Group under defined benefit plans. Accordingly, actuarial assumptions that were used in the calculation of the total liabilities are specified below. The main assumption is that the maximum liability for each year of service will increase in line with inflation. Therefore, the applied discount rate represents the expected real rate after the correction of future inflation effects. As of 31 December 2022, the provisions in the attached financial statements are calculated by estimating the present value of the possible future liability arising from the retirement of the employees.

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 16 – EMPLOYEE BENEFITS (Continued)

As of December 31, provisions are calculated with a real discount rate of 2.92% based on the assumption of an annual inflation rate of 9.50% and a discount rate of 12.70 % (31 December 2021: 3.42 real discount rate). The estimated rate of severance pays amounts that will not be paid because of voluntary leave of employment and will remain in the Group is also taken into consideration.

The movement of the account for the provision for employment termination benefits of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Balance at 1 January	815.233	395.101
Payments	(127.561)	--
Interest cost	23.805	50.003
Current service cost	323.897	98.151
Actuarial (gains) / losses	939.481	271.978
Balance at 31 December	1.974.855	815.233

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 17 – REVENUE AND COST OF SALES

As the revenues of the Group are included in Article 23 of the Statute; It consists of union and sector expense participation shares, entrance fees and profit shares that can be distributed by economic enterprises. The details of income for the periods ending on 31 December 2022 and 2021 are as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Revenue		
MFKS, Private Integratorship and TFZS Revenues	12.005.215	7.803.311
Joint Data Center Revenues	5.807.205	--
Union Cost Participation Share	6.987.907	5.677.633
Union Entry Fee	3.300.000	5.260.000
Registration Fee Revenues	7.828.800	4.698.200
Financing Companies Cost Participation Share	1.825.000	1.130.000
Savings Financing Companies Cost Participation Share	1.200.000	--
Asset Management Companies Cost Participation Share	1.125.000	1.076.667
Financial Leasing Companies Cost Participation Share	1.358.000	1.056.833
Additional Cost Participation Share	1.406.666	1.004.000
Factoring Companies Cost Participation Share	870.000	--
Education Income	754.920	388.060
Other Revenues	848.000	585.500
	45.316.713	28.680.204
Sales Returns	(8.740)	--
Net Sales	45.307.973	28.680.204
Cost of Sales	15.965.429	8.206.923

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 18 – GENERAL ADMINISTRATIVE EXPENSES

	1 January – 31 December 2022	1 January – 31 December 2021
General administrative expenses		
Personnel expenses	18.159.276	9.588.284
Depreciation expenses	1.347.145	1.514.967
Donations expenses (*)	--	1.080.000
Consulting service expenses	1.088.567	752.383
External benefits and services	861.854	478.332
Conference organization expenses	1.248.877	450.398
Dues and general office expenses	1.041.917	304.383
Membership expenses	303.039	170.226
Promotion and advertising expenses	119.240	165.722
Representation and entertainment	299.199	118.579
Other expenses	921.564	289.124
	25.390.678	14.912.398

(*) In 2021, 1.080.000 TL of the relevant amount includes the donation expenses of fire trucks made for support purposes. (National Solidarity Donation Campaign in 2020)

NOTE 19 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January – 31 December 2022	1 January – 31 December 2021
Other income		
Doubtful receivables cancellation income	358.330	--
Account foreign exchange gains	29.587	--
Other income	21.317	73.615
	409.234	73.615
	1 January – 31 December 2022	1 January – 31 December 2021
Other expenses		
Provisions for doubtful receivables	173.432	275.005
Other expenses	--	35.600
	173.432	310.605

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 20 - INCOME/ EXPENSE FROM INVESTING ACTIVITIES

The income from investment activities of the Group as of January 1, December 31, 2022 and 2021 is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Income from investing activities		
Interest income	5.383.853	3.066.942
Dividend income	1.464.343	--
Foreign exchange income	89.864	--
	6.938.060	3.066.942

NOTE 21 – FINANCING EXPENSES

The financial expenses of the Association as of January 1, December 31, 2022 and 2021 are as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Finance expenses		
Interest expenses	411.848	548.407
Other financial expenses	10.162	11.382
	422.010	559.789

NOTE 22 – INCOME TAXES

Corporate tax

The required provisions are reserved in the accompanying financial statements for the estimated tax liabilities regarding the current period operating results of the Group.

Corporation tax rate as of 31 December 2022 is 23% (2021: 25%). In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate for the year 2021 has increased from 20% to 25%, for the year 2022 to %23. The amendment is effective for annual reporting periods beginning on or after 01 July 2021.

With regards to the taxes to be paid in Turkey, there is no practice of reconciliation with the tax authority. The corporate tax returns are submitted to the respective tax office until the evening of the last day of the fourth month following the month that the accounting period is closed. Notwithstanding, the tax authorities have the right to audit tax returns may inspect the related accounting records for a period of five years and in case an erroneous transaction is detected, then the amounts of taxes payable may change.

In addition to the corporate tax, except for those distributed to fully obliged institutions that acquire share from profits in the event they are distributed and declares these shares from profits by including them into the earnings of the institution, and to the branches of foreign companies in Turkey, income tax withholding should separately be calculated over the shares of profits. The income tax withholding is applied at the rate of 10 %.

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 22 – INCOME TAXES (Continued)

Corporate tax (Continued)

The corporate tax liabilities reflected to the balance sheet of the Group as at 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Corporate tax provision	1.575.823	746.523
Prepaid taxes and funds	(967.029)	(654.205)
Corporate tax payable	608.794	92.318

The corporate tax liabilities reflected to the statement of profit of loss of the Company as at 1 January-31 December 2022 and 2021 are as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Current corporate tax	(1.575.823)	(746.523)
Deferred income tax benefit / (expense)	(35.786)	(32.746)
Corporate tax income/(expenses)	(1.611.609)	(779.269)

The reconciliation of the tax expense of the period with the income for the period is as follows:

Profit before tax	10.703.718	7.831.046
Tax calculated	(2.461.855)	(1.957.762)
Impact of tax-exempt income	832.480	1.252.994
Tax effect of the legally disallowable expenses	(54.445)	(86.034)
Other	72.211	11.533
Tax provision	(1.611.609)	(779.269)

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 22 – INCOME TAXES (Continued)

Deferred Tax

The Group accounts for the deferred tax assets and liabilities for the temporary timing differences resulting from the differences between the statutory financial statements that set the basis of the tax and the financial statements prepared according to TAS / TFRS. The said differences in general result from the financial statements that set the basis of the tax, as well as their being in different periods in the financial statements prepared according to TAS / TFRS, and these differences in question are specified below. The calculation of deferred tax assets and liabilities is based on tax rates of 23% for the year 2022 (2021: %25) which are expected to be applied in the periods when the assets are converted to income or when the liabilities are paid .

	Cumulative differences		Deferred Assets/(Liabilities)	
	31 December 2022	31 December 2022	31 December 2022	31 December 2021
Right of use assets adjustments effect	(4.649)	64.060	(930)	12.812
Tangible and intangible assets adjustments effect	(899.955)	(518.610)	(179.991)	(103.722)
Provision for employee termination benefits	411.282	177.755	82.256	35.551
Unused vacations adjustments effect	206.601	124.480	41.321	24.896
Allowances for doubtful receivables	108.777	--	21.755	--
Deferred tax assets			145.332	73.259
Deferred tax liabilities (-)			(180.921)	(103.722)
Deferred tax assets,(liabilities) net			(35.589)	(30.463)

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”).)

NOTE 22 – INCOME TAXES (Continued)

	31 December 2022	31 December 2021
Balance on 1 January	(30.463)	(3.136)
Deferred tax income / (expense)	(35.786)	(32.746)
Reflected to equity	30.660	5.419
	(35.589)	(30.463)

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk management

The Group is exposed to the following risks depending on the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The risk management program of the Association generally focuses on minimizing the potential negative effects of uncertainty in financial markets on the Association’s financial performance.

Risk management is carried out by the finance department within the framework of policies approved by the board of directors. Finance department, together with the operational units of the Association, to determine financial risks.

Credit risk

Credit risk is the risk of failure by a party among those who made investment on a financial instrument to fulfill its liabilities, incurring financial losses to the other party. The Group manages the credit risk by restricting its transactions with certain third persons and continuously reviewing the credit risks of third persons. The credit risk of the company results predominantly from its trade and other receivables.

The Group’s financial instruments exposed to credit risk and their amounts are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents (excluding cash in hand)	33.035.798	21.307.493
Trade receivables	3.058.512	519.045
Other receivables	118	1.320
	36.094.428	21.827.858
Secured with guarantees part of maximum credit risk	--	--

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”)).

**NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)****Financial risk management****Liquidity risk**

Liquidity risk is the possibility of the failure to perform net funding liabilities by the Association. The Association management manages the liquidity risk by distributing the funding sources and making available enough cash and equivalent resources to fulfill its possible obligations.

The liquidity risk table of the Group’s is as follows:

31 December 2022	Book Value	Contractual cash outflow totals	Less than 3 months	Between 3-12 months	Between 3-12 months
Contractual cash flows	6.395.712	6.395.712	5.361.215	1.034.497	--
Lease liabilities	1.379.329	1.379.329	344.832	1.034.497	--
Trade payables	5.016.383	5.016.383	5.016.383	--	--

Likitide risk

31 December 2021	Book Value	Contractual cash outflow totals	Less than 3 months	Between 3-12 months	Between 3-12 months
Contractual cash flows	4.026.512	4.026.512	1.187.314	908.987	1.930.211
Lease liabilities	3.142.194	3.142.194	302.996	908.987	1.930.211
Trade payables	884.318	884.318	884.318	--	--

FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts expressed in Turkish Lira (“TL”)).

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(Continued)

Financial risk management (Continued)

Financial Assets

The carried values of the cash and cash equivalent financial assets are thought to be close to their current values. The carried values of trade receivables after the deduction of doubtful receivables are thought to be close to their current values. The monetary items in foreign currency are converted using the exchange rates as at the end of the period. Financial assets are accounted for over their fair value.

Financial Liabilities

The monetary items in foreign currency are converted using the exchange rates as at the end of the period. The trade payables and other monetary liabilities, as they are short term liabilities, are accepted to have current values close to their carried values. On the other hand, the carried values of the short term credits, due to their short term, are assumed to reflect the current value.

NOTE 24 – EVENTS AFTER THE BALANCE SHEET DATE

None.

NOTE 25 – FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR'S

1) The independent audit fee expense of the Group for the reporting period ending on 31 December 2022 is 132.000 TL (31 December 2021:96.000 TL).

2) In the reporting period ending on 31 December 2022, there is no other service other than the independent audit of the financial statements received from the independent audit firm.

NOTE 26– OTHER ISSUES

None.