

**Finansal Kurumlar Birliđi And Its  
Subsidiaries**

Consolidated Financial Statements  
As of and for the Year Ended  
31 December 2021

With Independent Auditor's Report

*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)*

# **Finansal Kurumlar Birliđi And Its Subsidiaries**

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KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat: 1-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Finansal Kurumlar Birliği

### A) Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Finansal Kurumlar Birliği ("the Association") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 Company Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (Including Independence Standards) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. 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 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 TFRS, 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 financial reporting process.

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

Responsibilities of auditors in an audit 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 Standards on Auditing issued by POA 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 Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

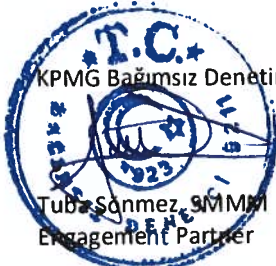
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

#### **B) Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 402 of Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2021 and 31 December 2021, the Association's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Association's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.



KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Tuba Sonmez, GMMMM  
Engagement Partner

31 March 2022  
İstanbul, Turkey

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited 31 December 2021	Prior period Audited 31 December 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	21,307,493	14,269,432
Trade receivables	5	519,045	541,821
Other receivables	6	1,320	168
Current tax assets	11	--	1,732
Other current assets	7	36,473	127,720
<b>Total current assets</b>		<b>21,864,331</b>	<b>14,940,873</b>
<b>Non-current assets</b>			
Subsidiaries	10	8,288,186	8,288,186
Property, plant and equipment	8	2,917,797	4,190,707
Intangible assets	9	2,051,750	2,031,991
Deferred tax asset	17	18,874	--
Other non-current assets		54,600	63,653
<b>Total non-current assets</b>		<b>13,331,207</b>	<b>14,574,537</b>
<b>Total assets</b>		<b>35,195,538</b>	<b>29,515,410</b>

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

**FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited 31 December 2021	Prior period Audited 31 December 2020
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short term lease liabilities	4	1,211,983	1,253,118
Trade payables	12	884,318	819,964
Employment termination benefits obligations	14	544,215	556,064
Deferred income	16	3,156,817	3,537,500
Current provisions for employment termination benefits	15	405,929	309,329
Tax payables	17	92,318	147,096
Other current liabilities	13	110,358	120,699
<b>Total current liabilities</b>		<b>6,405,938</b>	<b>6,743,770</b>
<b>Non-current liabilities</b>			
Long term lease liabilities	4	1,930,211	3,163,802
Deferred tax liabilities	17	49,337	3,136
Provisions for long-term employee benefits	15	815,233	395,101
<b>Total non-current liabilities</b>		<b>2,794,781</b>	<b>3,562,039</b>
<b>Total liabilities</b>		<b>9,200,719</b>	<b>10,305,039</b>
<b>Shareholders' equity</b>			
Other accumulated expenses that will not be reclassified to profit or loss		(346,416)	(79,857)
- <i>Defined benefit plans re-measurement (losses)/gains</i>		(346,416)	(79,857)
Legal reserves		15,000	15,000
Retained earnings		19,274,458	15,216,527
Net profit for the period		7,051,777	4,057,931
<b>Total equity</b>		<b>25,994,819</b>	<b>19,209,601</b>
<b>Total liabilities and shareholders' equity</b>		<b>35,195,538</b>	<b>29,515,410</b>

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

**FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited 1 January - 31 December 2021	Prior period Audited 1 January - 31 December 2020
<b>Profit or loss</b>			
Sales	18	28,680,204	22,976,990
Cost of sales (-)	18	(8,206,923)	(6,195,870)
<b>Gross profit</b>		<b>20,473,281</b>	<b>16,781,120</b>
General administrative expenses (-)	19	(14,912,398)	(12,848,593)
Other operating income	20	73,615	19,130
Other operating expense (-)	20	(310,605)	(151,263)
<b>Operating profit</b>		<b>5,323,893</b>	<b>3,800,394</b>
Financial income	21	3,066,942	1,539,542
Financial expense (-)	22	(559,789)	(838,704)
<b>Profit before tax from continuing operations</b>		<b>7,831,046</b>	<b>4,501,232</b>
- Tax expense for the period	17	(746,523)	(443,728)
- Deferred tax income	17	(32,746)	427
<b>Net period income</b>		<b>7,051,777</b>	<b>4,057,931</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified through profit or loss</b>			
-Defined benefit plans actuarial gain / (loss)	15	(271,978)	79,821
-Deferred tax income / (expense)	17	5,419	(10,582)
<b>Other comprehensive income / (expense), net</b>		<b>(266,559)</b>	<b>69,239</b>
<b>Total comprehensive income</b>		<b>6,785,218</b>	<b>4,127,170</b>

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



**FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

	Other comprehensive income and expenses not to be reclassified to profit or loss	Defined benefit plans remeasurement gains / (losses)	Legal reserves	Net Profit/(Loss)	Retained Earning	Total shareholders' equity
<b>Balance as of 1 January 2020</b>	<b>(149,096)</b>	<b>15,000</b>	<b>7,108,639</b>	<b>8,107,888</b>	<b>15,082,431</b>	
Transfers	--	--	(7,108,639)	7,108,639	--	
Net profit for the period	--	--	4,057,931	--	4,057,931	
Other comprehensive income / (expense)	69,239	--	--	--	69,239	
<b>Total comprehensive income</b>	<b>69,239</b>	<b>--</b>	<b>4,057,931</b>	<b>--</b>	<b>4,127,170</b>	
<b>Balance as of 31 December 2020</b>	<b>(79,857)</b>	<b>15,000</b>	<b>4,057,931</b>	<b>15,216,527</b>	<b>19,209,601</b>	
<b>Balance as of 1 January 2021</b>	<b>(79,857)</b>	<b>15,000</b>	<b>4,057,931</b>	<b>15,216,527</b>	<b>19,209,601</b>	
Transfers	--	--	(4,057,931)	4,057,931	--	
Net profit / (loss) for the period	--	--	7,051,777	--	7,051,777	
Other comprehensive income / (expense)	(266,559)	--	--	--	(266,559)	
<b>Total comprehensive income / (expense)</b>	<b>(266,559)</b>	<b>--</b>	<b>7,051,777</b>	<b>--</b>	<b>6,785,218</b>	
<b>Balance as of 31 December 2021</b>	<b>(346,416)</b>	<b>15,000</b>	<b>7,051,777</b>	<b>19,274,458</b>	<b>25,994,819</b>	

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

**FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited 1 January- 31 December 2021	Prior period Audited 1 January- 31 December 2020
<b>Cash flows from operating activities:</b>			
Net profit for the year		7,051,777	4,057,931
<b>Adjustments for the reconciliation of net profit and net cash gained from operating activities:</b>			
Deferred cost participation shares	16	(380,683)	40,000
Depreciation and amortization	8,9	1,723,764	1,879,399
Tax adjustments	17	779,269	443,301
Provision for employment termination benefits	15	148,153	103,071
Provision for unused vacation liability	15	96,600	166,605
Provision for doubtful receivables	5	(12,000)	(213,930)
Interest income	21	(3,090,541)	(1,543,307)
Interest expense	22	115,280	188,604
<b>Cash flows from operating activities before changes in working capital</b>		<b>6,431,619</b>	<b>5,121,674</b>
Changes in trade receivables, other receivables	5	33,624	201,941
Changes in other current assets	7	85,178	(92,476)
Changes in other non current assets		9,053	(55,036)
Changes in trade payables	12	64,354	85,015
Changes in employee benefit obligations	14	(11,849)	22,135
Changes in other payables and other liabilities	13	(3,068)	66,719
Tax paid	17	(800,771)	(345,757)
<b>Net cash used in operating activities</b>		<b>5,808,140</b>	<b>5,004,215</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, associates and joint ventures	10	--	(8,288,186)
Interest received	21	3,005,836	1,458,164
Cash flow from property, plant and equipment and intangible asset purchase	8,9	(470,614)	(295,902)
<b>Cash flows from investing activities</b>		<b>2,535,222</b>	<b>(7,125,924)</b>
<b>Net cash used in financing activities</b>			
Acquisition related to financial lease contracts	4	(1,823,131)	(1,825,371)
Interests paid		433,125	620,700
<b>Net cash used in financing activities</b>		<b>(1,390,006)</b>	<b>(1,204,671)</b>
Net changes in cash and cash equivalents		6,953,356	(3,326,380)
Cash and cash equivalents at the beginning of the period	3	14,165,756	17,492,136
<b>Cash and cash equivalents at the end of the period</b>		<b>21,119,112</b>	<b>14,165,756</b>

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

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 1. THE GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES

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 the realization of the objectives of the Association pursuant to the decisions 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 Őirketleri Birliđi Finansal Kiralama İktisadi İřletmesi"),
- 2) Finansal Kurumlar Birliđi Ticaret Finansmanı İktisadi İřletmesi (previously titled as "Finansal Kiralama, Faktoring ve Finansman Őirketleri Birliđi Ticaret Finansmanı İktisadi İřletmesi"),
- 3) Finansal Kurumlar Birliđi İktisadi İřletmesi (previously titled as "Finansal Kiralama, Faktoring ve Finansman Őirketleri Birliđi İktisadi İřletmesi")

The Association and its subsidiaries together as "the Group" are operating in Turkey and located in Esentepe Mahallesi, Büyükdere Caddesi, Bahar Sokak, No:13 River Plaza Kat:18 Ofis No: 48-49 34394 Őiřli, İstanbul, Türkiye. As of the balance sheet date, the number of personnel of the Group is 23 (31 December 2020: 20).

#### **Subject of activity of the Association and its subsidiaries:**

The Association is a professional institution 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 raise the competitiveness.

The association 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,

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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

#### Subject of activity of the Association and its subsidiaries (Continued)

- 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,
- h) Giving advices to official authorities and organizations about the issues of the companies and sectors,
- i) Take decisions 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' unconfidential 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 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,
- 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 personnel 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 via other activities performed according to the regulations to be published in accordance with the Financial Leasing, Factoring and Financing Companies Law numbered 6361, Article 43 with the title Central Invoice Recording,

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

#### Finansal Kurumlar Birliđi Ticaret Finansmanı İktisadi İşletmesi (Continued)

- 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,
- 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 Birliđi 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 promotions in order to ensure enhancing the sector image to the highest level, publishing books, magazines and brochures, preparing video band, CD, DVD etc., to taking ads related to them, assuming, importing and selling the publication rights of related books, to make periodical and non-periodical publications, organizing seminars, symposiums, and conferences with technicality, organizing training courses towards the training of personnel working at member institution and other entities,
- g) Organizing various events, including dinner meetings to improve the feeling of social solidarity among employees of the Association's member companies,
- h) Engaging activities in the areas which focus on generating revenues from services within the area of its activity.

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

**Finansal Kurumlar Birliđi 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;

In order 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 these 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.

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

#### A. Explanations on basis of presentation (continued)

##### Statement of compliance with Turkish Financial Reporting Standards ("TFRS")

The Association's the accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS"s). TFRSs consist of standards and interpretations which are published by Public Oversight Accounting and Auditing Standards Authority ("POA") as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the formats in the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019 and Electronic Financial Reporting Formats issued by POA.

Companies, which are subject to independent audit pursuant to the Turkish Commercial Code numbered 6102 that are not obliged to apply the TFRSs in accordance with the Board Decision of POA related to the Scope of Application of TAS, may prepare their financial statements in accordance with TFRSs. In this context, the Group management has preferred to prepare its financial statements as at 31 December 2021 in accordance with TFRSs as in prior period financial statements.

According to the announcement made by Public Oversight Accounting and Auditing Standards Authority on 20 January 2022, due to the fact that cumulative change in the general purchasing power of the last 3 years was 74.41%; it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. Therefore, no inflation adjustment has been applied on the financial statements dated 31 December 2021 in accordance with TAS 29.

##### **Approval of consolidated financial statements:**

The consolidated financial statements prepared related to the accounting period which end up on 31 December 2021 have been approved by the Management of the Group on 17 March 2020 and will be submitted for approval in the first General Assembly that will take place. In the framework of the legislation, the Group's authorized Boards and the regulatory institutions have the authority to alter the financial statements.

##### **Functional and presentation currency**

These consolidated financial statements are presented in TL which is the Group's functional currency. All financial information has been presented in TL at full term, except when otherwise indicated.

##### **Comparative information and restatement of prior period financial statements**

In accordance with coherency principle, current period financial statements of the Group are prepared in comparison with previous period. Comparative information is rearranged or reclassified in order to ensure compliance with presentation of profit or loss and other comprehensive income statements of current period.

##### **Netting / Offset**

With all kinds of significant financial amounts, even with similar characteristics, are presented separately in the financial statements Non significant amounts are material or shown in terms of consolidating as similar items. As a result of the transaction and to make the event the necessary offsetting these transactions and the net amount of the event or the presence of the monitoring over the amount after impairment losses are not considered as a violation of the rule of offsetting. The income earned as a result of the transactions in the normal course of business of the Group, is presented as net value provided with the clause of being appropriate with the nature of the transaction or event.

## FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### A. Explanations on basis of presentation (Continued)

###### Basis of consolidation

The Association and the subsidiaries are included in the consolidated financial statements.

Consolidated financial statements include the financial statements of the Association and its subsidiaries as of 31 December 2021. The balance sheet prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") of the subsidiaries has been consolidated with the Association's balance sheet.

According to board decisions which are numbered 2014/2, 2014/3 and 2014/4 dated 7 January 2014, it is decided to establish commercial enterprises to provide continually income and assist for realization of the objectives for the Association of Financial Leasing, Factoring and Finance Companies in line with the law numbered 6361.

Field of activity of commercial enterprises, respectively are;

- To make the necessary investments for the establishment of related systems about registration process specified in articles 21 and 22 of the relevant law and operates in accordance,
- According to 'Central Invoice Recording' entitled under Article 43 at related law, to make required investments in order to establish the system that consolidate the information concerning the receivables (including invoice information) that are assigned to factoring companies and banks,
- To expand and develop activities of the Financial Leasing, Factoring and Finance Companies in Turkey.

Commercial enterprises consolidated are as follows:

Title	Address (City / Country)	Share Rate	Paid in Capital
Finansal Kurumlar Birliđi Finansal Kiralama İktisadi İřletmesi (Finansal Kiralama İktisadi İřletmesi)	Istanbul/ Turkey	100%	100,000
Finansal Kurumlar Birliđi Ticaret Finansmanı İktisadi İřletmesi (Ticaret Finansmanı İktisadi İřletmesi)	Istanbul/ Turkey	100%	100,000
Finansal Kurumlar Birliđi İktisadi İřletmesi (Birlik İktisadi İřletmesi)	Istanbul/ Turkey	100%	105,000
<b>Total</b>			<b>305,000</b>



# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### B. Summary of Significant Relevant Accounting Policies

##### Standards issued but not yet effective and not early adopted as of 31 December 2021

##### *Standards issued but not yet effective and not early adopted*

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

##### **COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)**

International Standard Board(IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on 5 June 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### B. Summary of Significant Relevant Accounting Policies (Continued)

##### Standards issued but not yet effective and not early adopted as of 31 December 2021 (Continued)

##### *Standards issued but not yet effective and not early adopted (continued)*

##### COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment) (continued)

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

##### Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations. The amendments updated IFRS 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. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

##### Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment.

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 recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

##### Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 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. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### Standards issued but not yet effective and not early adopted as of 31 December 2021 (Continued)

##### *Standards issued but not yet effective and not early adopted (continued)*

##### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37) (continued)**

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

##### **Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group does not expect that application of these amendments to TAS 1 will have significant impact on its consolidated financial statements.

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### Standards issued but not yet effective and not early adopted as of 31 December 2021 (Continued)

##### *Standards issued but not yet effective and not early adopted (continued)*

##### **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes**

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021. The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning (disassembly, restitution, restoration, etc.) provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Group does not expect that application of these amendments to Amendments to TAS 12 will have significant impact on its consolidated financial statements.

##### **Definition of Accounting Estimates (Amendments to TAS 8)**

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying TFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

## **FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **B. Summary of Significant Relevant Accounting Policies (Continued)**

###### **Standards issued but not yet effective and not early adopted as of 31 December 2021 (Continued)**

###### *Standards issued but not yet effective and not early adopted (continued)*

###### **Definition of Accounting Estimates (Amendments to TAS 8) (continued)**

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group does not expect that application of these amendments to Amendments to TAS 8) will have significant impact on its consolidated financial statements.

###### **Disclosure of Accounting Policies (Amendments to TAS 1)**

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier. The Group does not expect that application of these amendments to Amendments to TAS 1) will have significant impact on its consolidated financial statements.

###### **Annual Improvements to TFRS Standards 2018–2020**

###### **Improvements to TFRSs**

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

###### **TFRS 1 First-time Adoption of Turkish Financial Reporting Standards**

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of TFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### *Annual Improvements to TFRS Standards 2018–2020 (continued)*

##### **Improvements to TFRSs (continued)**

##### **TFRS 9 Financial Instruments**

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

##### **Amendments are effective on 1 January 2021**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

- 1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

The significant accounting policies followed in the preparation of these financial statements are summarized below:

##### **a) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, time deposits and demand deposits at banks.

##### **b) Financial instruments**

##### ***Trade receivables and provision for doubtful receivables***

Trade receivables for which the Group is not in a cash flow forecast for the foreseeable future are deleted from the asset. The provision for doubtful receivables is reserved for receivables whose collectibility is doubtful and for which it is unclear whether the receivables are worthless. The amount of the provision is the difference between the recorded value of the receipt and the possible amount of receivable. Collectable amount is the amortized cost of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated transaction.

If all or part of the doubtful receivable is collected, the amount collected is deducted from the provision for doubtful receivables and recorded in other operating income. Interest and other income from trading securities is also included into “Other income” in the income statement.

##### **c) Property, plant and equipment**

Property, plant and equipment are carried at cost value excluding accumulated depreciation and impairment. Depreciation on the property, plant and equipment is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related asset. The estimated useful lives of assets are as follows:

	<b>Years</b>
Furniture and fixtures	3-10
Leasehold improvements	4-5
Right-of-use	5

Disposal of property, plant and equipment fixed assets or asset gain or loss arising on the difference between the sales proceeds and the carrying amount of the asset is included in the income statement. Further expenses are capitalised only if the expenses increase the future economic benefits. All other expenses are recognized in the comprehensive income report as expenses.

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### d) Intangible Assets

Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Years

Rights

3-10

##### e) Employee benefits

###### *Employment termination benefits*

In accordance with existing social legislation lump-sum termination indemnities are paid to each employee whose employment is terminated due to the retirement or dismissal. In the context of TAS 19 Employee benefits ("TAS 19") mentioned type of payments are specified as defined retirement benefit plans.

The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

The liability is not funded as there is no funding requirement.

The Group accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19"). TAS 19 requires actuarial valuation methods to be developed to estimate the Group's obligations under defined benefit plans.

The discount rate for pension commitments consistent with the maturity period and will be used for the payment of commitments, is estimated liabilities denominated in currencies, according to the changing discount rate that has been used over the years regarding the calculation as of 31 December 2021 and 31 December 2020. In line with a discount rate estimation for long-term inflation rate, the changing inflation rate has been used over the years.

The estimated rate of severance indemnity amounts that have not been paid as a result of on-demand departures and that have remained in the Group are also taken into consideration. It is assumed that, the rate of optional separation will be subject to past service period and to assume by calculating total retirement benefit obligation with making the analysis of past experience, expectations are reflected in the calculation of expected future demand separation.

Accordingly, in actuarial calculations, the possibility of employees leave voluntarily is included in the calculation as decreasing rate whilst having increased past service period.

##### f) Shareholding charges, entrance fee and interest income/expense

###### *Share of participation cost and entrance fee*

The entrance fee revenues consist of fees allocated to the budget by the companies for once and the amount is determined by the Board of the Association.

The share of participation cost consist of the fees for the Association and sectoral costs in the budget and are determined by the Board of the Association and approved by the General Assembly.

Within the scope of "donations made on behalf of the Association or the sector", TL 5,000 was collected from the members in 2021 as a donation for the purchase of fire trucks.

## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### B. Summary of Significant Relevant Accounting Policies (Continued)

###### *Share of participation cost and entrance fee (continued)*

Revenues are recorded according to giving the service, having the transfer of risks and benefits associated with the service, determination of the amount of revenue reliably and economic benefits associated with the transaction that are or will be probable to be taken over to flow to the Association on an accrual basis over the fair value.

The entrance fees are reflected to income statement after the membership process is completed and the shares of participation cost are reflected regarding the following service period.

###### *Interest income and expense*

Interest income and expenses are recognized in the income statement in the period to which they relate on an accrual basis.

##### g) Taxes on income

The Association has exemption from the corporate tax and the value-added tax ("VAT"). However, the Association has obligation on stamp duty for papers issued in relation with its transactions. The Association is in the scope of partial withholding application since the VAT General Application Communiqué is included in the de "specific buyer" class in the "2.1.3 Partial Deduction Application" section. The subsidiaries are subject to corporate tax at 25%.

While corporate earnings are subject to corporate tax at the rate of 20% in Turkey; in accordance with the regulation introduced by the Law No. 7316 on the "Procedure for Collection of Public Receivables and the Law Amending Some Laws", this rate has been determined to be applied as 25% for the corporate earnings for the taxation periods of 2021 and as 23% for the corporate earnings for the taxation periods of 2022.

In Turkey, the corporate tax rate is 25% as of 31 December 2021 (2020: 22%). The Corporate Tax rate for corporate earnings will be applied as 25% in taxation period of 2021, 23% in taxation period of 2022 and 20% for subsequent periods in accordance with the 11th article Law No. 7316 on Certain Amendments on the Law on the Collection of the Public Receivables and Certain Laws which entered into force by being published in the Official Gazette dated 22 April 2021 and numbered 31462 and the temporary article 13 added to the Corporate Tax Law No. 5520. This amendment will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021.

The temporary taxes are calculated and accrued quarterly in Turkey.

Tax losses can be carried forward to offset against future taxable income for up to 5 years. But tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns and the related accounting records might be changed within 5 years by the tax authorities.

##### h) The Effects of Changes in Foreign Currency

Foreign currency valuations are recorded by calculation with the exchange rate of the period; foreign currency assets and liabilities are valued with the buying exchange rate declared by the Central Bank of the Republic of Turkey of the balance sheet date. Income and expenses resulting from translation of foreign currency items are included in the income statement for the period.

##### i) Trade payables

Trade payables contain related goods and services billed or unbilled amounts, consist of debts having maturities of less than three months.



## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### B. Summary of Significant Relevant Accounting Policies (Continued)

###### j) Subsequent Events

Subsequent events cover any events which arise between the date of approval of the financial statements and the balance sheet date, even if they occurred after declaration of the net profit for the period or specific financial information is publicly disclosed. The Group adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

###### k) Provisions and contingent assets and liabilities

Provisions are booked when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements. As of 31 December 2021 and 31 December 2020 the Group has no provision, contingent liabilities and assets.

###### l) Related parties

a) A person or that person's immediate family are considered as related party to the Group if the following conditions have been met:

Certain party,

(i) If it has control or joint control over the Group,

(ii) If it has significant influence over the Group

(iii) In the case of being a member of the Group or the parent Association's key management personnel

b) If any of the following conditions are present, the entity is considered as related party of the Group:

(i) Entity and Group are members of the same group

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity has a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. (If the Group itself has such a plan, the sponsoring employers are also related to the Group.)

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 3. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	3,875	3,609
Bank		
- Demand deposits	12,072	147,226
- Time deposits	21,291,546	14,118,597
<b>Total</b>	<b>21,307,493</b>	<b>14,269,432</b>

As of 31 December 2021, the yearly weighted average interest rates of the TL deposits in the banks range between 6.50% and 18.00% (31 December 2020: 15.50% and 16.75%) and the accrued interest amount is TL 188,381 (31 December 2020: TL 103,676) The maturity dates of the TL deposits in the banks vary between 3 January 2022 and 31 January 2022 (4 January 2021 and 15 January 2021).

As of 31 December 2021 and 31 December 2020, cash and cash equivalents of the Group are presented by deducting interest accruals from cash and cash equivalents:

	31 December 2021	31 December 2020
Cash and cash equivalents	21,307,493	14,269,432
Less: Interest accruals	(188,381)	(103,676)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>21,119,112</b>	<b>14,165,756</b>

### 4. LOANS AND BORROWINGS

As at 31 December 2021 and 2020, financial borrowings are comprised of the following:

	31 December 2021	31 December 2020
<b>Short term borrowings</b>		
Short term lease liabilities	1,211,983	1,253,118
<b>Total short term borrowings</b>	<b>1,211,983</b>	<b>1,253,118</b>
<b>Long term borrowings</b>		
Long term lease liabilities	1,930,211	3,163,802
<b>Total long term borrowings</b>	<b>1,930,211</b>	<b>3,163,802</b>

As at 31 December 2021 and 2020, the Association's total financial leasing are comprised of the following:

	31 December 2021	31 December 2020
Financial lease liabilities	3,142,194	4,416,920
<b>Total</b>	<b>3,142,194</b>	<b>4,416,920</b>

## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

#### 4. LOANS AND BORROWINGS (Continued)

##### *Financial lease liabilities*

As at 31 December 2021, the movements of the Group's lease liabilities are as follows:

	2021	2020
<b>As of 1 January</b>	<b>4,416,920</b>	--
Contract made during the period	--	5,491,987
Lease liabilities paid during the period	(1,823,131)	(1,825,371)
Interest expense during the period	548,405	750,304
<b>As of 31 December</b>	<b>3,142,194</b>	<b>4,416,920</b>

Liabilities from lease arise from office lease agreements in accordance with TFRS 16.

The Lease Agreement covers 5 years from 1 January 2019 to 1 January 2024 and there is a right of termination with the condition of giving 4 months notice. Calculations for the remaining 2 years by the end of 31.12.2021 have been added to the reporting.

#### 5. TRADE RECEIVABLES

	31 December 2021	31 December 2020
Receivables	412,282	168,365
Receivables from registration process (*)	106,763	175,529
Receivables from members	--	197,927
Doubtful trade receivables(**)	801,982	766,382
Provision for doubtful receivables	(801,982)	(766,382)
<b>Total</b>	<b>519,045</b>	<b>541,821</b>

(\*) One of the entities subject to consolidation "Finansal Kiralama İktisadi İşletmesi", performs registration of domestic and foreign leasing contracts. As a result of cooperation with "Merkezi Kayıt Kuruluşu", registration process of leasing contracts are started being executed by "Finansal Kiralama İktisadi İşletmesi" since 9 February 2015.

(\*\*) Receivables from members have allocated 100% provision in 2021 for receivables of TL 35,600 from Atak factoring (31 Aralık 2020: Receivables from members; Atak Faktoring: TL 213,930).

## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

#### 5. TRADE RECEIVABLES (Continued)

Provision for doubtful receivables as of 2021 is as follows:

	2021	2020
Opening balance, 1 January	(766,382)	(552,452)
Provision on the current period	(35,600)	(213,930)
<b>Closing balance, 31 December</b>	<b>(801,982)</b>	<b>(766,382)</b>

#### 6. OTHER RECEIVABLES

As of 31 December 2021, other receivables of the group is TL 1,320, which is contain receivables from tax office (31 December 2020: TL 168).

#### 7. OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Prepaid insurance policies, subscription and information processing leasing	35,693	115,749
Advances given	--	11,416
Deferred VAT	250	555
Other	530	--
<b>Total</b>	<b>36,473</b>	<b>127,720</b>

#### 8. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible assets between 1 January - 31 December 2021 are as follows:

Property, plant and equipment	Furniture and fixtures	Leasehold improvement	Rights of use assets(*)	Total
<b>Cost</b>				
Opening balance, 1 January 2021	872,342	1,420,231	5,491,987	7,784,560
Additions	304,040	--	--	304,040
Disposals (-)	--	--	--	--
<b>Closing balance as of 31 December 2021</b>	<b>1,176,382</b>	<b>1,420,231</b>	<b>5,491,987</b>	<b>8,088,600</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2021	(638,790)	(1,420,231)	(1,534,832)	(3,593,853)
Charge for the period	(177,228)	-	(1,399,722)	(1,576,950)
<b>Closing balance as of 31 December 2021</b>	<b>(816,018)</b>	<b>(1,420,231)</b>	<b>(2,934,554)</b>	<b>(5,170,803)</b>
<b>Net book value</b>	<b>360,364</b>	<b>-</b>	<b>2,557,433</b>	<b>2,917,797</b>

## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

#### 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment between 1 January - 31 December 2020 are as follows:

Property, plant and equipment	Furniture and fixtures	Leasehold improvement	Rights-of-use assets(*)	Total
<b>Cost</b>				
Opening balance, 1 January 2020	769,899	1,420,231	--	2,190,130
Additions	102,443	--	5,491,987	5,594,430
Disposals (-)	--	--	--	--
<b>Closing balance as of 31 December 2020</b>	<b>872,342</b>	<b>1,420,231</b>	<b>5,491,987</b>	<b>7,784,560</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2020	(539,693)	(1,420,184)	--	(1,959,877)
Charge for the period	(99,097)	(47)	(1,534,832)	(1,633,976)
<b>Closing balance as of 31 December 2020</b>	<b>(638,790)</b>	<b>(1,420,231)</b>	<b>(1,534,832)</b>	<b>(3,593,853)</b>
<b>Net book value</b>	<b>233,552</b>	<b>--</b>	<b>3,957,155</b>	<b>4,190,707</b>

(\*) The Association has accounted for real estate rents as "Right-of-use assets" under Property, plant and equipment within the scope of TFRS 16 standard.

As of 31 December 2021, there is no pledge or blockage (31 December 2020: None). Depreciation expenses are reflected in General Administrative Expenses and Costs of Sales accounts.

#### 9. INTANGIBLE ASSETS

Movements in intangible assets between 1 January - 31 December 2021 are as follows:

	Rights	Other intangible assets	Total
<b>Cost</b>			
Opening balance, 1 January 2021	3,016,700	50,000	3,066,700
Additions	157,573	9,000	166,573
<b>Closing balance as of 31 December 2021</b>	<b>3,174,273</b>	<b>59,000</b>	<b>3,233,273</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2021	(989,709)	(45,000)	(1,034,709)
Charge for the period	(139,987)	(6,827)	(146,814)
<b>Closing balance as of 31 December 2021</b>	<b>(1,129,696)</b>	<b>(51,827)</b>	<b>(1,181,523)</b>
<b>Net book value</b>	<b>2,044,577</b>	<b>7,173</b>	<b>2,051,750</b>

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 9. INTANGIBLE ASSETS (Continued)

Movements in intangible assets between 1 January - 31 December 2020 are as follows:

	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>			
Opening balance, 1 January 2020	2,823,241	50,000	2,873,241
Additions	193,459	--	193,459
<b>Closing balance as of 31 December 2020</b>	<b>3,016,700</b>	<b>50,000</b>	<b>3,066,700</b>
<b>Accumulated depreciation</b>			
Opening balance, 1 January 2020	(754,286)	(35,000)	(789,286)
Charge for the period	(235,423)	(10,000)	(245,423)
<b>Closing balance as of 31 December 2020</b>	<b>(989,709)</b>	<b>(45,000)</b>	<b>(1,034,709)</b>
<b>Net book value</b>	<b>2,026,991</b>	<b>5,000</b>	<b>2,031,991</b>

As of 31 December 2021, there is no pledge or blockage (31 December 2020: None) Amortisation expenses are reflected in General Administrative Expenses and Costs of Sales accounts.

### 10. SUBSIDIARIES AND ASSOCIATES

According to board decisions which are numbered 2014/2, 2014/3 and 2014/4 dated 7 January 2014, decided that economic enterprises which inline act of law are established due to provide continually income and assist for realization of the objectives for the Association of Financial Leasing, Factoring and Finance Companies.

Nature of economic enterprises respectively;

- Make the necessary investments for the establishment of related systems about registration process specified in articles 21 and 22 of the relevant law and operates in accordance,
- According to 'Merkezi Fatura Kaydı' entitled under Article 43 at related law, economic enterprises make necessary investments for establish a system which banks and factoring companies share the information about receivables they take over including billing information and collect these information on the system,
- Expand and develops activities of Leasing, Factoring and Finance Companies in Turkey.

As of 31 December 2021 and 31 December 2020, the economic enterprises that are subsidiaries of the Association are as follows:

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 10. SUBSIDIARIES AND ASSOCIATES (continued)

Title	Adress (City/Country)	31 December 2021		31 December 2020	
		Share Rate	Paid-in Capital	Share Rate	Paid-in Capital
JCR Avrasya Derecelendirme A.Ş.(*)	İstanbul/Turkey	6%	5,788,186	6%	5,788,186
Birleşik İpotek Finansmanı A.Ş.(**)	İstanbul/Turkey	5%	2,500,000	5%	2,500,000
<b>Total</b>			<b>8,288,186</b>		<b>8,288,186</b>

(\*) The Association purchased a total of 59,999 shares representing 6% of the capital of JCR Avrasya Derecelendirme Anonim Şirketi with a nominal value of TL 59,999 for a price of TL 5,788,186.

(\*\*) The Association purchased a total of 2,500,000 shares representing 5% of the capital of Birleşik İpotek Finansmanı Anonim Şirketi with a nominal value of TL 2,500,000 for a price of TL 2,500,000.

### 11. CURRENT PERIOD TAX ASSETS

As of 31 December 2021, the Group does not have balance in taxable income account (31 December 2020: TL 1,732).

### 12. TRADE PAYABLES

	31 December 2021	31 December 2020
Trade payables to non-related parties (*)	884,318	819,964
<b>Total</b>	<b>884,318</b>	<b>819,964</b>

(\*) As of 31 December 2021, the Group has TL 355,438 part, classified under other payables, consists of debts sourcing from contracts concluded in scope of realization of system and infrastructure establishment which shall be used by the software developed towards aggregation, recording, inquiring and reporting of invoice information and other information and/or documents related to receivables transferred in scope of the Law by factoring companies and banks in scope of contracts made with Kredi Kayıt Bürosu (31 December 2020: Kredi Kayıt Bürosu; TL 310,077).

Trade payables to non-related parties consist of technical services, advertising, corporate communications, vendor liabilities and balances owed to the Merkezi Kayıt Kuruluşu (Regarding 21<sup>st</sup> and 22<sup>nd</sup> Articles of Law No. 6361, "Finansal Kiralama İktisadi İşletmesi" executes the registrations of domestic and cross border leasing agreements. Since 9 February 2015, as a result of cooperation with Merkezi Kayıt Kuruluşu, the registration process for leasing contracts is started to be executed by "Finansal Kiralama İktisadi İşletmesi"). Trade payables' maturities are less than 30 days.

### 13. OTHER CURRENT LIABILITIES

Other current liabilities consist of taxes and funds payable amounting to TL 82,956, reverse charge VAT amounting to TL 23,021 and other liabilities amounting to TL 4,381. (31 December 2020: taxes and funds payable amounting to TL 48,113, reverse charge VAT amounting to TL 28,262, accruals of expenses amounting to TL 32,706, order advances amounting to TL 6,488 and other liabilities amounting to TL 5,130).

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 14. PAYABLES RELATED TO EMPLOYEE BENEFITS

Debts amounting to TL 544,215 related to employee benefits consist of payables to personnel, Social Security deductions and taxes to be paid (31 December 2020: TL 556,064).

### 15. EMPLOYEE BENEFITS

#### Provision for severance pay

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

Such payments are full calculated on the basis of 30 days' pay, maximum full TL 8,285 as at 31 December 2021 (31 December 2020: TL 7,117) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee severance indemnity is calculated on a current basis and reflected on the consolidated financial statements. Calculation is predicated on the severance indemnity ceiling announced by the Government.

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees. According to TAS 19 "Employee Benefits", the Group is required to utilize actuarial valuation methods to estimate the provision for employee termination benefits. As such, the actuarial assumptions used in the calculation of total liabilities are presented in the table below. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2021 and 2020 the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

The following actuarial assumptions are used in the calculation of the total liability at the balance sheet date:

	2021	2020
Discount rate	3.00%	3.74%
Inflation rate	15.00%	9.50%

It is planned that rights related to severance pay will be paid at the end of the concession agreement. Accordingly, the terms of the concession agreement have been taken into account in calculating the present value of the liabilities to be paid in the future.

As of 31 December 2021 and 2020, the details of long-term provisions for employee benefits are as follows:

	31 December 2021	31 December 2020
Provision for severance pay	815,233	395,101
	<b>815,233</b>	<b>395,101</b>



## FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

#### 15. EMPLOYEE BENEFITS (Continued)

##### Provision for severance pay (continued)

The movement of severance pay for the periods ended 31 December 2021 and 2020 is as follows:

	2021	2020
Opening balance (1 January)	395,101	371,851
Interest cost	50,003	36,765
Service cost	98,151	66,306
Actuarial loss/gain	271,978	(79,821)
<b>Closing balance (31 December)</b>	<b>815,233</b>	<b>395,101</b>

As 31 December 2021 and 2020, the vacation provision details are as follows:

	31 December 2021	31 December 2020
Opening balance (1 January)	309,329	142,724
Provision allocated during the period	96,600	166,605
Provision for unused vacation liability (reversal)	--	--
<b>Closing balance (31 December)</b>	<b>405,929</b>	<b>309,329</b>

#### 16. DEFERRED INCOME

As of 31 December 2021, charges of shareholding and entrance fees which have been collected from the members are recorded as income for the period of 1 January - 31 December 2021 and the portion of the following years' amounting to TL 3,156,817 was accounted as deferred income (31 December 2020: TL 3,537,500).

#### 17. CURRENT PERIOD TAX ASSETS AND LIABILITIES

##### Corporate Tax

The Group/Subsidiary is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate is 25% as of 31 December 2021 (2020: 22%). The Corporate Tax rate for corporate earnings will be applied as 25% in taxation period of 2021, 23% in taxation period of 2022 and 20% for subsequent periods in accordance with the 11th article Law No. 7316 on Certain Amendments on the Law on the Collection of the Public Receivables and Certain Laws which entered into force by being published in the Official Gazette dated 22 April 2021 and numbered 31462 and the temporary article 13 added to the Corporate Tax Law No. 5520. This amendment will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns and the related accounting records might be changed within 5 years by the tax authorities.

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (continued)

#### Corporate Tax (continued)

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%.

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not appropriated or added to the capital, income tax is not calculated.

Dividend earnings of corporations from participation in the capital of another corporation having full obligation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75 percent of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the deed of foundation, usufruct shares and pre-emptive rights of the real estates (immovables) owned for the same period of time are exempt from corporate tax as of 31 December 2021. However, with the amendment made with Law No. 7061, this rate has been reduced from 75 percent to 50 percent in terms of immovables and this rate will be used as 50 percent in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the aforementioned income must be kept in a fund account in liabilities and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

#### Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

For the years ended 31 December 2021, income tax expense comprised the following:

	2021	2020
<b>Tax Expense:</b>		
Current tax expense	(746,523)	(443,728)
<b>Deferred tax income:</b>		
Temporary differences from deferred tax income	(32,746)	427
<b>Total tax expense</b>	<b>(779,269)</b>	<b>(443,301)</b>

Movements of the tax payable for the years ended 31 December is as follows:

	31 December 2021	31 December 2020
Corporate tax provision	746,523	443,728
Less: Prepaid taxes	(654,205)	(298,364)
<b>Current tax liability</b>	<b>92,318</b>	<b>145,364</b>

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (Continued)

#### *Reconciliation of effective tax rate*

The total taxation credit is different than the amount computed by applying the statutory tax rate to loss before tax as shown in the following reconciliation for the years ended 31 December:

*The reconciliation of the tax income / (expense) for the period with the profit for the period is as follows:*

	2021		2020	
	%	Amount	%	Amount
Reported profit/(loss) for the year		7,051,777		4,057,931
Total income tax (expense)/income		(779,269)		(443,301)
<b>Reported profit before income tax</b>		<b>7,831,046</b>		<b>4,501,232</b>
Income tax using the Group's domestic tax rate	(0.25)	(1,957,763)	(0.22)	(990,874)
Tax-free income	0.16	1,252,994	0.13	557,738
Effect of non-deductible expenses	(0.10)	(86,034)	(0.00)	(11,560)
Carryforward tax losses which is not recognized as deferred tax	--	14,777	--	--
Effect of additional discounts	0.00	(11,437)	0.00	16,910
Other	(0.00)	8,194	(0.00)	(15,515)
<b>Income tax expense</b>	<b>(0.09)</b>	<b>(779,269)</b>	<b>(0.09)</b>	<b>(443,301)</b>

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the assets and liabilities differences recorded for the first time, which are not subject to tax deduction and are not subject to accounting and taxation.

#### *Recognized deferred tax assets and liabilities*

As of 31 December 2021, deferred tax assets and deferred tax liabilities comprise the following items:

	31 December 2021		
	Assets	Liabilities	Total
Financial lease liabilities	12,812	--	12,812
Depreciation adjustment of PPE and intangible assets	--	(103,722)	(103,722)
Provision for employment termination benefits	35,551	--	35,551
Provision for unused leave	24,896	--	24,896
<b>Total deferred tax asset and (liability), (net)</b>	<b>73,259</b>	<b>(103,722)</b>	<b>(30,463)</b>

	31 December 2020		
	Assets	Liabilities	Total
Financial lease liabilities	8,523	--	8,523
Depreciation adjustment of PPE and intangible assets	--	(50,122)	(15,706)
Provision for employment termination benefits	17,426	--	17,426
Provision for unused leave	9,215	--	9,215
Financial loss	11,822	--	11,822
<b>Total deferred tax asset and (liability), (net)</b>	<b>46,986</b>	<b>(50,122)</b>	<b>3,136</b>

# FİNANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (Continued)

#### *Recognized deferred tax assets and liabilities (continued)*

Movements of the deferred tax for the years ended 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance	(3,136)	7,019
Recognized in the income statement	(32,746)	427
Accounted for in equity	5,419	(10,582)
<b>Closing balance</b>	<b>(30,463)</b>	<b>(3,136)</b>

### 18. SALES AND COST OF SALES

	1 January - 31 December 2021	1 January- 31 December 2020
"MFKS", "TZFS" and private integrator income (*)	7,803,311	5,528,450
Association expense contributions	5,677,633	7,001,667
Association entrance fee	5,260,000	--
Domestic registration fee income	4,698,200	4,402,050
Financing company expense contribution	1,130,000	1,175,000
Asset management company expense contributions	1,076,667	--
Financial leasing expense contribution	1,056,833	1,322,500
Factoring company expense contributions	1,004,000	1,104,667
Other income	555,000	--
Education income	388,060	85,000
Foreign registration fee income	30,500	31,000
Association additional expense contributions	--	2,006,099
Leasing software project revenue	--	322,007
<b>Total</b>	<b>28,680,204</b>	<b>22,978,440</b>
Sales returns (-)	--	(1,450)
<b>Net sales</b>	<b>28,680,204</b>	<b>22,976,990</b>
<b>Cost of sales (-)</b>	<b>(8,206,923)</b>	<b>(6,195,870)</b>
<b>Gross profit</b>	<b>20,473,281</b>	<b>16,781,120</b>

(\*) "MFKS" revenues as Central Invoice Recording, and "TZFS" revenues as Trade Chain Finance Expense.

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

### 19. GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2021	1 January- 31 December 2020
Personnel expenses	9,588,284	8,509,989
Depreciation and amortization expenses	1,514,967	1,545,701
Donation and aid expenses (*)	1,080,000	500,300
Consultancy and audit expenses	752,383	894,526
Outsourced benefits and services	478,332	368,320
Conference and organization expenses	450,398	122,811
General office expenses	304,383	269,272
Membership fees (**)	170,226	137,993
Promotion and advertising expenses	165,722	102,745
Representation and hospitality expenses	118,579	100,557
Other expenses	89,773	67,774
Banks' withholding deductions	82,556	116,615
Accounting costs	53,499	45,336
Ad design expense	39,983	2,800
Stamp tax	15,112	41,796
Travel expenses	8,201	19,058
Conference expense (FCI, etc.)	--	3,000
<b>Total</b>	<b>14,912,398</b>	<b>12,848,593</b>

(\*) 2021-Includes fire truck donation expense for forest fires. (2020-National Solidarity Donation Campaign)

(\*\*) Consists of membership fees of international sectoral organizations Leaseurope and Eurofinans.

### 20. OTHER OPERATIONAL EXPENSES

The details of the Association's other operating income for the accounting periods 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	1 Ocak - 31 Aralık 2021	1 Ocak - 31 Aralık 2020
Other (*)	73,615	19,130
<b>Total</b>	<b>73,615</b>	<b>19,130</b>

(\*) Includes stamp duty reflection, disability benefits and various other income.

The details of the other operating expenses of the Association for the accounting periods 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Provision expense	35,600	151,263
Other expense (*)	275,005	--
<b>Total</b>	<b>310,605</b>	<b>151,263</b>

(\*) Consists of expenses that are non-deductible (Fire truck donation).

# FINANSAL KURUMLAR BİRLİĞİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL"))

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### 21. FINANCIAL INCOME

Financial income consists of interest income from deposits amounting to TL 3,059,659 that consists of interest accrual income amounting to TL 188,381 (31 December 2020: TL 1,520,729 interest income includes interest accrual income amounting to TL 103,676).

In addition, as of 31 December 2021, financial income includes exchange profit amount to TL 7,283 (31 December 2020: TL 18,813).

### 22. FINANCIAL EXPENSE

Financial expenses consist of commission (bank expenses) expenses amounting to TL 4,211, foreign exchange difference expenses amounting to TL 7,171, liabilities from office leasing activities amounting to TL 490,765 and interest expenses amounting to TL 57,642 (31 December 2020: commission expenses amounting to TL 1.212 (bank expenses), foreign exchange difference expenses amounting to TL 19,481, JCR share purchase interest expense amounting to TL 65,265, liabilities from office leasing activities amounting to TL 750,304 and interest expenses amounting to TL 2.442).

### 23. RELATED PARTY TRANSACTIONS

As of 31 December 2021, Ticaret Finansmanı İktisadi İşletmesi has a receivable balance of TL 6,070 from Finansal Kurumlar Birliği (31 December 2020: No transactions with related parties) since Kredi Finans Faktoring A.Ş inadvertently deposited the amount to the Bank account of the Association on 31 December 2021 due to MFKS service procurement.

There are no compensations to key management personnel as of 31 December 2021 and 2020.

### 24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### **Risk management objectives and principles**

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

#### ***Credit risk***

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Association management meets these risks by restricting the average risk for each counterparty and receiving collateral if necessary. The Association's collection risk may arise principally from expense contribution receivables.

**FİNANSAL KURUMLAR BİRLİĞİ  
AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

**24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

<b>As of 31 December 2021</b>	<b>Other Receivables</b>	<b>Trade Receivables</b>	<b>Deposits at bank</b>	<b>Financial investments</b>
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) <sup>(1)</sup>	1,320	519,045	21,303,618	--
- The part of maximum risk guarantee with collateral or etc. <sup>(2)</sup>	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired the net book value	1,320	519,045	21,303,618	--
B. Having renegotiated conditions otherwise due to the carrying amount of financial assets accepted as past due or impaired	--	--	--	--
C. Net book value of financial assets that are past due but not impaired the net book value	--	--	--	--
- The part of net values under guarantee with collateral	--	--	--	--
D. Net book value of financial assets that are impaired the net book value	--	--	--	--
- Past due (gross carrying amount)	--	801,982	--	--
- Impairment (-)	--	(801,982)	--	--
- The part of net values under guarantee with collateral	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
- Impairment (-)	--	--	--	--
- The part of net values under guarantee with collateral	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--

**FİNANSAL KURUMLAR BİRLİĞİ  
AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2021**

(All amounts expressed in Turkish Lira ("TL"))

**24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

<b>As of 31 December 2020</b>	<b>Other Receivables</b>	<b>Trade Receivables</b>	<b>Deposits at bank</b>	<b>Financial investments</b>
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) <sup>(1)</sup>	168	541,821	14,265,823	--
- The part of maximum risk guarantee with collateral or etc. <sup>(2)</sup>	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired the net book value	168	541,821	14,265,823	--
B. Having renegotiated conditions otherwise due to the carrying amount of financial assets accepted as past due or impaired	--	--	--	--
C. Net book value of financial assets that are past due but not impaired the net book value	--	--	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
D. Net book value of financial assets that are impaired the net book value	--	--	--	--
- Past due (gross carrying amount)	--	766,382	--	--
- Impairment (-)	--	(766,382)	--	--
- The part of net values under guarantee with collateral	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
- Impairment (-)	--	--	--	--
- The part of net values under guarantee with collateral	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--



**FİNANSAL KURUMLAR BİRLİĞİ  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(All amounts expressed in Turkish Lira ("TL"))

**24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*Liquidity risk*

The risk of funding of existing and prospective debt requirements is managed by arranging sustainable accessibility to sufficient number of high-qualified lenders.

Prudent liquidity risk management refers to the ability to hold sufficient cash and securities, the availability of adequate utilizing funding sources and credit transactions, and the ability to close market positions.

The table below shows the Group's distribution of non-derivative financial liabilities' maturity profile as of 31 December 2021 and 31 December 2020:

**31 December 2021**

<b>Maturities in accordance with agreement</b>	<b>Book values</b>	<b>Total cash outflow in accordance with agreement (=I+II+III)</b>	<b>Less than 3 months (I)</b>	<b>Between 3-12 months (II)</b>	<b>Between 1-5 years (III)</b>
<b>Non-derivative financial liabilities</b>					
Financial lease liabilities	3,142,194	3,713,985	369,384	1,223,968	2,120,633
Trade payables	884,318	884,318	884,318	--	--
<b>Total</b>	<b>4,026,512</b>	<b>4,598,303</b>	<b>1,253,702</b>	<b>1,223,968</b>	<b>2,120,633</b>

**31 December 2020**

<b>Maturities in accordance with agreement</b>	<b>Book values</b>	<b>Total cash outflow in accordance with agreement (=I+II+III)</b>	<b>Less than 3 months (I)</b>	<b>Between 3-12 months (II)</b>	<b>Between 1-5 years (III)</b>
<b>Non-derivative financial liabilities</b>					
Financial lease liabilities	4,416,920	5,472,006	425,958	1,395,305	3,650,743
Trade payables	819,964	819,964	819,964	--	--
<b>Total</b>	<b>5,236,884</b>	<b>6,291,970</b>	<b>1,245,922</b>	<b>1,395,305</b>	<b>3,650,743</b>

*Interest rate risk*

The Group has no interest rate risk as of 31 December 2021 since it has no asset with fleible interest. (31 December 2020: None).

*Foreign currency risk*

The Group is exposed to foreign currency risk due to exchanging of the foreign currency assets and liabilities amounts to TL. The Group follows balanced foreign exchange policy in order to reduce its foreign currency risk.

As of 31 December 2021 the Group has no foreign currency balance and was not exposed to exchange rate risk (31 December 2020: None).

**FİNANSAL KURUMLAR BİRLİĞİ  
AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**25. OTHER ISSUES THAT HAVE SIGNIFICANT EFFECT ON THE BALANCE SHEET OR THAT ARE AMBIGUOUS AND/OR OPEN TO INTERPRETATION AND REQUIRE CLARIFICATION**

None.

**26. FEES RELATED WITH THE SERVICES PROVIDED BY INDEPENDENT AUDITORS/INDEPENDENT AUDIT AGENCIES**

The explanation of the Group regarding the fees related with the services provided by the independent audit auditors/independent audit agencies, which is prepared pursuant to the Board Decision of the POA published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the letter of the POA dated 19 August 2021 is as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Independent audit fees in the reporting period	96,000	85,000
<b>Total</b>	<b>96,000</b>	<b>85,000</b>

**27. SUBSEQUENT EVENTS FOLLOWING THE BALANCE SHEET DATE**

None.