

İř Faktoring Anonim Őirketi

**Financial Statements as at and
for the year ended 31 December 2023
With Independent Auditors' Report**

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

CONTENTS	PAGE
Independent Auditors' Report	1 - 4
Statement of Financial Position (Balance Sheet)	5 - 6
Off-Balance Sheet Items	7
Statement of Profit or Loss	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Changes in Shareholder's Equity	10
Statement of Cash Flows	11
Statement of Profit Distribution	12
Notes to the Financial Statements	13 - 64
Note 1 Organization and Operations of the Company	13
Note 2 Basis of Preparation of Financial Statements	13 - 18
Note 3 Significant Accounting Policies	18 - 25
Note 4 Cash and Cash Equivalents	26
Note 5 Financial Assets With Fair Value Difference Reflected In Profit/Loss	26
Note 6 Derivative Financial Assets	26
Note 7 Financial Assets at Fair Value Through Other Comprehensive Income	27
Note 8 Factoring Receivables and Payables	27 - 31
Note 9 Related Parties	31 - 34
Note 10 Tangible Assets	35
Note 11 Intangible Assets	36
Note 12 Deferred Tax Assets and Liabilities	36 - 37
Note 13 Other Assets	37
Note 14 Funds Borrowed	38
Note 15 Payables From Leasing Transactions	39
Note 16 Debt Securities Issued	39 - 40
Note 17 Other Liability	40
Note 18 Employee Benefits	41
Note 19 Other Provisions	42
Note 20 Current Tax Liability	42
Note 21 Paid-In Capital And Capital Reserves	42 - 43
Note 22 Profit Reserves	43
Note 23 Commitments and Contingencies	43 - 44
Note 24 Segment Reporting	44
Note 25 Operating Income	45
Note 26 Financial Expenses	45
Note 27 Operating Expenses	45
Note 28 Other Operating Income	46
Note 29 Expected Credit Loss	46
Note 30 Other Operating Expenses	46
Note 31 Taxation	47 - 49
Note 32 Earnings Per Share	49 - 50
Note 33 Other Issues That Significantly Affect the Financial Statements or Other Issues Required for to be Explained Understanding of the Financial Statements	50
Note 34 Fees For Services Received From Independent Auditor	50
Note 35 Explanations On The Matters After The Balance Sheet Period	50
Note 36 Additional Information On Financial Instruments	51 - 64



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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish

Independent Auditor's Report

To the Shareholders of İş Faktoring A.Ş.

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying unconsolidated statement of financial position of İş Faktoring A.Ş. ("the Company"), which comprise the unconsolidated statement of balance sheet as at December 31, 2023 and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2023 and its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

Basis for opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of financial assets into financial statements and related important explanations</i>	
<p>As presented in disclosure 8, we considered provision for depreciation of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> - Financial assets that are subject to expected credit loss calculation is material for the unconsolidated financial statements - The policies that is established by the Company management to calculate the expected credit losses has the legislation and other required risks - The new, important and complex judgments and estimations in the calculation of expected credit losses 	<ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies and global and local requirements - Evaluating the reasonableness of management’s key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies, our business understanding and industry practice - Involving Financial risk management specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss - Testing mathematical accuracy of expected credit loss by using samples. - Evaluating the reasonableness and the accuracy of post-model adjustments.

Responsibilities of management and those charged with governance for the unconsolidated financial statements

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

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

Those charged with governance is responsible for overseeing the Company’s financial reporting process.

Auditor's responsibilities for the audit of the unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 InASs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the unconsolidated 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated 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.

Reports on independent auditor’s responsibilities arising from other regulatory requirements

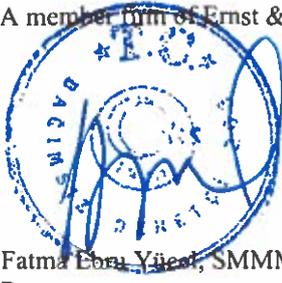
1. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period January 1 – December 31, 2022 are not in compliance with the TCC and provisions of the Company’s articles of association in relation to financial reporting.
2. In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The partner in charge of the audit resulting in this independent auditor’s report is Fatma Ebru Yücel.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Fatma Ebru Yücel, SMMM
Partner

31 January 2024
İstanbul, Turkey

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION

(BALANCE SHEET) AS AT 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

ASSETS	Notes	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
		TL	FC	Total	TL	FC	Total
I. CASH, CASH EQUIVALENTS and CENTRAL BANK	4	398.271	40.218	438.489	165.443	6.493	171.936
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	5	24.328	-	24.328	-	-	-
III. DERIVATIVE FINANCIAL ASSETS	6	-	-	-	1.339	-	1.339
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	1.114.206	-	1.114.206	544.119	-	544.119
V. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)	8	18.830.293	3.259.874	22.090.167	13.348.091	2.182.179	15.530.270
5.1 Factoring Receivables		18.941.881	3.213.356	22.155.237	13.497.715	2.134.009	15.631.724
5.1.1 Discounted Factoring Receivables (Net)		7.815.427	194.938	8.010.365	5.202.741	58.068	5.260.809
5.1.2 Other Factoring Receivables		11.126.454	3.018.418	14.144.872	8.294.974	2.075.941	10.370.915
5.2 Savings Finance Receivables		-	-	-	-	-	-
5.2.1 Savings Funds		-	-	-	-	-	-
5.2.2 Equity		-	-	-	-	-	-
5.3 Finance Loans		-	-	-	-	-	-
5.3.1 Financial Lease Receivables		-	-	-	-	-	-
5.3.2 Operating Lease Receivables		-	-	-	-	-	-
5.3.3 Unearned Income (-)		-	-	-	-	-	-
5.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.4.1 Financial Lease Receivables		-	-	-	-	-	-
5.4.2 Operating Lease Receivables		-	-	-	-	-	-
5.4.3 Unearned Revenues (-)		-	-	-	-	-	-
5.5 Non-performing factoring receivables		-	-	-	-	-	-
5.6 Expected Credit Losses/Specific Provisions (-)	8	208.497	128.351	336.848	199.024	77.909	276.933
5.7 Expected Loss Provisions/Special Provisions (-)	8	(320.085)	(81.833)	(401.918)	(348.648)	(29.739)	(378.387)
VI. INVESTMENTS		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Subsidiaries (Net)		-	-	-	-	-	-
6.3 Joint Ventures (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	10	5.461	-	5.461	5.608	-	5.608
VIII. INTANGIBLE ASSETS (Net)	11	20.778	-	20.778	9.723	-	9.723
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSETS		-	-	-	-	-	-
XI. DEFERRED TAX ASSETS	12	225.272	-	225.272	113.031	-	113.031
XII. OTHER ASSETS	13	85.326	1350	86.676	48.231	4.883	53.114
SUBTOTAL		20.703.935	3.301.442	24.005.377	14.235.585	2.193.555	16.429.140
XIII. ASSETS HELD FOR SALE AND TERMINATED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for sale purpose		-	-	-	-	-	-
13.2 Asset of Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		20.703.935	3.301.442	24.005.377	14.235.585	2.193.555	16.429.140

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION

(BALANCE SHEET) AS AT 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	LIABILITIES	Notes	Audited Current Period 31-Dec-23			Audited Prior Period 31-Dec-22		
			TL	FC	Total	TL	FC	Total
I.	FUNDS BORROWED	14	15.386.600	2.975.817	18.362.417	11.269.021	1.925.751	13.194.772
II.	FACTORING PAYABLES	8	1.636	11.125	12.761	6.999	7.288	14.287
III.	PAYABLES FROM SAVINGS FUND		-	-	-	-	-	-
IV.	LEASING TRANSACTIONS PAYABLES (Net)	15	3.775	-	3.775	3.444	-	3.444
V.	DEBT SECURITIES ISSUED (Net)	16	2.230.115	-	2.230.115	1.663.910	-	1.663.910
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VIII.	PROVISIONS		34.116	-	34.116	22.310	-	22.310
8.1	Restructuring Provision		-	-	-	-	-	-
8.2	Reserves For Employee Benefits	18	24.116	-	24.116	12.310	-	12.310
8.3	General Provision		-	-	-	-	-	-
8.4	Other Provisions	19	10.000	-	10.000	10.000	-	10.000
IX.	CURRENT TAX LIABILITY	20	198.300	-	198.300	77.927	-	77.927
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	CAPITAL DEBT INSTRUMENTS		-	-	-	-	-	-
XII.	OTHER LIABILITIES	17	71.635	8.331	79.966	25.460	6.572	32.032
	SUBTOTAL		17.926.177	2.995.273	20.921.450	13.069.071	1.939.611	15.008.682
XII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)		-	-	-	-	-	-
13.1	Held for sale purpose		-	-	-	-	-	-
13.2	Discontinued operations		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY		3.083.927	-	3.083.927	1.420.458	-	1.420.458
14.1	Paid-in Capital	21	150.000	-	150.000	150.000	-	150.000
14.2	Capital Reserves		5.053	-	5.053	5.053	-	5.053
14.2.1	Share Premiums		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserves	22	5.053	-	5.053	5.053	-	5.053
14.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.035.126	-	1.035.126	531.581	-	531.581
14.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
14.5	Profit Reserves	21	733.824	-	733.824	288.438	-	288.438
14.5.1	Legal Reserves		30.183	-	30.183	20.366	-	20.366
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		703.641	-	703.641	268.072	-	268.072
14.5.4	Other Profit Reserves		-	-	-	-	-	-
14.6	Profit or Loss		1.159.924	-	1.159.924	445.386	-	445.386
14.6.1	Previous Years Profit or Loss		-	-	-	-	-	-
14.6.2	Period Net Profit or Loss		1.159.924	-	1.159.924	445.386	-	445.386
	TOTAL LIABILITIES		21.010.104	2.995.273	24.005.377	14.489.529	1.939.611	16.429.140

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2023			Audited Prior Period 31 December 2022		
			TL	FC	Total	TL	FC	Total
I.	RECOURSE FACTORING TRANSACTIONS		363.240	1.804.641	2.167.881	193.228	1.411.446	1.604.674
II.	NON-RECOURSE FACTORING TRANSACTIONS		1.235.816	323.520	1.559.336	784.054	213.148	997.202
III.	SAVING FINANCE AGREEMENTS TRANACTIONS		-	-	-	-	-	-
IV.	GUARANTEES RECEIVED	23	78.650.028	116.665.476	195.315.504	57.393.174	71.302.296	128.695.470
V.	GUARANTEES GIVEN	23	6.039.512	-	6.039.512	2.502.789	-	2.502.789
VI.	COMMITMENTS		-	-	-	-	-	-
6.1	Irrevocable Commitments		-	-	-	-	-	-
6.2	Revocable Commitments		-	-	-	-	-	-
6.2.1	Lease Commitments		-	-	-	-	-	-
6.2.1	Financial Lease Commitments		-	-	-	-	-	-
6.2.1	Operating Lease Commitments		-	-	-	-	-	-
6.2.2	Other revocable commitments		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL INSTRUMENTS	23	-	-	-	99.710	93.492	193.202
7.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
7.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
7.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
7.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
7.2	Trading Transactions		-	-	-	99.710	93.492	193.202
7.2.1	Forward buy/sell transactions		-	-	-	-	-	-
7.2.2	Swap buy/sell transactions		-	-	-	99.710	93.492	193.202
7.2.3	Optional buy/sell transactions		-	-	-	-	-	-
7.2.4	Futures buy/sell transactions		-	-	-	-	-	-
7.2.5	Other		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	23	3.659.510	434.882	4.094.392	2.904.760	287.456	3.192.216
	TOTAL OFF BALANCE SHEET COMMITMENTS		89.948.106	119.228.519	209.176.625	63.877.715	73.307.838	137.185.553

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT OR LOSS ITEMS		Notes	Audited Current Period 1 January – 31 December 2023	Audited Prior Period 1 January – 31 December 2022
I.	OPERATING INCOME	25	5.180.595	649.043
	FACTORING INCOME		5.180.595	649.043
1.1	Interest Received from Factoring Receivables		4.277.748	627.973
1.1.1	Discounted		2.028.718	304.224
1.1.2	Other		2.249.030	323.749
1.2	Fees and Commissions Received from Factoring Receivables		902.847	21.070
1.2.1	Discounted		486.972	8.582
1.2.2	Other		415.875	12.488
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASING INCOME		-	-
1.5	Financial Leasing Income		-	-
1.6	Operational Leasing Income		-	-
1.7	Fees and Commissions from Rental Transactions		-	-
II.	FINANCIAL EXPENSES (-)	26	(3.565.884)	(1.101.781)
2.1	Interest Paid for Borrowings		(2.783.567)	(863.023)
2.2	Interest Paid for Factoring Transactions		-	-
2.3	Financial Lease Expense		(1.237)	(736)
2.3	Interest Paid for Securities		(293.304)	(172.336)
2.4	Other Interest Expenses		-	-
2.6	Fees and Commissions		(487.776)	(65.686)
III.	GROSS PROFIT/LOSS (I+II)		1.614.711	694.359
IV.	OPERATING EXPENSE (-)	27	(177.009)	(82.847)
4.1	Personnel Expenses		(132.784)	(62.377)
4.2	Provision Expense for Employment Termination Benefits		(1.953)	(1.157)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(42.272)	(19.313)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		1.437.702	611.512
VI.	OTHER OPERATING INCOME	28	2.380.683	1.004.837
6.1	Interest Received from Banks		9.506	-
6.2	Interest Received from Securities		-	-
6.3	Dividend Income		18.365	9.733
6.4	Trading Account Gain/Losses		844	139
6.5	Gain/losses from Derivative Transactions		7.261	27.115
6.6	Foreign Exchange Gain/Losses		2.097.770	898.114
6.7	Other		246.937	69.736
VII.	PROVISIONS	29	(179.816)	(178.438)
7.1	Specific Provision		-	-
7.2	Expected Loss Provision		(179.816)	(178.438)
7.3	General Provision		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	30	(2.024.524)	(854.428)
8.1	Impairment of Marketable Securities		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Trading Account Loss		-	-
8.4	Loss from Derivative Financial Transaction		-	-
8.5	Foreign Exchange Loss		(2.006.082)	(854.355)
8.6	Other		(18.442)	(73)
IX.	NET OPERATING INCOME/EXPENSE (V+...+VIII)	31	1.614.045	583.483
X.	MERGER PROFIT I		-	-
XI.	SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY		-	-
XII.	NET MONETARY POSITION GAIN/LOSS		-	-
XIII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (IX+...+XII)		1.614.045	583.483
XIV.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS(±)	31	(454.121)	(138.097)
14.1	Current Tax Provision		(632.659)	(219.701)
14.2	Deferred Tax Expense Effect (+)		(870)	(5.814)
14.3	Deferred Tax Income Effect (-)		179.408	87.418
XV.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		1.159.924	445.386
XVII.	EXPENSES FROM TERMINATED OPERATIONS (-)		-	-
17.1	Expenses from Assets Held for Resale		-	-
17.2	Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
17.3	Other Expenses		-	-
XVIII.	PROFIT/LOSS BEFORE TAX FROM TERMINATED OPERATIONS (XVI-XVII)		-	-
XIX.	TAXATION ON INCOME FROM TERMINATED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PROFIT/LOSS FROM TERMINATED OPERATIONS (XVII±XVIII)		-	-
XXI.	NET PROFIT/LOSSES (XIV+XIX)		1.159.924	445.386
	EARNINGS PER SHARE	32	7.73283	2.96924

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

İŞ FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME		Notes	Audited Current Period 1 January – 31 December 2023	Audited Prior Period 1 January – 31 December 2022
I.	PERIOD INCOME/LOSS		1.159.924	445.386
II.	OTHER COMPREHENSIVE INCOME		503.545	340.586
2.1	Items that will not be reclassified to profit or loss		503.545	340.586
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans		(244)	(1.481)
2.1.4	Other items that will not be reclassified to profit or loss		570.086	341.674
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		(66.297)	393
2.2	ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		1.663.469	785.972

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CHANGES IN SHAREHOLDER'S EQUITY	Notes					Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Total Equity	
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6					
I. Prior Period (01.01 – 31.12.2022) (Audited)																
Balance at the Beginning of the Period	21-22	150.000	-	-	5.053	-	(590)	191.585	-	-	-	167.066	-	121.372	634.486	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I+II)		150.000	-	-	5.053	-	(590)	191.585	-	-	-	167.066	-	121.372	634.486	
IV. Total Comprehensive Income		-	-	-	-	-	(1.088)	341.674	-	-	-	-	-	445.386	785.972	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	121.372	-	(121.372)	-	
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	121.372	-	(121.372)	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (31.12.2022)		150.000	-	-	5.053	-	(1.678)	533.259	-	-	-	288.438	-	445.386	1.420.458	
I. Current Period (01.01 – 31.12.2023) (Audited)																
Balance at the Beginning of the Period	21-22	150.000	-	-	5.053	-	(1.678)	533.259	-	-	-	288.438	-	445.386	1.420.458	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I+II)		150.000	-	-	5.053	-	(1.678)	533.259	-	-	-	288.438	-	445.386	1.420.458	
IV. Total Comprehensive Income		-	-	-	-	-	(60)	503.605	-	-	-	-	-	1.159.924	1.663.469	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	445.386	-	(445.386)	-	
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	445.386	-	(445.386)	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (31.12.2023)		150.000	-	-	5.053	-	(1.738)	1.036.864	-	-	-	733.824	-	1.159.924	3.083.927	

(1) Accumulated revaluation surplus / impairment of fixed assets,

(2) Accumulated repeat measurement gains / losses of defined benefit plans,

(3) Accumulated amounts of investments accounted for by the equity method that are not reclassified from income to profit or loss to others, and other items that are not reclassified to impair others or others. (Note:2.1.5)

(4) Foreign currency translation differences,

(5) Accumulated revaluation and / or classification gains / losses on available for sale financial assets,

(6) Other (Cash flow hedging gains / investments accounted for by the equity method cumulative gains / (losses) to be classified as profit / loss to others and accumulated amounts of other comprehensive income to be reclassified to others or others).

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	CASH FLOW	Notes	Audited Current Period 31-Dec-23	Audited Prior Period 31-Dec-23
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		1.985.256	541.065
1.1.1	Interests received/Lease income		4.423.616	1.791.932
1.1.2	Interests paid/Lease expense		(2.693.359)	(812.404)
1.1.3	Dividends Received		18.365	9.733
1.1.4	Fee and Commissions Received		902.847	104.889
1.1.5	Other Income		101.132	69.674
1.1.6	Collections From Previously Written-Off Receivables		166.133	50.928
1.1.7	Payments to Personnel and Service Suppliers		(125.704)	(59.946)
1.1.8	Taxes Paid		(512.286)	(164.218)
1.1.9	Others		(295.488)	(449.523)
1.2	Changes in Operating Assets and Liabilities		(1.979.388)	(1.328.866)
1.2.1	Net (Increase) Decrease in Factoring Receivables		(5.607.694)	(8.284.835)
1.2.2	Net (Increase) decrease in finance loans		-	-
1.2.3	Net (Increase) decrease in lease receivables		-	-
1.2.4	Net (Increase) Decrease in Savings Financing Receivables		-	-
1.2.5	Net (Increase) Decrease in Other Assets		(92.935)	43.738
1.2.6	Net (Increase) Decrease in Factoring Payables		(1.526)	6.925
1.2.7	Net Increase (Decrease) in the Savings Fund Pool		-	-
1.2.8	Net Increase (Decrease) in Lease Payables		1.196	731
1.2.9	Net Increase (Decrease) in Funds Borrowed		3.672.447	6.881.108
1.2.10	Net Increase (Decrease) in Matured Payables		-	-
1.2.11	Net Increase (Decrease) in Other Liabilities		49.124	23.467
I.	Net Cash From Operating activities		5.868	(787.801)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures		-	-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3	Purchases of Tangible and Intangible Assets		(14.793)	(8.740)
2.4	Sales of Tangible and Intangible Assets		145	-
2.5	Cash Paid for Purchase of Financial Assets Available-for-Sale		-	-
2.6	Cash Obtained From Sale of Financial Assets Available-for-Sale		-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8	Cash obtained from Sale of Held-to-Maturity Investment Securities		16.613	-
2.9	Others		-	-
II.	Net Cash Used in Investing Activities		1.965	(8.740)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued		2.800.901	3.841.951
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued		(2.528.000)	(2.920.840)
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(8.068)	(4.560)
3.6	Others		-	-
III.	Net Cash Generated from in Financing Activities		264.833	916.551
IV.	Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents		(6.113)	10.731
V.	Net Increase/(Decrease) in Cash and Cash Equivalents		266.553	130.741
VI.	Cash and Cash Equivalents at the Beginning of the Year		171.936	41.195
VII.	Cash and Cash Equivalents at the End of the Year	4	438.489	171.936

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Audited Current Year (31 December 2023)	Audited Prior Year (31 December 2022)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1 PROFIT FOR THE YEAR	1.614.045	583.483
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	454.121	138.097
1.2.1 Corporate Tax (Income Tax)	632.659	219.701
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(178.538)	(81.604)
A. NET PROFIT FOR THE YEAR (1.1-1.2)	1.159.924	445.386
1.3 ACCUMULATED LOSSES (-)	-	(9.817)
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	435.569
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	(435.569)
1.10 STATUS RESERVES (-)	-	-
1.11 EXTRAORDINARY RESERVES	-	-
1.12 OTHER RESERVES	-	-
1.13 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To Owners of Ordinary Shares	-	-
2.2.2 To Owners of Privileged Shares	-	-
2.2.3 To Owners of Redeemed Shares	-	-
2.2.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	7.7328	2.9692
	773,28	296,92
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF ORDINARY SHARES (full TL)	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2023.

(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore the part of the period profit arising from the said assets should not be subject to profit distribution and capital increase. Deferred tax income that will not be subject to distribution is TL 178.538 TL on December 31, 2023 (31 December 2022: 81.604).

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Faktoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company’s trade name was amended as İş Faktoring A.Ş. (“the Company”) at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad.

The Company maintains its operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on Official Gazette no. 28496 dated 13 December 2012 and “Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency (“BRSA)”.

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2023, the number of employees of the Company is 122. (31 December 2022: 120)

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 4. Levent / İstanbul Türkiye

Dividend payable:

None.

Approval of the financial statements:

The financial statements as of 31 December 2023 have been approved by the Board of Directors of the Company and authorized for issue at 30 January 2024. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.28861 dated 24 December 2013 promulgated by Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and the regulations, communiqués, statements and circulars published by BRSA on accounting and financial reporting principles (together referred to as “BRSA Accounting and Financial Reporting Principles”).

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.1 Basis of the Presentation (Continued)

2.1.1 Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TL”).

2.1.2 Preparation of Financial Statements in Hyperinflationary Periods

Entities whose functional currency is the currency of a hyperinflationary economy present their financial statements in terms of the measuring unit current at the end of the reporting period according to “TAS 29 Financial Reporting in Hyperinflation Economies”. Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying Turkish Financial Reporting Standards (TFRSs) are required to present their financial statements by adjusting for the impact of inflation for the annual reporting period ending on or after 31 December 2023, in accordance with the accounting principles specified in TAS 29. In the same announcement, it was stated that institutions or organizations authorized to regulate and supervise in their respective scope might determine different transition dates for the implementation of inflation accounting, and in this context, Banking Regulation and Supervision Agency (BRSA) announced that financial statements of banks, financial leasing, factoring, financing, savings financing and asset management companies as of 31 December 2023 would not be subject to the inflation adjustment in accordance with BRSA Board decision on 12 December 2023.

2.1.3 Clarification/Offsetting

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

2.1.4 Going Concern

The financial statements have been prepared based on the going concern assumption.

2.1.5 Comparative information and correction of prior periods’ financial statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial position and performance trends. When the presentation or classification of the items of the financial statements changes, the prior period financial statements are reclassified accordingly in order to ensure comparability.

2.1.6 Accounting Estimates

The preparation of financial statements in accordance with reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 7 – Factoring receivables, non-performing receivables

Note 17 – Employee benefits

Note 22 – Commitments and contingencies

2.2 Change in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods.

Material accounting errors are adjusted retrospectively and prior periods’ financial statements are restated.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.3 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 1 - Disclosure of Accounting Policies

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

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The amendments did not have a significant impact on the financial position or performance of the Company.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.3 The New Standards, Amendments and Interpretations (Continued)

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

The amendments did not have a significant impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. (The Company will wait until the final amendment to assess the impacts of the changes.)

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

The mandatory effective date of the Standard for the following entities has been postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA:

- Insurance, reinsurance and pension companies.
- Banks that have ownership/investments in insurance, reinsurance and pension companies and
- Other entities that have ownership/investments in insurance, reinsurance and pension companies.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.3 The New Standards, Amendments and Interpretations (Continued)

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

Overall, the Company expects no significant impact on its balance sheet and equity.

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

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

Overall, the Company expects no significant impact on its balance sheet and equity.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

2.3 The New Standards, Amendments and Interpretations (Continued)

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company / the Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. Overall, the Company expects no significant impact on its balance sheet and equity.

2.4 Segment Reporting

None.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net carrying value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment. All income and expenses are accounted for on accrual basis.

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date. Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the statement of profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives not exceeding five years.

d. Impairment of Non-Financial Assets

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e. Borrowing Costs

All borrowing costs are recorded in the profit or loss statement in the period in which they are incurred.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments

Financial assets

As of 1 January 2018, the Company within the scope of “IFRS 9 Financial Instruments”, classifies and accounts its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets at Measured at Amortised Cost” by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to IFRS 9 “Recognition and Derecognition in the financial statements” requirements. The Company recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

Financial Assets at Fair Value Through Profit or Loss

Financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason. Financial assets which are derivative instruments not acting as a hedging instrument against financial risk is also classified under Financial assets at fair value through profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the company has the intention and ability to held to the maturity, fixed or determinable payment plan, fixed-term debt instruments. Financial assets measured at amortized cost are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Financial Assets at Fair Value Through Other Comprehensive Income

The Company has equity investments and debt securities quoted on an active market and investments in fair values are classified as financial assets carried at fair value through other comprehensive income. The Company has equity instruments that are not traded and not quoted in an active market whose fair value differences are reflected in other comprehensive income and are measured at cost, since their fair value cannot be measured reliably.

Gains and losses arising from changes in the fair value impairment loss recognized in the income statement, interest and monetary assets and interest and monetary assets calculated using the effective interest method are recognized in other comprehensive income and the financial assets are accumulated in the fund of revaluation. In the event that the investment is disposed of or is impaired, the total profit / loss accumulated in the revaluation fund of financial assets is classified in the income statement.

Dividends on equity instruments recognized at fair value through other comprehensive income are recognized in income statement when the Company's right to receive payment is established.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Factoring Receivables and Other Receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

In accordance with the “TFRS 9-Financial Instruments, the Company recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income or financial assets measured at amortized cost.

Under TFRS 9, the expected credit loss and specific provision is calculated according to the “three-stage” impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with TFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument’s lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is reclassified as stage 2.

Stage 3

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

Cash and Cash Equivalents

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

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

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

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. The change in fair value is accounted under the statement of profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to net present value of financial liabilities.

g. Derivative Financial Instruments

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its financial risks associated with foreign currency and interest rate fluctuations in relation to forecasted currency and loan transactions. In addition, the FC-TL direction foreign currency swap transactions are chosen due to its cost of advantage and are used to create foreign currency financing. TL is obtained from the banks as loan which is then converted into foreign currency by swap transactions and the interest paid is shown under finance expense in the financial statements of the Company.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
USD	29,4382	18,6983
EUR	32,5739	19,9349
GBP	37,4417	22,4892
AUD	20,0213	12,6670

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In preparation of the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

i. Earnings per Share

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

j. Events after the Reporting Period

Events after the reporting period means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 “Events After the Reporting Date”; post-balance sheet events that provide additional information about the Company’s position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

k. Provisions, Contingent Liabilities and Contingent Assets

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

Contingent assets are disclosed in the notes and not recognized unless they are realized.

l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The company operates leases within the scope of TFRS 16 “Leases” standard. Within the framework of the standard, operating leases are subordinated to financial leases. Financial statements for contracts within the scope of TFRS 16. Right-of-use assets and lease liabilities are reflected, respectively, as “Tangible Fixed Intangibles Assets” and “Liabilities from Lease Transactions” followed by a similar method. Rental liability, the alternative on the date of initial application or contract of future lease payments. It is calculated by discounting using borrowing interest rates. Fixed assets accounted for as assets are depreciated over the contract period are subject to interest expenses and foreign exchange differences on lease liabilities, profit or loss associated with the table.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

n. Taxes on Income

Income tax expense consists of the sum of current tax and deferred tax expense.

Current Tax

The tax liability for the current year is calculated on the taxable portion of the profit for the period. Taxable profit differs from the profit or loss stated in the profit or loss statement because it excludes items of income or expenses that are taxable or deductible in other years and items that cannot be taxed or deducted. The Company's current tax liability is calculated using the legalized or substantially legalized tax rate as of the balance sheet date.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company calculates and accounts for deferred tax in accordance with TAS 12 “Income Taxes” for the temporary differences between the applied accounting policies and valuation principles and the tax base value determined in accordance with the tax legislation.

Deferred taxes on assets directly related to equity are associated with the equity account group and netted off with the related accounts in this group.

o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 “Employee Benefits”, the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
Discount rate	3,28%	2,21%
Expected rate of salary/limit increase	19,65%	19,80%
Probability of retirement	100,00%	100,00%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TL 23.489,83 effective from 31 December 2023 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2022: full TL 15.371,40).

p. Statement of Cash Flows

In the statement of cash flows, cash flows are reported as classifying according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. Related Parties

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

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 8).

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Demand Deposits	398.271	40.218	165.443	6.493
	398.271	40.218	165.443	6.493

As at 31 December 2023, GBP 875 , USD 186 , EUR 59, CNY 5, AUD 2, total TL 40.218 portion of total foreign currency deposits (31 December 2022: EUR 9,USD 102, GBP 194, CNY 5, AUD 2, total TL 6.493) and TL 398.271 portion of total TL deposits (31 December 2022: TL 165.443) consist of accounts at the Company’s ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
Demand deposits		438.489		171.936
Cash and cash equivalents		438.489		171.936

As at 31 December 2023 and 31 December 2022, there is no blockage on cash and cash equivalent.

5. FINANCIAL ASSETS WITH FAIR VALUE DIFFERENCE REFLECTED IN PROFIT/LOSS

As of 31 December 2023 and 31 December 2022, the details of the Company's financial assets at fair value through profit/loss are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Other Financial Assets for Trading Purposes	24.328	-	-	-
	24.328	-	-	-

6. DERIVATIVE FINANCIAL ASSETS

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2023 and 31 December 2022, details of derivative financial assets and derivative financial liabilities are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Financial Assets from Swap Transactions	-	-	1.339	-
	-	-	1.339	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

7. FINANCIAL ASSETS at FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2023 and 31 December 2022, details of financial assets at fair value through other comprehensive income (Formerly known as ‘Financial assets available for sale’):

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				31 December 2023	31 December 2022	31 December 2023	31 December 2022
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul		2,43	2,43	1.110.463	540.376
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul		0,06	0,06	29	29
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul		2,86	2,86	3.714	3.714
TOTAL						1.114.206	544.119

Movement table of financial assets at fair value through other comprehensive income is as follows:

	31 December 2023	31 December 2022
Opening balance at 1 January 2023	544.119	202.445
Free shares	27.851	-
Purchases	-	-
Sales	-	-
Revaluation increase	542.236	341.674
Correction for past years	1.114.206	544.119

8. FACTORING RECEIVABLES AND PAYABLES

8.1. Factoring Receivables

As of 31 December 2023 and 31 December 2022, the rating of factoring receivables is as follows:

	31 December 2023	31 December 2022
Import and domestic factoring receivables	20.822.501	14.211.008
Export factoring receivables	1.740.262	1.507.527
Factoring interest income accruals	321.341	171.946
Unearned interest income (-)	(728.867)	(258.757)
Expected Credit Loss - Stage 1 (*)	(112.500)	(127.179)
Expected Credit Loss - Stage 2	(56.510)	(45.871)
Total factoring receivables	21.986.227	15.458.674
Non-performing factoring receivables	336.848	276.933
Expected Credit Loss- Stage 3	(232.908)	(205.337)
Factoring receivables, net	22.090.167	15.530.270

(*) It also includes the expected loss provisions of TL 1,977 (December 31, 2022: TL 688) allocated for financial assets.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

8. FACTORING RECEIVABLES AND PAYABLES (Continued)**8.1. Factoring Receivables (Continued)**

As of 31 December 2023, the rating of factoring receivables is as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Total portfolio	21.899.753	255.484	336.848	22.492.085
Very good	10.333.636	-	-	10.333.636
Standard	11.566.117	-	-	11.566.117
Substandard	-	255.484	336.848	592.332
Expected credit losses (*)	(112.500)	(56.510)	(232.908)	(401.918)
Factoring receivables, net	21.787.253	198.974	103.940	22.090.167

(*) It also includes the expected loss provisions of TL 1,977 allocated for financial assets.

	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	438.489	-	-	(19.777)	-	-
Factoring receivables	21.899.753	255.484	336.848	(110.523)	(56.510)	(232.908)

As of 31 December 2022, the rating of factoring receivables is as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Total portfolio	15.374.734	256.990	276.933	15.908.657
Very good	5.658.359	-	-	5.658.359
Standard	9.716.375	-	-	9.716.375
Substandard	-	256.990	276.933	533.923
Expected credit losses(*)	(127.179)	(45.871)	(205.337)	(378.387)
Factoring receivables, net	15.247.555	211.119	71.596	15.530.270

(*)It also includes the expected loss provisions of TL 688 allocated for financial assets.

	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	171.936	-	-	(688)	-	-
Factoring receivables	15.374.734	256.990	276.933	(126.491)	(45.871)	(205.337)

As at 31 December 2023, TL 568.865, EUR 24.757, USD 10.286 and GBP 2.922 of factoring receivables have variable rates (31 December 2022: TL 1.594.178, EUR 35.889, USD 15.642 and GBP 2.457) while TL 18.263.351, EUR 15.914, USD 51.723, GBP 7 of factoring receivables have fixed rates (31 December 2022: TL 11.754.589, EUR 18.568, USD 40.037, GBP 10).

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

8. FACTORING RECEIVABLES AND PAYABLES (Continued)

8.1. Factoring Receivables (Continued)

As at 31 December 2023, the average interest rate applicable for the factoring receivables is; 44,99% for TL, 11,60% for USD, 8,37% for EUR and 9,33% for GBP (31 December 2022: 24,49% for TL, 11,56% for USD, 6,49% for Euro and 7,98% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

The details of the factoring receivables based on types of factoring transactions are as follows:

As of the balance sheet date, the Company does not have any restructured factoring receivables balance, that may be overdue or doubtful if it is not restructured (31 December 2022: None). The company has an overdue factoring receivable of TL 2.301 (31 December 2022: 10.497 TL).

The aging of non-performing factoring receivables is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Between 0-90 days	19.298	1.278
Between 90-180 days	32	79.842
Between 180-360 days	2.973	1.089
Over 360 days	314.545	194.724
	<u>336.848</u>	<u>276.933</u>

The Company has contract bail, collateral bonds, securities and real estate retort as collateral for the factoring receivables in the follow-up above.

The transaction statement for the expected loss allocated for factoring receivables and financial assets is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Allowance at the beginning of the period	(378.387)	(242.934)
Provision reversed during the period	(179.816)	(178.438)
Collections	166.133	50.896
Write-Off (*)	16.613	32
Exchange Difference Income/Expense	(26.462)	(7.943)
Allowance at the end of the period(**)	<u>(401.918)</u>	<u>(378.387)</u>

(*)A receivable portfolio of TL 18,434, which was reserved for TL 16,613 among the non-performing factoring receivables on March 31, 2023 and December 28, 2023 was sold to an asset management company with a sale price of TL 1,933.

(**)It also includes the expected loss provisions of TL 1,977 (December 31, 2022: TL 688) allocated for financial assets.

İŞ FAKTORİNG ANONİM ŞİRKETİNOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

8 FACTORING RECEIVABLES AND PAYABLES (Continued)**8.1. Factoring Receivables (Continued)**

As of December 31, 2023, factoring receivables of standard quality and under close monitoring, as well as the payment schedule regarding the factoring receivables under close monitoring, for which the contract for the extension of the contract has been changed informations:

	Standard Qualifying Loans	Close Monitoring Loans
12-Month Expected Loss Provision	110.523	-
Significant Increase in Credit Risk	-	56.510

	Standard Qualifying Loans	Close Monitoring Loans
For Extension of Payment Plan Number of Contract Change	-	142.655
Extended 1 or 2 Times	-	142.655
Extended 3, 4 or 5 Times	-	-
Extended Over 5 Times	-	-

	Standard Qualifying Loans	Close Monitoring Loans
Extended Period with Payment Plan Change	-	142.655
0-6 Month	-	-
6-12 Month	-	142.655
1-2 Year	-	-
2-5 Year	-	-
5 Year and Over	-	-

As of 31 December 2022, factoring receivables of standard quality and under close monitoring and payment schedule information on factoring receivables under close monitoring, for which contract modifications have been made for the extension of the contract:

	Standard Qualifying Loans	Close Monitoring Loans
12-Month Expected Loss Provision	126.491	-
Significant Increase in Credit Risk	-	45.871

	Standard Qualifying Loans	Close Monitoring Loans
For Extension of Payment Plan Number of Contract Change	-	185.599
Extended 1 or 2 Times	-	99
Extended 3, 4 or 5 Times	-	185.500
Extended Over 5 Times	-	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

8. FACTORING RECEIVABLES AND PAYABLES (Continued)

8.1. Factoring Receivables (Continued)

	<u>Standard Qualifying Loans</u>	<u>Close Monitoring Loans</u>
Extended Period with Payment Plan Change	-	185.599
0-6 Month	-	99
6-12 Month	-	-
1-2 Year	-	-
2-5 Year	-	185.500
5 Year and Over	-	-

7.2 Factoring Payables:

As at 31 December 2023 and 31 December 2022, details of factoring payables are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Factoring payables	1.636	11.125	6.999	7.288
	1.636	11.125	6.999	7.288

9. RELATED PARTIES

As of 31 December 2023 and 31 December 2022, the details of assets related to related parties are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Banks</u>		
Türkiye İş Bankası A.Ş. Demand Deposit	33.940	15.808
İşbank AG Demand Deposit	106	18
	34.046	15.826

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Factoring receivables</u>		
Bayek Tedavi Sağlık Hizm. İşlt. A.Ş.	190.792	40.075
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	20.999	2.090
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	-	9.216
	211.791	51.381

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Other Payables</u>		
İş Net Elektronik Bilgi Üretim Dağ Tic.ve İlet.Hiz. A.Ş.	1.272	106
Bayek Tedavi Sağlık Hizm. İşlt. A.Ş.	430	-
İş Merkezleri Yönetim ve İşletim A.Ş.	153	182
SoftTech Yazılım Teknolojileri Ar.Gel.ve Paz.Tic. A.Ş.	143	670
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	59	-
Türkiye İş Bankası A.Ş.	56	67
Anadolu Hayat Sigorta A.Ş.	41	-
Anadolu Anonim Türk Sigorta A.Ş.	24	-
	2.178	1.025

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

9. RELATED PARTY DISCLOSURES (Continued)

Borrowings

As at 31 December 2023 and 31 December 2022, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2023
TL	38,00-48,00	04/01/2024-12/06/2024	5.279.157
USD	6,00-10,10	02/01/2024-08/04/2024	954.504
EUR	4,50	02/01/2024	176.620
			6.410.281

Türkiye Sınai Kalkınma Bankası A.Ş.

There is no borrowing from Türkiye Sınai Kalkınma Bankası A.Ş.as of December 31, 2023.

9. RELATED PARTY DISCLOSURES (Continued)

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2022
TL	13,45-19,32	02.01.2023 – 15.12.2023	3.658.311
USD	5,50-9,60	02.01.2023 – 29.05.2023	563.587
EUR	3,25-5,50	02.01.2023 – 11.01.2023	178.181
			4.400.079

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31-Dec-22
USD	6,41	04.08.2023	96.115
			96.115

İşbank A.G.

Currency	Interest Rate %	Maturity	31-Dec-22
EUR	3	13.01.2023 – 20.01.2023	69.828
			69.828

For the periods ended 31 December 2023 and 31 December 2022, leasing transacitons with related parties are as follows:

	31 December 2023	31 December 2022
<u>Leasing Payables</u>		
Türkiye İş Bankası A.Ş.	19	11
	19	11

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

9. RELATED PARTY DISCLOSURES (Continued)

The details of income and expenses from related parties for the accounting periods ending on 31 December 2023 and 31 December 2022 are as follows:

Factoring Interest Income

	<u>31 December 2023</u>	<u>31 December 2022</u>
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	18.316	2.263
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	2.135	1.277
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	407	324
	<u>20.858</u>	<u>3.864</u>

Factoring Commission & Cost Income

	<u>31 December 2023</u>	<u>31 December 2022</u>
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	848	121
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	422	51
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	33	37
	<u>1.303</u>	<u>209</u>

Interest Income on Securities

	<u>31 December 2023</u>	<u>31 December 2022</u>
Türkiye İş Bankası A.Ş.	844	139
	<u>844</u>	<u>139</u>

Dividend Income

	<u>31 December 2023</u>	<u>31 December 2022</u>
İş Yatırım Menkul Değerler A.Ş.	18.365	9.729
Yatırım Finansman Menkul Değerler A.Ş	-	4
	<u>18.365</u>	<u>9.733</u>

Factoring Commission & Cost Expenses

	<u>31 December 2023</u>	<u>31 December 2022</u>
Türkiye İş Bankası A.Ş.	42.687	10.102
İş Yatırım Menkul Değerler A.Ş.	5.698	4.817
İşbank AG	5	9
	<u>48.167</u>	<u>14.928</u>

Financial Expenses

	<u>31 December 2023</u>	<u>31 December 2022</u>
Türkiye İş Bankası A.Ş.	959.720	289.828
Türkiye Sınai Kalkınma Bankası A.Ş.	3.522	5.712
İşbank AG	106	986
	<u>963.348</u>	<u>296.526</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

9. RELATED PARTY DISCLOSURES (Continued)

Interest Paid on Securities

	<u>31 December 2023</u>	<u>31 December 2022</u>
Milli Reasürans	-	14.237
Anadolu Sigorta	-	850
İş Yatırım Menkul Değerler A.Ş.	-	46
Anadolu Sigorta	-	-
Türkiye İş Bankası	-	15.133
	-	14.237

Administrative Expenses

	<u>31 December 2023</u>	<u>31 December 2022</u>
Anadolu Anonim Türk Sigorta A.Ş.	4.298	1.465
İş Merkezleri Yönetim ve İşletim A.Ş.	3.310	2.113
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	3.138	1.231
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve PazarlamaTicaret A.Ş.	1.439	109
Türkiye İş Bankası A.Ş.	151	88
Anadolu Hayat Emeklilik A.Ş.	85	41
Paşabahçe Mağazaları A.Ş.	-	19
	12.421	5.066

Rent Expenses (*)

	<u>31 December 2023</u>	<u>31 December 2022</u>
Türkiye İş Bankası A.Ş.	4.827	2.931
	4.827	2.931

(*) It is given as the total amount of depreciation and financing expenses allocated for rent within the scope of TFRS 16 standard.

Benefits for Board Members

In the period ending on December 31, 2023, the sum of the wages and other benefits (including monetary rights such as wages as well as car rental and other expense items) obtained by the senior vacancies of the general manager, assistant general managers and members of the board of directors is 26.158 TL (1 January – 31 December 2022: 12.530 TL).

İŞ FAKTORİNG ANONİM ŞİRKETİNOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

10. TANGIBLE ASSETS

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Right-of-use assets</u>	<u>Special Costs</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2023	183	4.440	5.047	1.299	10.969
Additions	-	367	7.203	-	7.570
Disposals	<u>(183)</u>	<u>(333)</u>	<u>(1.415)</u>	<u>-</u>	<u>(1.931)</u>
Closing balance at 31 December 2023	<u>-</u>	<u>4.474</u>	<u>10.835</u>	<u>1.299</u>	<u>16.608</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2023	(147)	(2.760)	(1.810)	(644)	(5.361)
Depreciation for the year	(6)	(493)	(7.013)	(173)	(7.685)
Disposals	<u>153</u>	<u>331</u>	<u>1.415</u>	<u>-</u>	<u>1.898</u>
Closing balance at 31 December 2023	<u>-</u>	<u>(2.922)</u>	<u>(7.408)</u>	<u>(817)</u>	<u>(11.147)</u>
Net Carrying amount at 31 December 2023	<u>-</u>	<u>1.552</u>	<u>3.427</u>	<u>482</u>	<u>5.461</u>
	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Right-of-use assets (*)</u>	<u>Special Costs</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2022	183	3.669	7.943	1.063	12.858
Additions	-	805	6.449	236	7.490
Disposals	<u>-</u>	<u>(34)</u>	<u>(9.345)</u>	<u>-</u>	<u>(9.379)</u>
Closing balance at 31 December 2022	<u>183</u>	<u>4.440</u>	<u>5.047</u>	<u>1.299</u>	<u>10.969</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2022	(53)	(2.293)	(7.185)	(463)	(9.994)
Depreciation for the year	(94)	(501)	(3.965)	(181)	(4.741)
Disposals	<u>-</u>	<u>34</u>	<u>9.340</u>	<u>-</u>	<u>9.374</u>
Closing balance at 31 December 2022	<u>(147)</u>	<u>(2.760)</u>	<u>(1.810)</u>	<u>(644)</u>	<u>(5.361)</u>
Net Carrying amount at 31 December 2022	<u>36</u>	<u>1.680</u>	<u>3.237</u>	<u>655</u>	<u>5.608</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

11. INTANGIBLE ASSETS

<u>Cost</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Opening balance at 1 January	13.814	6.115
Additions	14.426	7.699
Disposals	-	-
Closing balance at the end of the period	28.240	13.814
<u>Accumulated amortization</u>		
Opening balance at 1 January	(4.091)	(2.682)
Charge for year	(3.371)	(1.409)
Disposals	-	-
Closing balance at the end of the period	(7.462)	(4.091)
Net Carrying amount	20.778	9.723

12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is calculated using the liability method on the basis of the temporary differences between the recorded values of assets and liabilities in the financial statements and their tax values. In the calculation of deferred tax, the tax rates valid as of the date of the statement of financial position in accordance with the current tax legislation are used. Due to the change of the corporate tax rate to 30% for corporate earnings in 2023; a tax rate of 30% was used in the deferred tax calculation as of December 31, 2023. (December 31, 2022: 25%).

As of December 31, 2023 and December 31, 2022, the breakdown of deferred tax assets and liabilities calculated on temporary differences using the applicable tax rates is as follows:

<u>Temporary time differences subject to deferred tax:</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Unearned interest income	728.867	258.757
Expected loss provision- Stage 1 and 2	169.011	173.050
Financial Instruments Valuation Difference	42.303	16.723
Cash collected commission income and expense	24.441	12.178
Employee bonus accrual	13.393	5.753
Reserve for employee benefits	5.871	4.233
Unused vacation provision	4.852	2.323
Payables from Rental Transactions	3.775	3.444
Swap Transaction	-	(1.339)
Differences in Loans Taken/Prepaid Commission Expenses Issued	(9.443)	(13.811)
Tax base differences in tangible and intangible assets	(10.556)	(9.188)
Valuation differences of monetary items in foreign currency	(886.424)	-
	86.090	452.123

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

12. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets / (liabilities)	31 December 2023	31 December 2022
Unearned interest income	218.660	64.689
Expected loss provision- Stage 1 and 2	50.703	43.263
Financial Instrument Valuation Differences	12.691	4.181
Employee bonus accrual	7.332	3.044
Cash collected commission income and expense	4.018	1.438
Reserve for employee benefits	1.761	1.058
Payables from Rental Transactions	1.456	581
Unused vacation provision	1.133	862
Valuation differences of monetary items in foreign currency	-	(335)
Obtained Credits Issued Cash Payments Comm.Gif Differences	(2.833)	(3.453)
Tax base differences in tangible and intangible assets	(3.167)	(2.297)
Swap Transaction	(66.482)	-
Deferred tax assets (net)	225.272	113.031

Movements of deferred tax assets movement for the years ended 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Opening balance at 1 January	113.031	31.034
Deferred tax benefit / (expense)	178.538	81.604
Classified under other comprehensive income	(66.297)	393
Closing balance	225.272	113.031

13. OTHER ASSETS

As at 31 December 2023 and 31 December 2022, details of prepaid expenses are as follows:

	31 December 2023		31 December 2023	
	TL	FC	TL	FC
BSMV Amount to be Collected from Customers	62.530	280	28.294	553
Prepaid expenses	21.547	-	18.324	-
Other Receivables	1.249	1.070	1.613	4.330
	85.326	1.350	48.231	4.883

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

14. FUNDS BORROWED

As at 31 December 2023 and 31 December 2022, details of funds borrowed are as presented:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Short-term borrowings	15.386.600	2.975.817	11.233.609	1.832.260
Total short-term borrowings	15.386.600	2.975.817	11.233.609	1.832.260
Long-term borrowings	-	-	35.412	93.491
Total long-term borrowings	-	-	35.412	93.491
Total	15.386.600	2.975.817	11.269.021	1.925.751

As at 31 December 2023 and 31 December 2022, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount(thousands)	31 December 2023
TL	30,00-53,50		14.683.150
USD	6,00-11,50	55.581	1.636.196
EUR	4,50-7,25	36.525	1.189.754
GBP	6,97-7,69	3.412	127.744
Loan interest accrual			725.573
Total			18.362.417

Currency	Interest rate %	Original currency amount(thousands)	31 December 2022
TL	12,00-19,32		11.135.779
USD	5,50-9,60	45.654	853.648
EUR	2,05-5,50	50.186	1.000.451
GBP	4,62-5,58	2.598	58.421
Loan interest accrual			146.473
Total			13.194.772

As at 31 December 2023 and 31 December 2022, interest rates of funds borrowed are expressed in simple rates.

As at 31 December 2023, fixed interest funds borrowed are TL 15.124.452 and floating interest funds borrowed are TL3.237.965. (As at 31 December 2022, fixed interest funds borrowed are TL 11.918.608 and floating interest funds borrowed are TL 1.276.164).

As of 31 December 2023, letters of guarantee amounting to TL 5.685.146 for the funds borrowed amounting to TL 6.036.765. (As of 31 December 2022, letters of guarantee amounting to TL 2.502.091 for the funds borrowed amounting to TL 2.500.000).

Fair values of the funds borrowed are presented in Note 36.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

15. PAYABLES FROM LEASING TRANSACTIONS

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Payables from leasing transactions	4.548	-	4.313	-
Deferred leasing expenses	(773)	-	(869)	-
	3.775	-	3.444	-

16. DEBT SECURITIES ISSUED

As at 31 December 2023 and 31 December 2022, the details of debt securities issued are as followed:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Debt securities issued(Net)	2.230.115	-	1.663.910	-
	2.230.115	-	1.663.910	-

The features of the financial bills redeemed by the Company as of January 1 - December 31, 2023 are as follows:

31 December 2023

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA52316	13/01/2023	508.810	15/05/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	22,00%
TRFISFA12419	11/09/2023	150.000	09/01/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	35,25%
TRFISFA12427	14/09/2023	120.000	04/01/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	37,00%
TRFISFA12435	15/09/2023	300.000	03/01/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	38,00%
TRFISFAK2315	19/09/2023	270.000	16/11/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	37,00%
TRFISFA12443	26/09/2023	700.000	05/01/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	39,50%
TRFISFA32425	28/09/2023	100.000	26/03/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	41,00%
TRFISFA32433	19/10/2023	350.000	18/03/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	40,00%
TRFISFA22418	29/12/2023	586.000	27/02/2024	Nitelikli Yatırımcı	Vade sonu ödemeli	44,50%

The features of the financial bills redeemed by the Company as of January 1 - December 31, 2023 are as follows:

31 December 2023

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA12310	15/09/2022	300.000	13/01/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	21,66%
TRFISFA42317	12/12/2022	420.000	11/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	24,24%
TRFISFA42325	19/12/2022	400.300	18/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	23,67%
TRFISFA42333	23/12/2022	300.390	24/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	23,94%
TRFISFA32326	27/12/2022	328.500	27/03/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	23,89%
TRFISFA52316	13/01/2023	508.810	15/05/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	23,65%
TRFISFAK2315	19/09/2023	270.000	16/11/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	43,27%

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

16. DEBT SECURITIES ISSUED (Continued)

The features of the financial bills redeemed by the Company as of January 1 - December 31, 2022 are as follows:

31 December 2022

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA12310	15/09/2022	300.000	13/01/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	20,25%
TRFISFA42317	12/12/2022	420.000	11/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	22,50%
TRFISFA42325	19/12/2022	400.300	18/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	22,00%
TRFISFA42333	23/12/2022	300.390	24/04/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	22,25%
TRFISFA32326	27/12/2022	328.500	27/03/2023	Nitelikli Yatırımcı	Vade sonu ödemeli	22,00%

The features of the financial bills redeemed by the Company as of January 1 - December 31, 2022 are as follows:

31 December 2022

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Simple Interest Rate%</u>
TRFISFA22210	22/10/2021	527.820	21/02/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	18,00%
TRFISFA32219	23/12/2021	57.600	21/03/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	20,50%
TRFISFA72215	21/02/2022	400.000	01/07/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	18,15%
TRFISFA82214	03/03/2022	164.000	02/08/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	18,50%
TRFISFA62216	21/03/2022	223.620	21/06/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	18,35%
TRFISFA72223	07/04/2022	139.000	06/07/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	18,30%
TRFISFA92213	21/06/2022	450.000	19/09/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	25,00%
TRFISFAA2218	19/09/2022	523.800	19/12/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	20,50%
TRFISFAK2216	02/08/2022	435.000	04/11/2022	Nitelikli Yatırımcı	Vade sonu ödemeli	25,50%

17. OTHER LIABILITIES

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Interest Fees and Commissions Collected in Advance	18.982	5.088	7.824	4.220
BSMV to be paid	43.865	-	11.449	-
SSI Premiums to be paid	4.412	-	2.219	-
Debts to Vendors	2.371	3.214	2.904	2.334
Income Tax Payable	1.791	-	983	-
Other Taxes and Obligations to be Paid	79	-	32	-
VAT payable	55	-	8	-
Other Foreign Sources	80	29	41	18
Interest Fees and Commissions Collected in Advance	71.635	8.331	25.460	6.572

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

18. EMPLOYEE BENEFITS

As of December 31, 2023 and December 31, 2022, the provision for employee rights obligations is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Employee bonus provision	13.393	5.754
Reserve for employee severance indemnity	5.871	4.233
Vacation pay liability	4.852	2.323
	<u>24.116</u>	<u>12.310</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

As the retirement pay ceiling is revised semi annually, the ceiling amount of TL full 23.489,83 effective from 31 December 2023 has been taken into consideration in calculation of provision for employee termination benefits (31 December 2022: 15.371,40 TL full).

For the accounting periods ending December 31, 2023 and December 31, 2022, the movement for severance pay is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the period	4.233	1.890
Actuarial difference	244	1.481
Service Cost	955	733
Interest Cost	998	424
Severance payment made	(559)	(295)
Balance at the end of the period	<u>5.871</u>	<u>4.233</u>

Actuarial gains or losses are recognized in other comprehensive income.

The movements of the vacation pay liability during the periods ended 31 December 2023 and 31 December 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the period	2.323	1.179
Provision set during the period (net)	2.529	1.144
Balance at the end of the period	<u>4.852</u>	<u>2.323</u>

The movements of the employee bonus provision during the periods ended 31 December 2023 and 31 December 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the period	5.754	3.028
Increase during the period	13.393	5.754
Paid employee bonus during during the period	(5.754)	(3.028)
Balance at the end of the period	<u>13.393</u>	<u>5.754</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

19. OTHER PROVISIONS

Other provisions for the accounting periods ending on 31 December 2023 and 31 December 2022 are as follows like this:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Other provisions	10.000	10.000
	10.000	10.000

20. CURRENT TAX LIABILITY

As at 31 December 2023 and 31 December 2022, details of current tax liability are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Provision for corporate taxes	632.688	219.701
Prepaid Taxes	(434.388)	(141.774)
Current tax liability	198.300	77.927

21. PAID-IN CAPITAL AND CAPITAL RESERVES

The nominal capital of the Company as of 31 December 2023 is TL 150.000 and consists of 15.000.000.000 shares of 1 fully paid in kurus.

With the General Assembly Decision taken on March 27, 2023, the Company will set aside TL 9.817 as general legal reserves, calculated over TL 445.386, which is the sum of net profit for the period of 2022 and the previous year's loss, and the remaining TL 435.569. It was decided to reserve TL as extraordinary reserve.

As at 31 December 2023 and 31 December 2022, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2023</u>	<u>(%)</u>	<u>31 December 2022</u>
İş Finansal Kiralama A.Ş.	78,2311	117.346,89	78,2311	117.346,89
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	32.625,00	21,7500	32.625,00
Trakya Yatırım Holding A.Ş.	0,0063	9,37	0,0063	9,37
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	9,37	0,0063	9,37
İş Merkezleri Yönetim ve İşletim A.Ş.	0,0063	9,37	0,0063	9,37
Total	100,0000	150.000,00	100,0000	150.000,00

The company does not have privileged shares representing the capital.

Capital Reserves

As at 31 December 2023 and 31 December 2022, details of capital reserves are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and Jointly controlled entities	989	989
Total	5.053	5.053

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

21. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Gain/(Loss) on Remeasurement of Defined Benefit Plans

After the accumulated actuarial loss calculated as of December 31, 2023 regarding the severance pay obligation was netted with the relevant deferred tax, the defined benefit plans were reported as TL (1,738) under the remeasurement loss (December 31, 2022: (1,678)TL).

As of December 31, 2023, the difference between the fair value difference of financial assets reflected in other comprehensive income and the cost of acquisition for capital instruments is netted with the deferred tax effect of TL 1,036,864, and the difference is shown as a separate item in the equity (December 31, 2022: TL 533,259).

22. PROFIT RESERVES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Legal reserves	30.183	20.366
Extraordinary reserves	703.641	268.072
Total	<u>733.824</u>	<u>288.438</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 20% per annum, until the total reserve reaches 5% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

23. COMMITMENTS AND CONTINGENCIES

As at 31 December 2023 and 31 December 2022, the details of guarantees taken by the Company are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	TL	FC	TL	FC
Guarantee and Sureties	52.636.944	85.431.853	37.227.764	50.720.373
Finance Note	25.906.912	19.441.092	20.098.983	12.090.161
Guarantees Given by Reporters	-	11.790.263	-	8.490.374
Real estate pledge	62.310	-	33.510	-
Securities Pledge	43.862	2.268	32.917	1.388
	<u>78.650.028</u>	<u>116.665.46</u>	<u>57.393.174</u>	<u>71.302.296</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

23. COMMITMENTS AND CONTINGENCIES (Continued)

As of December 31, 2023, there is a letter of guarantee of 2.47 TL given to the courts by the Company and a letter of guarantee of TL 6.036.765 for loans received (December 31, 2022: Letter of guarantee of TL 2.789 for court expenses and TL 2.500.000 for loans received).

As of the end of the reporting period, there is no guarantee given by the Company to secure the debts of third parties (31 December 2022: None).

As of December 31, 2023, the Company has no derivative transactions.

As at 31 December 2022, the details of derivative instruments of the Company are as follows:

	31 December 2022	
	FC	TL
Swap Purchase Transactions:		
TL	-	99.710
	-	99.710
Swap Sale Transactions:		
USD	5.000	-
	5.000	-

As of December 31, 2023, there are no transactions consisting of changes in the fair value of existing derivative contracts and associated with profit or loss (December 31, 2022: TL 1.791).

31 December 2023 and 31 December 2022, the details of the Company’s items held in custody are as follows:

	31 December 2023		31 December 2022	
	TL	FC	TL	FC
Cheques	3.540.333	52.604	2.776.892	45.842
Notes	119.177	382.278	127.868	241.614
	3.659.510	434.882	2.904.760	287.456

24. SEGMENT REPORTING

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

25. OPERATING INCOME

For the years ended 31 December 2023 and 31 December 2022, details of operating income are as follows:

	31 December 2023	31 December 2022
Interest income from factoring receivables	4.277.748	1.691.251
Fee and commission from factoring receivables	902.847	104.889
	5.180.595	1.796.140

26. FINANCIAL EXPENSE

For the years ended 31 December 2023 and 31 December 2022, details of finance expenses are as follows:

	31 December 2023	31 December 2022
Interest Expense	(2.783.567)	(863.023)
Interest Expense on Debt Securities Issued	(487.776)	(65.686)
Fees and Commission Expenses	(293.304)	(172.336)
Interest Expenses Related to Leasing Transactions	(1.237)	(736)
	(3.565.884)	(1.101.781)

27. OPERATING EXPENSES

For the years ended 31 December 2023 and 31 December 2022, details of operating expenses are as follows:

	31 December 2023	31 December 2022
Personal Expenses	(130.255)	(61.233)
Depreciation and Amortization Expenses	(11.056)	(6.150)
Information Processing Expenses	(8.153)	(3.054)
Tax Duties Expenses	(5.374)	(2.499)
Office Expenses	(4.060)	(2.526)
Vacation Provision Expense	(2.529)	(1.144)
Outsourced Services	(2.092)	(1.435)
Severance Pay Expense	(1.953)	(1.157)
Vehicle Expenses	(1.523)	(1.047)
Advertising Expenses	(1.473)	(336)
Consultancy Expenses	(1.297)	(630)
Communication Expenses	(478)	(271)
Subscription and Dues Expenses	(277)	(182)
Insurance Expenses	(257)	(173)
Transportation and Travel Expenses	(252)	(278)
Notary and Registration Expense	(234)	(92)
Case Pursuit Expense	(99)	(68)
Repair Expenses	(71)	(126)
Leasing Expenses	(67)	(45)
Other General Administrative Expenses (*)	(5.509)	(401)
	(177.009)	(82.847)

(*) Other General Administrative Expenses include a donation item of 5,025 thousand TL made due to the earthquake disaster that occurred in our country on February 6, 2023.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

28. OTHER OPERATING INCOME

For the years ended 31 December 2023 and 31 December 2022, details of other operating income are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Exchange Difference Income	2.097.770	898.114
Cancellation of Expected Loss Provision	182.746	50.928
Dividend Income	18.365	9.733
Interest Income Received from Banks	9.506	-
Profit from Derivative Financial Transactions	7.261	27.115
Capital Market Transactions Profit	844	139
Income from the Sale of Our Assets	145	-
Other	64.046	18.808
	<u>2.380.683</u>	<u>1.004.837</u>

29. EXPECTED CREDIT LOSS

For the years ended 31 December 2023 and 31 December 2022, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Stage 1	(86.497)	(104.107)
Stage 2	(52.425)	(51.675)
Stage 3	(40.894)	(22.656)
	<u>(179.816)</u>	<u>(178.438)</u>

30. OTHER OPERATING EXPENSES

For the years ended 31 December 2023 and 31 December 2022, details of other operating expenses are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Foreign exchange losses	(2.006.082)	(854.355)
Losses from derivative financial transactions	-	-
Other	(18.442)	(73)
	<u>(2.024.524)</u>	<u>(854.428)</u>

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

31. TAXATION

For the years ended 31 December 2023 and 31 December 2022, details of income tax expense are as follows:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
Current tax charge		(632.659)		(219.701)
Deferred tax income / (expense)		178.538		81.604
		<u>(454.121)</u>		<u>(138.097)</u>

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>%</u>		<u>%</u>	
Reported Pre-Tax Profit/Loss		1.614.045		583.483
Tax Calculated on Reported Profit	30,00	(484.214)	25,00	(145.871)
Permanent Differences:				
-Expenses Not Accepted by Law		(218)		(157)
-Tax-Exempt Income		5.556		2.433
-Tax Rate Change Effect		24.726		2.955
-Corporate Tax Previous Year Provision Cancellation(*)		29		-
-Other		-		2.543
Total Tax Income/Expense	28,14	(454.121)	23,67	(138.097)

(*) It refers to the decrease in the amount of Corporate Tax payment for 2022 after the revaluation of fixed assets.

Corporate Income Tax

While corporate earnings in Turkey are subject to corporate tax at a rate of 20%; No. 7456 "6/2/2023 Additional Motor for Compensation for Economic Losses Caused by Earthquakes That Occurred in History Pursuant to the regulation introduced by the Law on the Introduction of Vehicle Tax and the Amendment of Certain Laws and the Decree Law No. 375", this rate is 25%, and 30% to be applied to the corporate earnings of banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies for the taxation period of 2023 and later has been determined.

This rate is applied to the tax base to be found as a result of adding expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations, deducting exemptions (such as the exemption of participation earnings) and other deductions in the tax laws. If the profit is not distributed, no other tax is paid.

No withholding tax is made on dividends paid to institutions that generate income through a workplace or permanent representative in Turkey and to institutions residing in Turkey. With the decision of the Council of Ministers numbered 2009/14593 published in the Official Gazette dated February 3, 2009 and numbered 27130 and the decision of the Council of Ministers numbered 2009/14594 published in the Official Gazette dated February 3, 2009 and numbered 27130, some withholding rates in Articles 15 and 30 of the Corporate Tax Law No. 5520 have been redetermined. In this context, while the withholding tax rate applied to dividend payments other than those made to taxpayer institutions that earn income through a workplace or permanent representative in Turkey and institutions residing in Turkey was 15%, this rate was changed to 10% with the Presidential Decree published in the Official Gazette dated 22 December 2021 and numbered 31697.

In the application of withholding tax rates for profit distributions made to individuals and narrow taxpayer institutions, the relevant Double Taxation practices contained in the Prevention Agreements are also taken into account. The addition of profit to the capital is not considered a distribution of profits, and no withholding tax is applied.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

31. TAXATION(Continued)

Corporate Income Tax (Continued)

Provisional taxes are calculated and paid at the corporate tax rate to which their earnings are subject in that year. Provisional taxes paid during the year can be deducted from the corporate tax calculated on the annual corporate tax return of that year. According to the Turkish tax legislation, the financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However, in case of financial losses, there is no practice of refunding the taxes paid from profits up to the amount of these losses in previous years. Within the scope of the repetitive Article 298 of the Tax Procedure Law, it is stipulated that if the increase in the producer price index is more than 100% in the last 3 accounting periods, including the current period, and more than 10% in the current accounting period, the financial statements will be subject to inflation adjustment, and these conditions have been fulfilled as of December 31, 2021. However, with the "Law No. 7352 on the Amendment of the Tax Procedure Law and the Corporate Tax Law" published in the Official Gazette dated January 29, 2022 and numbered 31734, a temporary article 33 was added to the Tax Procedure Law No. 213, and in the 2021 and 2022 accounting periods, including the temporary tax periods (as of the accounting periods ending in 2022 and 2023 for those assigned a special accounting period) and the 2023 accounting period, within the scope of the duplicate article 298 in the provisional tax periods of the 2023 accounting period. It has been enacted that the financial statements will not be subject to inflation adjustment regardless of whether the conditions for inflation adjustment are met, and the financial statements dated December 31, 2023 will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment are met, and the profit/loss differences arising from the inflation adjustment to be made will be shown in the profit/loss account of previous years.

According to Article 17 of the Law No. 7491 on the Amendment of Certain Laws and Decree-Laws published in the Official Gazette dated 28 December 2023 and numbered 32413, Banks, companies within the scope of the Financial Leasing, Factoring, Financing and Savings Finance Companies Law dated 21/11/2012 and numbered 6361, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions and insurance and reinsurance companies and It has been enacted that the profit/loss differences arising from the inflation adjustment to be made by pension companies in the 2024 and 2025 accounting periods, including the temporary tax periods, will not be taken into account in the determination of earnings. The President of the Republic is authorized to extend the periods determined under this paragraph for one accounting period, including temporary tax periods.

With the Communiqué on the Amendment of the General Communiqué on the Tax Procedure Law No. 547 (serial no. 537) published in the Official Gazette dated January 14, 2023 and numbered 32073, the procedures and principles of the articles of the law that allow the revaluation of immovables and depreciable economic assets have been rearranged. Accordingly, the Company has revalued its immovable property and depreciable economic assets on its balance sheet as of December 31, 2022, provided that the conditions in the provisions of the Temporary Article 32 of the Tax Procedure Law and the Repetitive Article 298/ç are met. As of December 31, 2023, immovables and depreciable economic assets were not subject to revaluation as of 31.12.2023 due to the fact that the financial statements were subject to inflation adjustment.

With the Law No. 7440 on the Restructuring of Certain Receivables and Amendments to Certain Laws published in the Official Gazette dated March 12, 2023 and numbered 32130, the exemptions and deductions made by corporate taxpayers from corporate income in accordance with the Law No. 5520 and the regulations in other laws, by showing them in the corporate tax return for 2022, and the reduced corporate tax within the scope of Article 32/A of the same Law. An additional tax of 10% is calculated on the subject bases, without being associated with the income of the period, and at the rate of 5% on the exempt earnings obtained from abroad with the exception regulated in subparagraph (a) of the first paragraph of Article 5 of the Law No. 5520 and proven to carry a tax burden of at least 15%, and the first installment of this tax is paid within the payment period of the corporate tax, and the second installment is paid in the fourth month following this period.

As of December 31, 2023, the Company has a corporate tax expenditure of TL 632.659 (December 31, 2022: TL 219.701).

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

31. TAXATION(Continued)

Income Tax Withholding

There is a withholding tax obligation on dividend distributions, and this withholding tax obligation is accrued in the period in which the dividend payment is made. Pursuant to the Presidential Decree No. 4936, which was published in the Official Gazette dated February 14, 2023 and numbered 6791 and entered into force, within the scope of the fourth paragraph of Article 94 of Law No. 193, 0% withholding is made on the amounts considered as distributed dividends in relation to their own shares or partnership shares acquired by fully taxed capital companies. In the application of withholding tax rates for profit distributions made to taxpayer institutions and real persons, the withholding tax rates included in the relevant Double Taxation Avoidance Agreements are also taken into consideration. The addition of previous years' profits to the capital is not considered a profit distribution, so it is not subject to withholding tax.

Transfer Pricing

In Turkey, transfer pricing regulations are set out in Article 13 of the Corporate Tax Law titled "Implicit profit distribution through transfer pricing". The communiqué of 18 November 2007 on the distribution of disguised earnings through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related persons at the price or price they have determined in violation of the arm's length principle, the gain is deemed to be distributed implicitly in whole or in part through transfer pricing. Implicit profit distribution through such transfer pricing is considered as an expense that is not legally recognized for corporate tax purposes. Companies are obliged to fill out the transfer pricing form to be attached to the annual corporate tax return. In this form, the amounts of all transactions made with related companies during the relevant accounting period and the transfer pricing methods related to these transactions are specified.

32. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings and revaluation funds. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Earnings per share calculations were made according to distributable net profit of issued shares dividend by the weighted average number.

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2023 and 31 December 2022 are as follows:

	<u>1 January- 31 December 2023</u>	<u>1 January- 31 December 2022</u>
Weighted average number of outstanding shares (*)	15.000.000.000	15.000.000.000
Net profit for the period (TL)	1.159.924	445.386
Earnings per share (full TL)	7,7328	2,9692

(*)As at 31 December 2022, the share capital of the Company consists of 15.000.000.000 shares having Kurus 1 nominal price.

(**) Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares of the Company during the period. In Turkey, companies can increase their capital through “bonus shares” they distribute to their existing shareholders from previous year earnings and revaluation funds. Such “bonus share” distributions are treated as shares issued in all periods presented in the financial statements for earnings per share calculations.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

32. EARNINGS PER SHARE(Continued)

Accordingly, the weighted average number of shares used in these calculations has been found by calculating the retrospective effects of share distributions.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Number of shares at beginning of the period	15.000.000.000	15.000.000.000
Capital increase	-	-
Number of shares at end of the period	<u>15.000.000.000</u>	<u>15.000.000.000</u>

33. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED TO BE EXPLAINED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

34. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR’S

As of 31 December 2023, the independent audit fee of the Company for the reporting period is TL 443 (31 December 2022: TL 209), fees for tax consultancy services TL 125 (31 December 2022: TL 78) has taken place.

35. EXPLANATIONS ON THE MATTERS AFTER THE BALANCE SHEET PERIOD

None.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2023, the debt/equity ratio is 15% as at 31 December 2023 (31 December 2022: 10%). As at 31 December 2023 and 31 December 2022, the leverage ratios are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Funds borrowed	18.362.417	13.194.772
Debt securities issued (Net)	12.761	14.287
Factoring payables	3.775	3.444
Payables from leasing	2.230.115	1.663.910
Other liabilities	79.966	32.032
Total debt	<u>20.689.034</u>	<u>14.908.445</u>
Banks (-)	<u>(438.489)</u>	<u>(171.936)</u>
Net debt	<u>20.250.545</u>	<u>14.736.509</u>
Total equity	3.083.927	1.420.458
Equity / Debt Ratio	15%	10%

(b) Categories of financial instruments

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Financial assets:</u>		
Factoring receivables and non-performing factoring receivables	22.090.167	15.530.270
Financial assets at fair value through other comprehensive income	1.114.206	544.119
Banks	438.489	171.936
Fair value through profit or loss:	24.328	1.339
- <i>Financial assets held for trading</i>	24.328	-
- <i>Derivative financial assets</i>	-	1.339
<u>Financial Liabilities:</u>		
Funds borrowed	(18.362.417)	(13.194.772)
Debt securities issued (Net)	(2.230.115)	(1.663.910)
Factoring payables	(12.761)	(14.287)
Payables from leasing	(3.775)	(3.444)
Other liabilities	(79.966)	(32.032)
Financial assets at fair value through profit or loss:	-	-
- <i>Derivative financial liabilities</i>	-	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company’s income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the current year in the Company’s exposure to market risks or the method it uses to manage and measure such risks compared to prior year.

(e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

As at 31 December 2023 and 31 December 2022, details of foreign currency denominated assets and liabilities are as follows:

<u>31 December 2023</u>	USD (000)	EUR (000)	GBP (000)	CNY (000)	AUD (000)	TRY equivalent
Banks	186	59	875	5	2	40.218
Factoring receivables (*)	62.009	40.619	2.929	-	-	3.259.874
Other	26	18	-	-	-	1.373
Total Assets	62.221	40.748	3.804	5	2	3.301.518
Factoring payables (**)	27	70	218	-	-	11.196
Funds borrowed	56.236	36.594	3.427	-	-	2.975.817
Other payables	166	96	8	-	-	8.331
Total liabilities	56.429	36.759	3.653	-	-	2.995.315
Balance sheet position	5.792	3.989	151	5	2	306.203
Derivative Transactions, Off balance sheet position	-	-	-	-	-	-
Net foreign currency position	5.792	3.989	151	5	2	306.203

(*) As of December 31, 2023, other foreign currency-indexed assets amounting to TL 23 were classified as TP in the accompanying financial statements.

(**) As of December 31, 2023, FX-indexed factoring debts totaling TL 71 are classified in the TP column in the attached financial statements.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

31 December 2022	ABD Doları (000)	Avro (000)	GBP (000)	CNY (000)	AUD (000)	TRY equivalent
Banks	102	9	194	5	2	6.493
Factoring receivables (*)	55.679	54.457	2.466	-	-	2.182.179
Other	4	242	-	-	-	4.894
Total Assets	55.785	54.708	2.660	5	2	2.193.566
Factoring payables (**)	8	346	13	-	-	7.329
Funds borrowed	46.160	50.367	2.604	-	-	1.925.751
Other payables	203	133	6	-	-	6.572
Total liabilities	46.371	50.846	2.623	-	-	1.939.652
Balance sheet position	9.414	3.862	37	5	2	253.914
Derivative Transactions, Off balance sheet position	(5.000)	-	-	-	-	(93.492)
Net foreign currency position	4.414	3.862	37	5	2	160.422

Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management's expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company's exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

It shows the company's sensitivity to a 15% change in US Dollar and EURO exchange rates. The following amounts express the effect of a 15% increase in the value of the US Dollar and EURO against TL on the statement of profit or loss. During this analysis, it was assumed that all variables, especially interest rates, would remain constant.

	Profit/Loss 31 December 2023	Profit/Loss 31 December 2022
USD	25.576	12.380
EURO	19.491	11.548
OTHER	848	125

In case TL appreciates by 15% against the relevant currencies, it will have an equal and opposite effect on the profit or loss statement of the above-mentioned amounts

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

As at 31 December 2023 and 31 December 2022, the interest rate profile of the Company’s interest-bearing financial instruments is as follows:

Interest Position Table

	31 December 2023	31 December 2022
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	438.489	171.936
Factoring receivables	20.302.656	12.872.911
Financial liabilities:		
Funds borrowed	15.124.452	11.918.608
Debt securities issued	2.230.115	1.663.910
Payables from leasing	3.775	3.444
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	1.787.511	2.657.359
Financial liabilities:		
Funds borrowed	3.237.965	1.276.164

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TL 17.875 TL (31 December 2022: TL 26.574).
- Interest expense from variable rate loans will increase by TL 32.380 (31 December 2022: TL12.762).

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

During the reporting period, all other variables are held constant and the data in the valuation method are 15% higher/ (lower):

The difference in fair value of the stocks traded in Borsa İstanbul, which are shown among other comprehensive income in the related financial statements and measured by market values, consists of an increase / decrease of TL 166.569 in the Company's equity (excluding tax effect) due to possible fluctuations in the index (31 December 2022: TL 81.056).

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

As of December 31, 2023 factoring receivables amounting to TL8.904.585, which is approximately 40% of total factoring receivables, is granted to a single risk group (2022 factoring receivables amounting to TL 2.842.067, which is approximately 18% of total factoring receivables, is granted to a single risk group). Since the mentioned risk group has a high portion in the total factoring receivables of the company, the company is exposed to concentration risk.

İŞ FAKTORİNG ANONİM ŞİRKETİNOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)**(h) Credit risk management (Continued)**

Sectoral allocation of factoring receivables is as follows:

	31 December 2023	31 December
	(%)	2022 (%)
Motor vehicles	43,64	22,94
Wholesale and Retail	15,29	19,35
Chemical, Plastic and Pharmaceutical Industry	6,34	6,56
Energy, gas, water and petroleum resources	5,68	12,5
Textile	5,44	4,35
Machinery equipment	5,29	6,16
Computer and Related Activities	4,75	3,81
Financial Institutions	2,77	9,99
Metal industry	2,64	2,80
Forest Products, Paper, Wood	1,95	2,30
Food, Soft Drink, Drink	1,31	1,59
Glass, Tile, Cement	1,13	2,79
Build	1,01	1,21
Transportation	0,98	1,57
Health	0,92	0,41
Manufacturing Industry	0,27	0,24
Tourism	0,09	0,17
Other	0,50	1,26
	100,00	100,00

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2023, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2023	<u>Factoring Receivables</u>		Deposits at banks	<u>Other Assets</u>	Financial assets at fair value through OCI
	Related party	Other party		Financial assets at fair value through profit or loss	
Exposure to maximum credit risk as at reporting date (*)	211.791	21.878.376	438.489	24.328	1.114.206
- The portion of maximum risk covered by guarantee	21.000	6.887.454	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	211.791	21.772.135	438.489	24.328	1.114.206
- The portion covered by guarantee	21.000	6.873.452	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	2.301	-	-	-
- The portion covered by guarantee	-	2.255	-	-	-
D. Net carrying value of impaired assets	-	103.940	-	-	-
- Overdue (gross carrying value)	-	336.848	-	-	-
- Impairment (-)	-	(232.908)	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	11.747	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-	-
E. Off balance sheet items with credit risks	1.630	1.116	-	-	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2023, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2022	Factoring Receivables		Deposits at banks	Other Assets	
	Related party	Other party		Related party	Other party
Exposure to maximum credit risk as at reporting date (*)	51.381	15.478.889	171.936	1.339	544.119
- The portion of maximum risk covered by guarantee	9.217	5.195.505	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	51.381	15.396.796	171.936	1.339	544.119
- The portion covered by guarantee	9.217	5.172.197	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	10.497	-	-	-
- The portion covered by guarantee	-	10.497	-	-	-
D. Net carrying value of impaired assets	-	71.596	-	-	-
- Overdue (gross carrying value)	-	276.933	-	-	-
- Impairment (-)	-	(205.337)	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	12.811	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-	-
E. Off balance sheet items with credit risks	1.655	1.134	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

İŞ FAKTÖRİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company’s expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company’s assets and liabilities. Interest amounts to be collected and disbursed on the Company’s assets and liabilities have also been included in the table below:

31 December 2023

<u>Contractual Maturities</u>	Carrying Amount	Contractual Cash				
		Inflows/ (Outflows) (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non derivative financial assets	24.328	24.328	24.328	-	-	-
Banks	438.489	438.489	438.489	-	-	-
Factoring receivables	22.090.167	23.605.998	18.623.880	4.981.112	1.006	-
	22.552.984	24.068.815	19.086.697	4.981.112	1.006	-
Non derivate financial liabilities	-	-	-	-	-	-
Factoring payables	12.761	12.761	12.761	-	-	-
Funds borrowed	18.362.417	18.955.661	15.904.342	3.051.319	-	-
Debt securities issued	2.230.115	2.306.000	2.306.000	-	-	-
Payables from leasing	3.775	4.548	543	2.031	1.974	-
	20.609.068	21.278.970	18.223.646	3.053.350	1.974	-

The Company makes payments based on contractual maturities.

31 December 2022

<u>Contractual Maturitie</u>	Carrying Amount	Contractual Cash Inflows/				
		(Outflows) (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non derivative financial assets	-	-	-	-	-	-
Banks	171.936	171.936	171.936	-	-	-
Factoring receivables	15.530.270	16.312.139	9.846.799	6.438.657	26.683	-
	15.702.206	16.484.075	10.018.735	6.438.657	26.683	-
Non derivate financial liabilities	-	-	-	-	-	-
Factoring payables	14.287	14.287	14.287	-	-	-
Funds borrowed	13.194.772	13.562.005	9.179.951	4.382.054	-	-
Debt securities issued	1.663.910	1.749.190	628.500	1.120.690	-	-
Payables from leasing	3.444	4.312	394	1.480	2.438	-
	14.876.413	15.329.794	9.823.132	5.504.224	2.438	-

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2023 and 31 December 2022.

31 December 2023

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

31 December 2022

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	99.710	99.710	-	99.710	-	-
Derivative cash outflows	93.492	93.492	-	93.492	-	-

(j) Fair value of financial instruments

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The financial assets and liabilities, such as factoring receivables, cash at banks and short-term bank borrowings in TL which are recognized by discounted amount of estimated future cash flows, are considered to approximate their respective carrying values due to their short-term nature. The fair value prices of debt securities issued are determined on the basis of their prices in the market they are traded. The fair value level of debt securities issued is level 1, whereas level of fair value of other financial instruments is Level 2.

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
31 December 2023							
Cash and Cash Equivalents	-	438.489	-	-	438.489	438.489	4
Banks	-	-	-	-	-	-	4
Financial Assets at Fair Value Through Profit or Loss	24.328	-	-	-	24.328	24.328	5-6
-Financial Assets	24.328	-	-	-	24.328	24.328	5
-Derivative financial assets	-	-	-	-	-	-	6
Factoring receivables and non-performing factoring receivables	-	-	22.090.167	-	22.090.167	22.090.167	8
<u>Financial liabilities</u>	-	-	-	-	-	-	-
Derivative financial Liabilities	-	-	-	-	-	-	-
Factoring Payables	-	-	-	12.761	12.761	12.761	8
Other liabilities	-	-	-	79.666	79.666	79.666	17
Funds borrowed	-	-	-	18.362.417	18.362.417	18.362.417	14
Debt securities issued	-	-	-	2.230.115	2.230.115	2.230.115	16
	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
31 December 2022							
Cash and Cash Equivalents	-	171.936	-	-	171.936	171.936	4
Banks	-	-	-	-	-	-	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	5-6
-Financial Assets	-	-	-	-	-	-	5
-Derivative financial assets	1.339	-	-	-	1.339	1.339	6
Factoring receivables and non-performing factoring receivables	-	-	15.530.270	-	15.530.270	15.530.270	8
<u>Financial liabilities</u>	-	-	-	-	-	-	-
Derivative financial Liabilities	-	-	-	-	-	-	-
Factoring Payables	-	-	-	14.287	14.287	14.287	8
Other liabilities	-	-	-	17.341	17.341	17.341	17
Funds borrowed	-	-	-	13.194.772	13.194.772	13.194.772	14
Debt securities issued	-	-	-	1.663.910	1.663.910	1.663.910	16

İŞ FAKTORİNG ANONİM ŞİRKETİ

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

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

36. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value hierarchy of Financial Instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2023	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit / Loss	24.328	-	-	24.328
Derivative financial assets	-	-	-	-
Financial assets at fair value through other comprehensive income	1.114.206	-	-	1.114.206
Total financial assets carried at fair value	1.138.534	-	-	1.138.534
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2022, shares amounting to TL 3.743 are reflected in the financial statements with their cost values since there are no public shares.

31 December 2022	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit / Loss	-	-	-	-
Derivative financial assets	-	1.339	-	1.339
Financial assets at fair value through other comprehensive income	544.119	-	-	544.119
Total financial assets carried at fair value	544.119	1.339	-	545.458
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2021, shares amounting to TL 3.743 are reflected in the financial statements with their cost values since there are no public shares.