

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (BALANCE SHEET) AS AT 31 DECEMBER 2018

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

ASSETS	Notes	Audited Current Period 31 December 2018		
		TL	FC	TOTAL
<b>I. FINANCIAL ASSETS</b>		<b>46.062</b>	<b>341.098</b>	<b>387.160</b>
1.1 Cash and Cash Equivalents	4	3.581	268.988	272.569
1.2 Financial Assets at Fair Value Through Profit or Loss	4	1.259	-	1.259
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	4	41.622	-	41.622
1.4 Financial Assets Measured at Amortized Cost		-	-	-
1.5 Derivative Financial Assets	4	-	72.110	72.110
1.6 Non-Performing Financial Asset		-	-	-
1.7 Specific provisions/Expected Loss Provision (-)	4	(400)	-	(400)
<b>II. LOANS (Net)</b>		<b>3.829.958</b>	<b>4.330.128</b>	<b>8.160.086</b>
2.1 <b>Factoring Receivables</b>	5	<b>2.201.496</b>	<b>528.479</b>	<b>2.729.975</b>
2.1.1 Discounted Factoring Receivables		315.924	101.991	417.915
2.1.2 Other Factoring Receivables		1.885.572	426.488	2.312.060
2.2 <b>FINANCING LOANS</b>		-	-	-
2.2.1 Consumer Loans		-	-	-
2.2.2 Credit Cards		-	-	-
2.2.3 Installment Commercial Loans		-	-	-
2.3 <b>LEASE RECEIVABLES</b>	6	<b>1.525.337</b>	<b>3.806.071</b>	<b>5.331.408</b>
2.3.1 Lease Receivables (Net)		1.495.532	3.722.565	5.218.097
2.3.1.1 Finance Lease Receivables		1.824.423	4.146.586	5.971.009
2.3.1.2 Operational Lease Receivables		-	1	1
2.3.1.3 Unearned Income (-)		(328.891)	(424.022)	(752.913)
2.3.2 Leasing Contracts in Progress		20.010	30.076	50.086
2.3.3 Advances Given for Lease Transactions		4.691	47.571	52.262
2.3.4 Other Finance Lease Receivables		5.104	5.859	10.963
2.4 <b>NON-PERFORMING RECEIVABLES</b>	5,6	<b>120.827</b>	<b>16.147</b>	<b>136.974</b>
2.4.1 Non-Performing Factoring Receivables		31.016	-	31.016
2.4.2 Non-Performing Financial Loans		-	-	-
2.4.3 Non-Performing Lease Receivables		239.592	26.800	266.392
2.4.4 Specific Provisions (-)		(149.781)	(10.653)	(160.434)
2.5 <b>Expected Credit Loss (-)</b>		<b>(17.702)</b>	<b>(20.569)</b>	<b>(38.271)</b>
<b>III. EQUITY INVESTMENTS</b>				
3.1 <b>Investments in Associates (Net)</b>				
3.1.1 Associates Accounted by using Equity Method				
3.1.2 Unconsolidated Associates				
3.2 <b>Subsidiaries (Net)</b>				
3.2.1 Unconsolidated Financial Subsidiaries				
3.2.2 Unconsolidated Non-Financial Subsidiaries				
3.3 <b>Joint Ventures (Net)</b>				
3.3.1 Joint Ventures Accounted by using Equity Method				
3.3.2 Unconsolidated Joint Ventures				
<b>IV. TANGIBLE ASSETS (Net)</b>	8	<b>13.486</b>	-	<b>13.486</b>
<b>V. INTANGIBLE ASSETS (Net)</b>	9	<b>4.438</b>	-	<b>4.438</b>
<b>VI. INVESTMENT PROPERTY (Net)</b>		-	-	-
<b>VII. CURRENT PERIOD TAX ASSETS</b>	18	<b>61.384</b>	-	<b>61.384</b>
<b>VIII. DEFERRED TAX ASSETS</b>	10	<b>27.532</b>	-	<b>27.532</b>
<b>IX. OTHER ASSETS</b>	12	<b>26.261</b>	<b>374</b>	<b>26.635</b>
<b>SUBTOTAL</b>		<b>4.009.121</b>	<b>4.671.600</b>	<b>8.680.721</b>
<b>X. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	11	<b>939</b>	-	<b>939</b>
10.1 Assets Held For Sale		939	-	939
10.2 Assets of Discontinued Operations		-	-	-
<b>TOTAL ASSETS</b>		<b>4.010.060</b>	<b>4.671.600</b>	<b>8.681.660</b>

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# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

ASSETS	Notes	Audited Prior Period 31 December 2017		
		TL	FC	TOTAL
<b>I. CASH</b>		-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>4</b>	<b>5.252</b>	<b>5.278</b>	<b>10.530</b>
2.1 Financial Assets Held for Trading		5.147	-	5.147
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.3 Derivative Financial Assets Held for Trading		105	5.278	5.383
<b>III. BANKS</b>	<b>5</b>	<b>5.093</b>	<b>242.800</b>	<b>247.893</b>
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>6</b>	<b>47.187</b>	-	<b>47.187</b>
<b>VI. FACTORING RECEIVABLES</b>	<b>7</b>	<b>3.311.481</b>	<b>893.386</b>	<b>4.204.867</b>
6.1 Discounted Factoring Receivables		759.682	26.333	786.015
6.1.1 Domestic		780.001	-	780.001
6.1.2 Foreign		1.130	26.652	27.782
6.1.3 Unearned Income (-)		(21.449)	(319)	(21.768)
6.2 Other Factoring Receivables		2.551.799	867.053	3.418.852
6.2.1 Domestic		2.514.035	393.939	2.907.974
6.2.2 Foreign		37.764	473.114	510.878
<b>VII. FINANCING LOANS</b>		-	-	-
7.1 Retail Loans		-	-	-
7.2 Credit Loans		-	-	-
7.3 Instalment Commercial Loans		-	-	-
<b>VIII. LEASE RECEIVABLES</b>	<b>8</b>	<b>1.715.471</b>	<b>2.901.941</b>	<b>4.617.412</b>
8.1 Lease Receivables		1.656.037	2.599.530	4.255.567
8.1.1 Finance Lease Receivables		2.025.039	2.871.063	4.896.102
8.1.2 Operational Lease Receivables		-	-	-
8.1.3 Unearned Income (-)		(369.002)	(271.533)	(640.535)
8.2 Leasing Contracts in Progress		56.300	167.216	223.516
8.3 Advances Given for Lease Transactions		3.134	135.195	138.329
<b>IX. OTHER RECEIVABLES</b>	<b>15</b>	<b>5.532</b>	<b>3.843</b>	<b>9.375</b>
<b>X. NON-PERFORMING RECEIVABLES</b>	<b>7, 8</b>	<b>46.870</b>	<b>39.288</b>	<b>86.158</b>
10.1 Non-Performing Factoring Receivables		42.099	-	42.099
10.2 Non-Performing Financing Loans		-	-	-
10.3 Non-Performing Lease Receivables		164.527	59.788	224.315
10.4 Specific Provisions (-)		(159.756)	(20.500)	(180.256)
<b>XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>		-	-	-
11.1 Fair Value Hedges		-	-	-
11.2 Cash Flow Hedges		-	-	-
11.3 Net Foreign Investment Hedges		-	-	-
<b>XII. INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-
<b>XIV. ASSOCIATES (Net)</b>		-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>10</b>	<b>3.593</b>	-	<b>3.593</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>11, 12</b>	<b>3.940</b>	-	<b>3.940</b>
17.1 Goodwill		166	-	166
17.2 Other Intangibles		3.774	-	3.774
<b>XVIII. PREPAID EXPENSES</b>	<b>15</b>	<b>19.378</b>	<b>22</b>	<b>19.400</b>
<b>IXX. CURRENT PERIOD TAX ASSETS</b>	<b>23</b>	<b>728</b>	-	<b>728</b>
<b>XX. DEFERRED TAX ASSETS</b>	<b>13</b>	<b>26.563</b>	-	<b>26.563</b>
<b>XXI. OTHER ASSETS</b>	<b>15</b>	<b>3.360</b>	<b>904</b>	<b>4.264</b>
<b>SUBTOTAL</b>		<b>5.194.448</b>	<b>4.087.462</b>	<b>9.281.910</b>
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>14</b>	<b>785</b>	-	<b>785</b>
22.1 Assets Held For Sale		785	-	785
22.2 Assets of Discontinued Operations		-	-	-
<b>TOTAL ASSETS</b>		<b>5.195.233</b>	<b>4.087.462</b>	<b>9.282.695</b>

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# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (BALANCE SHEET) AS AT 31 DECEMBER 2018

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

LIABILITIES		Notes	Audited Current Period 31 December 2018		
			TL	FC	TOTAL
<b>I.</b>	<b>FUNDS BORROWED</b>	<b>13</b>	<b>2.067.201</b>	<b>2.838.023</b>	<b>4.905.224</b>
<b>II.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>III.</b>	<b>LEASE OBLIGATIONS (Net)</b>	<b>15</b>	-	-	-
3.1	Finance Lease Obligations		-	-	-
3.2	Operational Lease Obligations		-	-	-
3.3	Other		-	-	-
3.4	Deferred Finance Lease Expenses (-)		-	-	-
<b>IV.</b>	<b>DEBT SECURITIES ISSUED (Net)</b>	<b>16</b>	<b>2.352.041</b>	<b>-</b>	<b>2.352.041</b>
4.1	Bills		2.352.041	-	2.352.041
4.2	Asset-Backed Securities		-	-	-
4.3	Bonds		-	-	-
<b>V.</b>	<b>FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS LOSS</b>		-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>4</b>	-	<b>96.521</b>	<b>96.521</b>
<b>VII.</b>	<b>PROVISIONS</b>	<b>17</b>	<b>11.088</b>	<b>4.275</b>	<b>15.363</b>
7.1	Restructuring Provisions		-	-	-
7.2	Reserves For Employee Benefits		10.229	-	10.229
7.3	General Provisions		-	-	-
7.4	Other Provisions		859	4.275	5.134
<b>VIII.</b>	<b>DEFERRED TAX LIABILITY</b>	<b>18</b>	<b>15.489</b>	<b>-</b>	<b>15.489</b>
<b>IX.</b>	<b>CURRENT PERIOD TAX LIABILITY</b>		-	-	-
<b>X.</b>	<b>SUBORDINATED LOANS</b>		-	-	-
<b>XI.</b>	<b>OTHER LIABILITY</b>	<b>14</b>	<b>48.163</b>	<b>98.279</b>	<b>146.441</b>
	<b>SUBTOTAL</b>		<b>4.493.982</b>	<b>3.037.098</b>	<b>7.531.079</b>
<b>XII.</b>	<b>PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>				
12.1	Held For Sale				
12.2	Discontinued Operations				
<b>XIII.</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>1.150.580</b>	<b>-</b>	<b>1.150.581</b>
13.1	Paid-in Capital	<b>20</b>	695.303	-	695.303
13.2	Capital Reserves	<b>20</b>	1.938	-	1.938
13.2.1	Share Premiums		-	-	-
13.2.2	Share Cancellation Profits		-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	<b>20</b>	(73)	-	(73)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	<b>20</b>	16.300	-	16.300
13.5	Profit Reserves	<b>21</b>	214.092	-	214.092
13.5.1	Legal Reserves		44.321	-	44.321
13.5.2	Statutory Reserves		-	-	-
13.5.3	Extraordinary Reserves		169.771	-	169.771
13.5.4	Other Profit Reserves		-	-	-
13.6	Profit or Loss		157.452	-	157.452
13.6.1	Prior Periods Profit/Loss	<b>22</b>	(40.085)	-	(40.085)
13.6.2	Current Period Profit/Loss		197.537	-	197.537
	Non-Controlling Interests	<b>19</b>	65.568	-	65.568
	<b>TOTAL LIABILITIES</b>		<b>5.644.562</b>	<b>3.037.098</b>	<b>8.681.660</b>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

LIABILITIES	Notes	Audited Prior Period 31 December 2017		
		TL	FC	TOTAL
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>4</b>	-	19.613	19.613
<b>II. FUNDS BORROWED</b>	<b>16</b>	3.853.578	2.723.565	6.577.143
<b>III. FACTORING PAYABLES</b>		-	-	-
<b>IV. LEASE OBLIGATIONS</b>	<b>18</b>	-	-	-
4.1 Finance Lease Obligations		-	-	-
4.2 Operational Lease Obligations		-	-	-
4.3 Other		-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>V. DEBT SECURITIES ISSUED (Net)</b>	<b>19</b>	1.460.862	-	1.460.862
5.1 Bills		1.368.677	-	1.368.677
5.2 Asset-Backed Securities		-	-	-
5.3 Bonds		92.185	-	92.185
<b>VI. MISCELLANEOUS PAYABLES</b>	<b>17</b>	17.939	71.648	89.587
<b>VII. OTHER LIABILITIES</b>	<b>17</b>	24.200	95.103	119.303
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-
8.1 Fair Value Hedges		-	-	-
8.2 Cash Flow Hedges		-	-	-
8.3 Net Foreign Investment Hedges		-	-	-
<b>IX. TAXES AND DUTIES PAYABLE</b>	<b>20</b>	4.536	-	4.536
<b>X. PROVISIONS</b>	<b>21</b>	10.276	3.148	13.424
10.1 Restructuring Reserves		-	-	-
10.2 Reserves For Employee Benefits	22	9.455	-	9.455
10.3 Other Provisions		821	3.148	3.969
<b>XI. DEFERRED INCOME</b>		199	-	199
<b>XII. CURRENT PERIOD TAX LIABILITY</b>	<b>23</b>	23.360	-	23.360
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-
<b>SUBTOTAL</b>		<b>5.394.950</b>	<b>2.913.077</b>	<b>8.308.027</b>
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-
15.1 Held For Sale		-	-	-
15.2 Discontinued Operations		-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		<b>974.668</b>	-	<b>974.668</b>
16.1 Paid-in Capital	25	650.303	-	650.303
16.2 Capital Reserves	25	1.938	-	1.938
16.2.1 Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		1.938	-	1.938
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	58	-	58
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	25	22.189	-	22.189
16.5 Profit Reserves	26	146.144	-	146.144
16.5.1 Legal Reserves		38.674	-	38.674
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		107.470	-	107.470
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or Loss		112.948	-	112.948
16.6.1 Prior Periods Profit/Loss	27	-	-	-
16.6.2 Current Period Profit/Loss		112.948	-	112.948
16.7 Non-Controlling Interests	24	41.088	-	41.088
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.369.618</b>	<b>2.913.077</b>	<b>9.282.695</b>

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## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

A	OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2018		
			TL	FC	TOTAL
I.	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		58.178	65.715	123.893
II.	<b>REVOCABLE FACTORING TRANSACTIONS</b>		223.224	47.935	271.159
III.	<b>COLLATERALS RECEIVED</b>	35	33.795.392	52.589.160	86.384.552
IV.	<b>COLLATERALS GIVEN</b>	23	1.680.759	4.397	1.685.156
V.	<b>COMMITMENTS</b>		42.222	235.335	277.557
5.1	Irrevocable Commitments		-	63.806	63.806
5.2	Revocable Commitments		42.222	171.529	213.751
5.2.1	Lease Commitments		42.222	171.529	213.751
5.2.1.1	Finance Lease Commitments		42.222	171.529	213.751
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
VI.	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		1.705.290	1.652.342	3.357.632
6.1	Derivative Financial Instruments for Risk Management		-	-	-
6.1.1	Fair Value Hedges		-	-	-
6.1.2	Cash Flow Hedges		-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-
6.2	Derivative Financial Instruments Held For Trading	23	1.705.290	1.652.342	3.357.632
6.2.1	Forward Foreign Currency Purchases/Sales	23	-	-	-
6.2.2	Swap Purchases/Sales	23	1.705.290	1.652.342	3.357.632
6.2.3	Put/call options		-	-	-
6.2.4	Futures purchases/sales		-	-	-
6.2.5	Others		-	-	-
VII.	<b>ITEMS HELD IN CUSTODY</b>		186.991	123.886	310.877
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>37.692.056</b>	<b>54.718.770</b>	<b>92.410.826</b>

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## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

OFF-BALANCE SHEET ITEMS		Notes	Audited Prior Period 31 December 2017		
			TL	FC	TOTAL
<b>I.</b>	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		<b>139.115</b>	<b>44.315</b>	<b>183.430</b>
<b>II.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		<b>229.541</b>	<b>28.191</b>	<b>257.732</b>
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	<b>35</b>	<b>29.106.475</b>	<b>37.657.853</b>	<b>66.764.328</b>
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	<b>23</b>	<b>1.337.317</b>	<b>22.721</b>	<b>1.360.038</b>
<b>V.</b>	<b>COMMITMENTS</b>		<b>120.223</b>	<b>750.302</b>	<b>870.525</b>
5.1	Irrevocable Commitments		-	147.499	147.499
5.2	Revocable Commitments		120.223	602.803	723.026
5.2.1	Lease Commitments		120.223	602.803	723.026
5.2.1.1	Finance Lease Commitments		120.223	602.803	723.026
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1.686.114</b>	<b>1.689.612</b>	<b>3.375.726</b>
6.1	Derivative Financial Instruments for Risk Management		-	-	-
6.1.1	Fair Value Hedges		-	-	-
6.1.2	Cash Flow Hedges		-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-
6.2	Derivative Financial Instruments Held For Trading	<b>23</b>	1.686.114	1.689.612	3.375.726
6.2.1	Forward Foreign Currency Purchases/Sales	<b>23</b>	-	-	-
6.2.2	Swap Purchases/Sales	<b>23</b>	1.686.114	1.689.612	3.375.726
6.2.3	Put/call options		-	-	-
6.2.4	Futures purchases/sales		-	-	-
6.2.5	Others		-	-	-
<b>VII.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>491.246</b>	<b>141.618</b>	<b>632.864</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>33.110.031</b>	<b>40.334.612</b>	<b>73.444.643</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

PROFIT OR LOSS STATEMENT		Notes	Audited Current Period 01.01-31.12.2018
<b>I.</b>	<b>OPERATING INCOME</b>	<b>26</b>	<b>1.016.537</b>
	<b>FACTORING INCOME</b>		<b>530.465</b>
1.1	Factoring Interest Income		489.758
1.1.1	Discounted		92.664
1.1.2	Other		397.094
1.2	Factoring Commission Income		40.707
1.2.1	Discounted		4.883
1.2.2	Other		35.824
	<b>INCOME FROM FINANCING LOANS</b>		<b>-</b>
1.3	Finance Lease Income		-
1.4	Operational Lease Income		-
	<b>LEASE INCOME</b>		<b>486.072</b>
1.5	Finance Lease Income		485.383
1.6	Operational Lease Income		689
1.7	Fees and Commission Income on Lease Operations		-
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>	<b>29</b>	<b>(892.708)</b>
2.1	Interest Expense on Funds Borrowed		(538.356)
2.2	Interest Expense on Factoring Payables		-
2.3	Interest Expense of Finance Leasing Expenses		-
2.4	Interest Expense on Securities Issued		(316.173)
2.5	Other Interest Expenses		-
2.6	Fees and Commissions Paid		(38.179)
<b>III.</b>	<b>GROSS PROFIT/LOSS (I+II)</b>		<b>123.829</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>27</b>	<b>(72.408)</b>
4.1	Personal Expenses		(46.686)
4.2	Employee Severance Indemnity Expense		(1.148)
4.3	Research and Development Expenses		-
4.4	General Administration Expenses		(24.574)
4.5	Other		-
<b>V.</b>	<b>GROSS OPERATING PROFIT/LOSS (III+IV)</b>		<b>51.421</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>28</b>	<b>484.359</b>
6.1	Interest Income on Bank Deposits		7.117
6.2	Interest Income on Reverse Repurchase Agreements		-
6.3	Interest Income on Securities Portfolio		-
6.3.1	Interest Income on Financial Assets Held for Trading		-
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-
6.3.3	Interest Income on Financial Assets Available For Sale		-
6.3.4	Interest Income on Financial Assets Held to Maturity		5.391
6.4	Dividend Income		-
6.5	Trading Account Income		311.780
6.5.1	Income From Derivative Financial Instruments		108.912
	Other		51.159
<b>VII.</b>	<b>PROVISION(-)</b>	<b>30</b>	<b>(42.184)</b>
7.1	Specific provisions		-
7.2	Expected Credit Loss		(42.184)
7.3	General Provision	<b>30</b>	-
7.4	Other		-

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

PROFIT OR LOSS STATEMENT		Notes	Audited Current Period 01.01-31.12.2018
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>31</b>	<b>(184.668)</b>
8.1	Impairment Losses on Securities Portfolio		
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		
8.1.2	Impairment Losses on Financial Assets Reflected in The Other Comprehensive Income of The Fair Value		
8.1.3	Impairment Losses on Non-Current Assets		
8.2.1	Impairment Losses on Tangible Assets		
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		
8.2.3	Impairment Losses on Intangible Assets		
8.2.4	Impairment Losses on Subsidiaries, Associates and Joint Ventures		
8.3	Losses From Derivative Financial Instruments		(180.459)
8.4	Foreign Exchange Losses		-
8.5	Other		(4.209)
<b>IX.</b>	<b>NET OPERATING PROFIT/LOSS (V+.....+VIII)</b>		<b>308.928</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>		<b>-</b>
<b>XI.</b>	<b>SHARES OF THE PROFITS/LOSSES OF INVESTMENTS VALUED BY EQUITY METHOD</b>		<b>-</b>
<b>XII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>
<b>XIII.</b>	<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		<b>308.928</b>
<b>XIV.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	<b>32</b>	<b>(79.387)</b>
14.1	Current Tax Charge		(67.091)
14.2	Deferred Tax Charge (-)		(12.296)
14.3	Deferred Tax Benefit (+)		-
<b>XV.</b>	<b>NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)</b>		<b>229.541</b>
<b>XVI.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
16.1	Income from Assets Held for Sale		
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		
16.3	Other Income from Discontinued Operations		
<b>XVII.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
17.1	Expense on Assets Held for Sale		
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		
17.3	Other Expenses from Discontinued Operations		
<b>XVIII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>		<b>-</b>
<b>XIX.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
19.1	Current Tax Charge		
19.2	Deferred Tax Charge (-)		
19.3	Deferred Tax Benefit (+)		
<b>XX.</b>	<b>NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)</b>		<b>-</b>
	<b>EQUITY HOLDERS OF THE COMPANY</b>		<b>(32.004)</b>
<b>XXI.</b>	<b>NET PROFIT FOR THE PERIOD</b>		<b>197.537</b>
21.1	<b>EARNINGS PER SHARE<sup>(*)</sup></b>	<b>33</b>	<b>0,0028</b>
	Earnings Per Share from Continued Operations		0,0028
	Earnings Per Share from Discontinued Operations		-
	<b>DILUTED EARNINGS PER SHARE</b>	<b>33</b>	<b>0,0028</b>
	Earnings Per Share from Continued Operations		0,0028

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(\*) Shown in exact TL.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### FOR THE YEAR ENDED 31 DECEMBER 2017

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

PROFIT OR LOSS STATEMENT		Notes	Audited Prior Period 01.01-31.12.2017
<b>I.</b>	<b>OPERATING INCOME</b>	<b>31</b>	<b>694.176</b>
	<b>FACTORING INCOME</b>		<b>328.039</b>
1.1	Factoring Interest Income		309.152
1.1.1	Discounted		76.144
1.1.2	Other		233.008
1.2	Factoring Commission Income		18.887
1.2.1	Discounted		4.162
1.2.2	Other		14.725
	<b>LEASE INCOME</b>		<b>366.137</b>
1.3	Finance Lease Income		365.810
1.4	Operational Lease Income		327
1.5	Fees and Commission Income on Lease Operations		-
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>	<b>34</b>	<b>(616.779)</b>
2.1	Interest Expense on Funds Borrowed		(404.644)
2.2	Interest Expense on Factoring Payables		-
2.3	Interest Expense of Finance Leasing Expenses		-
2.4	Interest Expense on Securities Issued		(185.969)
2.5	Other Interest Expenses		-
2.6	Fees and Commissions Paid		(26.166)
<b>III.</b>	<b>GROSS PROFIT/LOSS (I+II)</b>		<b>77.397</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>32</b>	<b>(65.227)</b>
4.1	Personal Expenses		(40.429)
4.2	Employee Severance Indemnity Expense		(746)
4.3	Research and Development Expenses		-
4.4	General Administration Expenses		(24.027)
4.5	Other		(25)
<b>V.</b>	<b>GROSS OPERATING PROFIT/LOSS (III+IV)</b>		<b>12.170</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>33</b>	<b>255.255</b>
6.1	Interest Income on Bank Deposits		4.709
6.2	Interest Income on Reverse Repurchase Agreements		-
6.3	Interest Income on Securities Portfolio		228
6.3.1	Interest Income on Financial Assets Held for Trading		228
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-
6.3.3	Interest Income on Financial Assets Available For Sale		-
6.3.4	Interest Income on Financial Assets Held to Maturity		-
6.4	Dividend Income		2.423
6.5	Trading Account Income		225.181
6.5.1	Income From Derivative Financial Instruments		225.181
6.5.2	Other		-
6.6	Foreign Exchange Gains		-
6.7	Others		22.714
<b>VII.</b>	<b>PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)</b>	<b>35</b>	<b>(33.133)</b>
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>36</b>	<b>(76.440)</b>
8.1	Impairment Losses on Securities Portfolio		-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### FOR THE YEAR ENDED 31 DECEMBER 2017

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

<b>PROFIT OR LOSS STATEMENT</b>		Notes	Audited Prior Period 01.01-31.12.2017
8.1.2	Impairment Losses on Financial Assets Available For Sale		-
8.1.3	Impairment Losses on Financial Assets Held to Maturity		-
8.2	Impairment Losses on Non-Current Assets		-
8.2.1	Impairment Losses on Tangible Assets		-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-
8.2.3	Impairment Losses on Goodwill		-
8.2.4	Impairment Losses on Other Intangible Assets		-
8.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-
8.3	Losses From Derivative Financial Instruments		(35.839)
8.4	Foreign Exchange Losses		(36.951)
8.5	Other		(3.650)
<b>IX.</b>	<b>NET OPERATING PROFIT/LOSS (V+.....+VIII)</b>		<b>157.852</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>		<b>-</b>
<b>XI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>
<b>XII.</b>	<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		<b>157.852</b>
<b>XIII.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	<b>37</b>	<b>(34.122)</b>
13.1	Current Tax Charge		(28.503)
13.2	Deferred Tax Charge (-)		(5.619)
13.3	Deferred Tax Benefit (+)		-
<b>XIV.</b>	<b>NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)</b>		<b>123.730</b>
<b>XV.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
15.1	Income from Assets Held for Sale		-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
15.3	Other Income from Discontinued Operations		-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
16.1	Expense on Assets Held for Sale		-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-
16.3	Other Expenses from Discontinued Operations		-
<b>XVII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>		<b>-</b>
<b>XVIII.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
18.1	Current Tax Charge		-
18.2	Deferred Tax Charge (-)		-
18.3	Deferred Tax Benefit (+)		-
<b>XIX.</b>	<b>NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)</b>		<b>-</b>
<b>XX.</b>	<b>NET PROFIT FOR THE PERIOD</b>		<b>123.730</b>
<b>20.1</b>	<b>NON-CONTROLLING INTERESTS</b>		<b>(10.782)</b>
<b>20.2</b>	<b>EQUITY HOLDERS OF THE COMPANY</b>		<b>112.948</b>
	<b>EARNINGS PER SHARE</b>	<b>38</b>	<b>0,0016</b>
	Earnings Per Share from Continued Operations		0,0016
	Earnings Per Share from Discontinued Operations		-
	<b>DILUTED EARNINGS PER SHARE</b>	<b>38</b>	<b>0,0016</b>
	Earnings Per Share from Continued Operations		0,0016
	Earnings Per Share from Discontinued Operations		-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

(<sup>1</sup>) Shown in exact TL.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited Current Period 01.01-31.12.2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>229.541</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(6.716)</b>
<b>2.1</b>	<b>Items that will not be Reclassified to Profit or Loss</b>	<b>(131)</b>
2.1.1	Tangible Assets Revaluation Increases/Decreases	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	(164)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	33
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>	<b>(6.585)</b>
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	(6.585)
2.2.3	Cash Flow Hedge Income/Losses	-
2.2.4	Net Investment Hedge Income/Losses	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.6.1	Current Tax Income/Expense	-
2.2.6.2	Deferred Tax Income/Expense	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>222.825</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited Prior Period
		01.01-31.12.2017
		Notes
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>123.730</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>20.735</b>
<b>2.1</b>	<b>Items that will not be Reclassified to Profit or Loss</b>	<b>43</b>
2.1.1	Tangible Assets Revaluation Increases/Decreases	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	22 54
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	(11)
2.1.5.1	Current Tax Income/Expense	-
2.1.5.2	Deferred Tax Income/Expense	(11)
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>	<b>20.692</b>
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	20.692
2.2.2	Value Increases or Decreases on Assets Held for Sales	-
2.2.3	Cash Flow Hedge Income/Losses	-
2.2.4	Net Investment Hedge Income/Losses	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-
2.2.6.1	Current Tax Income/Expense	-
2.2.6.2	Deferred Tax Income/Expense	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>144.465</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

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

CHANGES IN EQUITY	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss		
						1	2	3
Current Period (01.01 - 31.12.2018)		-						
I. Balance at the Beginning of the Period (31.12.2017)		650.303	-	-	1.938	-	58	-
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)	21	650.303	-	-	1.938	-	58	-
IV. Total Comprehensive Income		-	-	-	-	-	(131)	-
V. Cash Capital Increase		-	-	-	-	-	-	-
VI. Capital Increase from internal reserves	21	45.000	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-
Balance at the End of the Period (III+IV+.....+XI+XII)		695.303	-	-	1.938	-	(73)	-

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/(losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

(\*)The effect of TFRS 9 transition and changes in accounting policies is explained in Note 2.4.

Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
4	5	6					
-	22.189	-	146.144	-	112.948	41.088	974.668
-	-	-	-	(40.085)	-	(6.828)	(46.913)
-	-	-	-	-	-	-	-
-	-	-	40.085	(40.085)	-	(6.828)	(6.828)
-	22.189	-	146.144	(40.085)	112.948	34.260	927.755
-	(5.889)	-	-	-	-	(696)	(6.716)
-	-	-	-	-	-	-	-
-	-	-	(45.000)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	197.537	32.004	229.541
-	-	-	112.948	-	(112.948)	-	-
-	-	-	-	-	-	-	-
-	-	-	112.948	-	(112.948)	-	-
-	-	-	-	-	-	-	-
-	16.300	-	214.092	(40.085)	197.537	65.568	1.150.580

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### FOR THE PERIOD ENDED 31 DECEMBER 2017

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

CHANGES IN EQUITY	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss		
						1	2	3
<b>Current Period (01.01 - 31.12.2017)</b>								
I. Balance at the Beginning of the Period (31.12.2016)		600.303	-	-	1.938	-	15	-
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)	21	600.303	-	-	1.938	-	15	-
IV. Total Comprehensive Income		-	-	-	-	-	43	-
V. Cash Capital Increase		-	-	-	-	-	-	-
VI. Capital Increase from internal reserves	21	50.000	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-
<b>Balance at the End of the Period (III+IV+.....+XI+XII)</b>		<b>650.303</b>	<b>-</b>	<b>-</b>	<b>1.938</b>	<b>-</b>	<b>58</b>	<b>-</b>

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/(losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

<u>Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss</u>			Profit Reserves	Prior Period Profit/ (Loss)	Net Current Period Profit/ Loss	Non-Controlling Interest	Total Equity
4	5	6					
-	3.766	-	92.487	-	103.657	28.037	830.203
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3.766	-	92.487	-	103.657	28.037	830.203
-	18.423	-	-	-	-	2.269	20.735
-	-	-	-	-	-	-	-
-	-	-	(50.000)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	112.948	10.782	123.730
-	-	-	103.657	-	(103.657)	-	-
-	-	-	-	-	-	-	-
-	-	-	103.657	-	(103.657)	-	-
-	-	-	-	-	-	-	-
22.189	-	-	146.144	-	112.948	41.088	974.668



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE PERIOD ENDED 31 DECEMBER 2018

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

		Audited Current Period
	Notes	01.01-31.12.2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>160.915</b>
1.1.1 Interests Received/Lease Income		960.957
1.1.2 Interest Paid/Lease Expenses		(806.393)
1.1.3 Lease Expenses		-
1.1.4 Dividends Received		5.391
1.1.5 Fees and Commissions Received		40.707
1.1.6 Other Income		37.661
1.1.7 Collections from Non-performing Receivables	28	13.498
1.1.8 Payments to Personnel and Service Suppliers		(42.465)
1.1.9 Taxes Paid		(134.733)
1.1.10 Others	18	86.292
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(952.063)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		1.470.994
1.2.2 Net (Increase) Decrease in Financing Loans		-
1.2.3 Net (Increase) Decrease in Lease Receivables		361.408
1.2.4 Net (Increase) Decrease in Other Assets		(139.486)
1.2.5 Net Increase (Decrease) in Factoring Payables		-
1.2.6 Net Increase (Decrease) in Lease Payables		-
1.2.7 Net Increase (Decrease) in Funds Borrowed		(2.700.142)
1.2.8 Net Increase (Decrease) in Due Payables		-
1.2.9 Net Increase (Decrease) in Other Liabilities		55.163
<b>I. Net Cash Provided from/(Used in) Operating Activities</b>		<b>(791.148)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		(7.979)
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3 Purchases of Tangible and Intangible Assets	8,9	(25.586)
2.4 Proceeds From Sale of Tangible and Intangible Assets	8,9	12.452
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-
2.6 Proceeds From Sale of Financial Assets Available for Sale		--
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-
2.9 Other		-
<b>II. Net cash used in investing activities</b>		<b>(21.113)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1 Cash obtained from funds borrowed and securities issued		5.601.402
3.2 Cash used for repayment of funds borrowed and securities issued		(4.767.622)
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
<b>III. Net Cash Used in Financing Activities</b>		<b>833.780</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>3.164</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>24.683</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>4</b>	<b>247.874</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	<b>4</b>	<b>272.557</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE PERIOD ENDED 31 DECEMBER 2017

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

	Notes	Audited Prior Period 01.01-31.12.2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets And Liabilities</b>		<b>123.546</b>
1.1.1 Interests Received/Lease Income		651.011
1.1.2 Interest Paid/Lease Expenses		(562.528)
1.1.3 Lease Expenses		-
1.1.4 Dividends Received		2.219
1.1.5 Fees and Commissions Received		18.887
1.1.6 Other Income		209.177
1.1.7 Collections from Non-performing Receivables	28	3.108
1.1.8 Payments to Personnel and Service Suppliers		(35.983)
1.1.9 Taxes Paid		(32.068)
1.1.10 Others	17	(130.277)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(479.682)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(1.205.072)
1.2.2 Net (Increase) Decrease in Financing Loans		-
1.2.3 Net (Increase) Decrease in Lease Receivables		(336.861)
1.2.4 Net (Increase) Decrease in Other Assets		(5.424)
1.2.5 Net Increase (Decrease) in Factoring Payables		-
1.2.6 Net Increase (Decrease) in Lease Payables		-
1.2.7 Net Increase (Decrease) in Funds Borrowed		1.006.122
1.2.8 Net Increase (Decrease) in Due Payables		-
1.2.9 Net Increase (Decrease) in Other Liabilities		61.553
<b>I. Net Cash Provided from/(Used in) Operating Activities</b>		<b>(356.136)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		(1.000)
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3 Purchases of Tangible and Intangible Assets	8,9	(4.510)
2.4 Proceeds From Sale of Tangible and Intangible Assets	8,9	14.968
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-
2.9 Other		-
<b>II. Net cash used in investing activities</b>		<b>9.458</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1 Cash obtained from funds borrowed and securities issued		2.629.010
3.2 Cash used for repayment of funds borrowed and securities issued		(2.411.795)
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
<b>III. Net Cash Used in Financing Activities</b>		<b>217.215</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>916</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(128.547)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>4</b>	<b>376.421</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	<b>4</b>	<b>247.874</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED PROFIT DISTRIBUTION TABLE

### AS AT 31 DECEMBER 2018

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

İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (*)		Current Period 31 December 2018	Prior Period 31 December 2017
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>			
1.1	Current Year Income	276.924	147.070
1.2	Taxes And Duties Payable(-)	(79.387)	(34.122)
1.2.1	Corporate Tax (Income tax)	(67.091)	(28.503)
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties	(12.296)	(5.619)
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>197.537</b>	<b>112.948</b>
1.3	Prior Year Losses(-)	(40.085)	-
1.4	First Legal Reserves (-)	(3.373)	(3.710)
1.5	Other Statutory Reserves(-) <sup>(*)</sup>	-	-
<b>B</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(a-(1.3+1.4+1.5))]</b>	<b>154.079</b>	<b>109.238</b>
1.6	First Dividend To Shareholders (-)	-	45.000
1.6.1	To Owners Of Ordinary Shares	-	45.000
1.6.2	To Owners Of Preferred Shares	-	-
1.6.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
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 Preferred Shares	-	-
1.9.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	64.238
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1	DISTRIBUTED RESERVES	-	-
2.2	Second Legal Reserves(-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Preferred Shares	-	-
2.3.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>			
3.1	To Owners Of Ordinary Shares	-	0,0017
3.2	To Owners Of Ordinary Shares (%)	-	0,17%
3.3	To Owners Of Preferred Shares	-	-
3.4	To Owners Of Preferred Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	To Owners Of Ordinary Shares	-	0,00069
4.2	To Owners Of Ordinary Shares (%)	-	0,069%
4.3	To Owners Of Preferred Shares	-	-
4.4	To Owners Of Preferred Shares (%)	-	-

(\*) Net Income available for distribution is calculated in the 2018 profit distribution table, since Annual General Meeting has not been held as of the reporting date.

(\*\*) There is no deferred tax expense sourcing from deferred tax assets of the Company included in distributable net period income as of 31 December 2018 is not subjected to distribution and shown under extraordinary reserves since BRSA considers that income/expense related to deferred tax assets cannot be qualified as cash or internal source and therefore it is required not to mention portion of period income sourcing from aforementioned assets in profit distribution and capital increase is. (31 December 2017: None).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. (“the Company”) was incorporated on 9 March 1988 to operate in Turkey in accordance with Finance Lease, Factoring and Financing Companies Law No: 6361. The core business of the Company is leasing operations, both domestic and abroad, and it started its leasing operations in July 1988. The head office of the Company is located at İş Kuleleri Kule: 1 Kat: 6 34330 Levent-İstanbul/Turkey.

The Company has purchased nominal shares of İş Faktoring A.Ş. (“İş Faktoring”) amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements. The Company and its subsidiary run their operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on the 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 shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) with 29,46% participation. The Company’s 41,77% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 December 2018, the Company and its subsidiary (“the Group”) have 268 employees (31 December 2017: 273 employees).

#### Dividend Payable

As at 31 December 2018, the Company does not have any dividend payable.

#### Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 31 December 2018 have been approved by the Board of Directors of the Group and authorized for issue as at 1 February 2019. The General Assembly and/or legal authorities have power to amend the consolidated financial statements after its issue.

#### 2. BASIS OF THE FINANCIAL STATEMENTS

##### 2.1 Basis of the Presentation

#### Accounting Standards Applied

The Group prepared accompanying consolidated financial statements accordingly to the “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies” and “Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies” the published in the Official Gazette dated 24 December 2013 and numbered 28861 published by “Banking Regulation and Supervision Agency” (BRSA) and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and their additions and comments issued by Public Oversight Accounting and Auditing Standards’ Authority (“POA”) and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency (all together refer to as “BRSA Accounting and Reporting Legislation”) in respect of accounting and financial reporting.

The financial statements as at 31 December 2018 are presented accordingly to the amendment on Financial Leasing, Factoring and Financing Companies’ Accounting Applications and Financial Statements regulation which was issued on 2 May 2018 and which has become effective on 30 September 2018.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.1 Basis of the Presentation (Continued)

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 4 - Financial assets and liabilities at fair value through profit or loss

Note 5 - Factoring receivables

Note 6 - Lease receivables

Note 17 - Provisions

Note 18 - Employee benefits

Note 24 - Provisions, contingent assets and liabilities

#### Basis of Consolidation

The details of the Group’s subsidiary as at 31 December 2018 and 31 December 2017 are as follows:

<u>Subsidiary</u>	<u>Establishment and operation location</u>	<u>Shareholding rate %</u>	<u>Voting right rate %</u>	<u>Core business</u>
İş Faktoring A.Ş.	Istanbul	78,23	78,23	Factoring operations

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in “Subsidiaries” section below. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In determining control power, existing and convertible voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2018 and 31 December 2017, the Company owns 78,23% of İş Faktoring A.Ş. As the Company has the power to control the operations of the İş Faktoring A.Ş., the financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying consolidated financial statements.

#### (ii) Transactions eliminated on consolidation

Financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying financial statements and profit or loss table and the investment balance in the Company’s statement of financial position have been eliminated against the paid-in capital of İş Faktoring A.Ş. Intra-group balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

##### 2.1 Basis of the Presentation (Continued)

###### Basis of Consolidation (Continued)

###### (iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest in equity since the date of the combination.

###### Offsetting

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

###### ***Additional paragraph for convenience translation into English of financial statements as of December 31, 2018 and independent auditors’ report originally issued in Turkish***

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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and changes in consolidated financial position and consolidated cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### 2.2 Changes in Accounting Policies

The Group has applied TFRS 9 as the first application date of 1 January 2018 and the effects of this standard on the financial position and performance of the Group are disclosed in “Note 2.4 Changes in Standards and Interpretations”.

##### 2.3 Changes 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. There has not been any significant change in the accounting estimates of the Group in the current period. Material accounting errors are adjusted retrospectively and prior periods’ consolidated financial statements are restated.

##### 2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:

##### TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

##### TFRS 9 Financial Instruments

The Group has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 instead of TAS 39 Financial Instruments: “Accounting and Measurement” starting from 1 January 2018. The group has started to apply TFRS 9 accordingly to Financial Leasing, Factoring and Financing Companies’ Accounting Applications and Financial Statements regulation which was issued in the Official Gazette numbered 30409 dated 2 May 2018, starting from 1 January 2018. The Group measures and classifies its financial instruments in accordance with the requirements of TFRS 9 as of the mentioned date. The explanation for the application and the effect of the mentioned TFRS 9 standard is listed below.

#### a) Classification and Measurement

In accordance with TFRS 9, if a financial asset is held in a business model that aims to collect contractual cash flows or in a business model that aims to collect contractual cash flows and to sell financial assets, the financial asset is classified based on the contractual cash flow’s characteristics.

The Group has assessed whether contractual cash flows for all financial assets within the scope of TFRS 9 include principle and interest payments on principle balance only and has implemented asset classifications within the framework of existing business models.

	Book Value Before TFRS 9 31.12.2017	Reclassifications	Remeasurements	Book Value After TFRS 9 01.01.2018	Tax Effect	Equity Effect
<b>Financial Assets</b>						
<b>Leasing Receivables</b>						
Pre-classification balance	4.246.966					
Valuation effect						
Book Value After Classification				4.246.966		
<b>Leasing Receivables</b>						
Pre-classification balance	4.841.727					
Valuation effect						
Book Value After Classification				4.841.727		
<b>Expected Loss and Specific Provisions</b>	<b>(180.256)</b>		<b>(59.965)</b>	<b>(240.221)</b>	<b>13.232</b>	<b>(40.085)</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

##### IFRS 9 Financial Instruments (Continued)

##### b) Provision For Expected Credit Losses (-)

	Book Value Before TFRS 9 31.12.2017	Reclassifications	IFRS 9 Book Value 01.01.2018
<b>Leasing Receivables</b>	140.626	19.754	160.380
Stage 1 (Expected Loss Provisions)		9.837	9.837
Stage 2 (Expected Loss Provisions)		11.788	11.788
Stage 3 (Specific provisions)	140.626	(1.871)	(1.871)
<b>Total</b>	<b>140.626</b>	<b>19.754</b>	<b>160.380</b>

  

	Book Value Before TFRS 9 31.12.2017	Reclassifications	IFRS 9 Book Value 01.01.2018
<b>Factoring Receivables</b>	39.630	40.212	79.841
Stage 1 (Expected Loss Provisions)		40.349	40.349
Stage 2 (Expected Loss Provisions)		205	205
Stage 3 (Specific provisions)	39.630	(342)	39.287
<b>Total</b>	<b>39.630</b>	<b>40.212</b>	<b>79.841</b>

##### c) Effects on Equity

In accordance with the related requirements of "IFRS 9-Financial Instruments" published in the Official Gazette

numbered 29953 dated 19 January 2017, there is no obligation to restate the prior period information. If the prior period information is not restated, the difference between the prior book value and the book value of 1 January 2018 at the date of application must be reflected in the opening balance of equity. The explanations regarding the issue is presented below.

Specific and general provisions reserved under the applicable legislation before the transition to IFRS 9 are canceled and the expected loss provision is set according to IFRS 9 principles. In this context;

- A net expense effect of TL 59.965 on total loss provisions of the above mentioned transactions,
- A deferred tax asset of TL 13.232 for expected loss provisions,

As a result of the mentioned transactions, there has been a decrease of TL 40.085 in prior year's profit and there has been a decrease of TL 6.648 in minority share.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

##### **TFRS 4 Insurance Contracts (Amendments)**

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

##### **TFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The impact of this standard on the financial statements or performance of the Group has been assessed and the interpretation did not have a significant impact on the financial position or performance of the Group.

##### **TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

##### **TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 “Investment Property”. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

##### Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

##### 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 Group 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.

##### TFRS 16 Leases

In April 2018, POA has published a new standard, “TFRS 16 ‘Leases’”. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 ‘Leases’ and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019 with early application permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

##### 2.4 Changes in Standards and Interpretations (Continued)

##### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

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

##### **TFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

This Interpretation will be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

##### **iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

##### **Annual Improvements - 2010-2012 Cycle**

##### **IFRS 13 Fair Value Measurement**

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

##### IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

##### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment will not have an impact on the financial position or performance of the Group.

##### Annual Improvements - 2015-2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015-2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

#### 2.4 Changes in Standards and Interpretations (Continued)

##### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a. Revenue

*Finance lease income:* Initial value of leased assets at the beginning of the leasing period under the Finance Lease, factoring and Financing Companies Law No: 6361 is recognized as finance lease receivables in the consolidated statement of financial position. Interest income resulting from the difference between the total finance lease receivables and the investment value of the leased assets are recognized in the period in which the relevant receivable portion for each accounting period is distributed over the related period using the fixed interest rate through the leasing period. The interest income not accrued yet is followed up under the account of unearned interest income.

*Factoring revenue:* Consists of factoring interest and commission income collected or accrued on advances given to the customers. Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

*Other interest income:* The outstanding amount of the principal and cash inflows to be calculated over the expected life of the asset is reduced to the related period at the effective interest rate.

Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

Fee and commissions collected or paid on any transactions are recorded 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 life, residual values and amortization method of tangible assets are reviewed at each reporting period and corrected if necessary.

Leasehold improvements are depreciated on a straight-line basis at the lower of over their lease periods or over the useful life of the leasehold improvements.

Expenses incurred to replace any part of tangible fixed assets are capitalized. Subsequent expenditures may be capitalized if they increase the future economic benefits of the asset. All other expense items are accounted on an accrual basis in the consolidated statement of income.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b. Tangible Assets (Continued)

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

<i>Definition</i>	<i>Years</i>
Furniture and fixtures	5 years
Other tangible assets	5 years
Leasehold improvements	5 years
Operational Leasing Assets	3 years

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 consolidated statement of income.

The estimated useful life, residual values and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

#### c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Computer software and licenses 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 31 December 2004 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 useful lives of computer software and licenses 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 in the statement of income as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, 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.

The estimated useful life, residual value and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

#### d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization, but tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e. Borrowing Costs

All borrowing costs are recorded in the income statement on accrual basis.

#### f. Financial Assets Held For Sale

Assets that are expected to be disposed by sale rather than usage (or disposal asset group) are classified as held for sale. Immediately before classification as held for sale, the assets (or disposal asset group) are remeasured in accordance with the Group’s accounting policies. Thereafter generally the assets (or disposal asset group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated profit or loss table. Gains are not recognized in excess of any cumulative impairment loss.

#### g. Financial Instruments

##### Financial Assets

As of 1 January 2018, the Group 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 other than 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 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. Gains or losses arising from the valuation are related to profit or loss.

##### Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the group 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 by using the effective interest rate method, net of any provision for impairment.

##### Financial Assets at Fair Value Through Other Comprehensive Income

The Group 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 Group 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial Instruments (Continued)

##### Financial Assets (Continued)

##### Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

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.

##### Financial Lease Receivables, Factoring Receivables and Other Receivables

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

Under IFRS 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 IFRS 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.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial Instruments (Continued)

##### Financial assets (Continued)

##### Financial Lease Receivables, Factoring Receivables and Other Receivables (Continued)

#### 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

Specific provision is provided for factoring receivables in Stage 3.

##### 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.

##### Financial liabilities

Financial liabilities and equity instruments issued by the Group 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 Group 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial Instruments (Continued)

###### 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

###### Derivative financial instruments and hedge accounting

The Group's activities exposes primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates.

##### h. Business Combinations

The acquisitions of subsidiaries are accounted for by using the purchase method. The cost of the acquisition is measured at the aggregate of fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under TFRS 3 "Business Combinations" are recognized at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is measured at cost less accumulated impairment. When the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, excess amount is recognized immediately as profit.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling party's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i. Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Group as at 31 December 2018 and 31 December 2017 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
USD	5,2609	3,7719
EUR	6,0280	4,5155
GBP	6,6528	5,0803
CHF	5,3352	3,8548
100 JPY	4,7547	3,3421
AUD	3,7026	2,9384

In preparation of the financial statements of the individual entities, 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 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.

#### j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year. In case the number of shares increases through rights issue as a result of capital increases from internal sources, earnings per share calculations are made by restating the weighted average number of shares in comparison periods. The correction refers to the consideration of the number of shares used in the calculation as if the unpaid issue was performed at the beginning of the comparison period.

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.

#### k. Events After the Reporting Period

Subsequent events 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 Reporting Period Date”; subsequent balance sheet events that provide additional information about the Group’s position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Events that does not require adjustment of financial statements are disclosed in the notes when material.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### l. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Group 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 Group 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.

##### m. Leases

###### *Group as Lessor*

The Group’s accounting policies over finance leases are disclosed in note (g).

###### *Group as Lessee*

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 Group 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 statement of financial position 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. Finance charges are charged to profit or loss in accordance with the Group’s general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received or to be received to enter into an operating lease are also recognized in the profit or loss on a straight-line basis over the lease term.

##### n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 24).

##### o. Taxes on Income

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### o. Taxes on Income (Continued)

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 date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to Other Comprehensive Income and subsequently recognized in profit or loss together with the deferred gains that are realized.

#### p. Employee Benefits/Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group 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 consolidated 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 Group 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 consolidated financial statements. The main estimates used are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Discount rate	4,22%	4,49%
Expected rate of salary/limit increase	11,30%	7,00%
Probability of retirement	100%	100%

#### q. Statement of Cash Flows

The Group presents statement of cash flows as an integral part of its financial statements to inform the users of financial statements about its ability to manage changes in its net assets, its financial structure and the amount and timing of its cash flows under changing conditions.

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of the cash flows arising from core operations of the Company. Cash flows related with investment activities compose of cash flows that the Group generates from or uses in investment activities (tangible and financial investments). Cash flows related with financing activities represent resources that the Group uses for financing activities and the reimbursements of such resources.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 consolidated 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 7).

### 4. FINANCIAL ASSETS

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

##### *Financial Assets at fair value through profit or loss/Expected Credit Loss*

As at 31 December 2018 and 31 December 2017, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	31 December 2018	
	TL	FC
Debt securities issued by private sector <sup>(*)</sup>	400	-
Mutual funds	859	-
	<b>1.259</b>	<b>-</b>
31 December 2018		
	TL	FC
Specific provisions/Expected Credit Loss(-)	(400)	-
	<b>(400)</b>	<b>-</b>
31 December 2017		
	TL	FC
Debt securities issued by private sector <sup>(*)</sup>	400	-
Debt securities issued by private sector expected Credit Loss (-) <sup>(*)</sup>	(400)	-
Mutual funds	5.147	-
	<b>5.147</b>	<b>-</b>

<sup>(\*)</sup> In its meeting held on 11 February 2016, Borsa İstanbul A.Ş. (Istanbul Stock Exchange) Board of Directors has decided to delist the debt instruments coded TRSAYNS51619, TRSAYNSK1619 and TRSAYNS21711 ISIN of Aynes Gıda Sanayi ve Ticaret A.Ş., the debt instruments of which are listed in BIST Debt Instruments Market Definite Trading Market, due to failure of the named Company in its coupon payment of 2 February 2016 relating to its debt instrument coded TRSAYNS51619 ISIN. The coupon payments and the principal payment of the debt instrument coded TRSAYNSK1619 ISIN included in the assets of the Group have not been made by Aynes Gıda Sanayi ve Ticaret A.Ş., the Group has recognized allowance for impairment losses on the debt instrument amounting to its total carrying amount.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 859 (31 December 2017: TL 5.147).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 4. FINANCIAL ASSETS (Continued)

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

##### Derivate Financial Assets and Liabilities

Derivative financial assets are measured at fair value and if the valuation difference is positive they are classified as "Derivative Financial Assets available for sale", if it is negative they are classified as "Derivative Financial Liabilities available for sale".

##### Derivative Financial Assets

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Swap Transactions	-	72.110	105	5.278
	-	<b>72.110</b>	<b>105</b>	<b>5.278</b>

##### Derivative Financial Liabilities

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Swap Transactions	-	96.521	-	19.613
Total	-	<b>96.521</b>	-	<b>19.613</b>

### CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 31 December 2017, the details of the banks are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Demand Deposits	3.581	26.198	5.093	30.296
Time Deposits	-	242.778	-	212.485
Interest accrual	-	12	-	19
	<b>3.581</b>	<b>268.988</b>	<b>5.093</b>	<b>242.800</b>

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 4. FINANCIAL ASSETS (Continued)

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### CASH AND CASH EQUIVALENTS (Continued)

The details of the time deposits as at 31 December 2018 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2018
USD	4,00%	02.01.2019	38.066
Euro	1,5%-2,90%	02.01.2019-25.01.2019	204.724
			<b>242.790</b>

The details of the time deposits as at 31 December 2017 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2017
USD	0,50%-2,25%	02.01.2018	19.767
Euro	1,10%-1,40%	02.01.2018 -26.01.2018	192.737
			<b>212.504</b>

As at 31 December 2018, TL 258.024 portion of total foreign currency deposits (31 December 2017: TL 184.114) and TL 3.151 portion of total TL deposits (31 December 2017: TL 4.885) consist of accounts at the Group's main shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying consolidated statement of financial position and the statement of cash flow is as follows:

	31 December 2018	31 December 2017
Demand deposits	29.779	35.389
Time deposits (1-3 months) (excluding accrual)	242.778	212.485
<b>Cash and cash equivalents</b>	<b>272.557</b>	<b>247.874</b>

As at 31 December 2018 and 31 December 2017, there is no blockage on cash and cash equivalents



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 4. FINANCIAL ASSETS (Continued)

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FORMERLY FINANCIAL ASSETS AVAILABLE FOR SALE)

As at 31 December 2018 and 31 December 2017, details of financial assets at fair value through other comprehensive income (formerly known as financial assets available for sale) are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				31 December 2018	31 December 2017	31 December 2018	31 December 2017
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	35.559	42.329
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.338	1.153
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	686	666
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	4.000	3.000
<b>TOTAL</b>						<b>41.622</b>	<b>47.187</b>

### 5. FACTORING RECEIVABLES

As at 31 December 2018 details of factoring receivables are as follows:

	Short Term	Long Term	Total
Factoring receivables	2.731.827	7.064	2.738.891
Factoring interest income accrual (-)	(8.916)	-	(8.916)
Stage 1 (Expected Credit Loss)	(9.314)	(98)	(9.412)
Stage 2 (Expected Credit Loss)	(2.875)	-	(2.875)
<b>Total factoring receivables</b>	<b>2.710.722</b>	<b>6.966</b>	<b>2.717.688</b>
Non-performing factoring receivables	31.016	-	31.016
Specific provisions- Stage 3	(23.827)	-	(23.827)
<b>Factoring receivables, net</b>	<b>2.717.911</b>	<b>6.966</b>	<b>2.724.877</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 5. FACTORING RECEIVABLES (Continued)

Ratings	Stage 1	Stage 2	Stage 3	Total		
Total portfolio	2.471.235	258.740	31.016	2.760.991		
Very good	1.714.790	-	-	1.714.790		
Standard	756.447	-	-	756.447		
Substandard	-	258.740	31.016	289.756		
<b>Expected credit loss and specific provisions</b>	<b>9.412</b>	<b>2.875</b>	<b>23.827</b>	<b>36.114</b>		
<b>Factoring receivables, net</b>	<b>2.461.823</b>	<b>255.864</b>	<b>7.189</b>	<b>2.724.877</b>		
	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	7.555	-	-	(10)	-	-
Factoring alacakları	2.471.235	258.740	31.016	(9.412)	(2.875)	(23.827)

As at 31 December 2017 details of factoring receivables are as follows:

	31 December 2017
Short-term factoring receivables (*)	
Domestic factoring receivables	3.662.132
Export and import factoring receivables	535.156
Factoring interest income accrual	29.347
Unearned interest income	(21.768)
	4.204.867
Non-performing factoring receivables (**)	42.099
Specific provision (**)	(39.630)
	4.207.336

(\*) Consists of factoring receivables of the subsidiary, İş Faktoring A.Ş., which is owned by the Company with the ownership percentage of 78,23%.

(\*\*) Presented under the non-performing receivables in the consolidated financial statement.

As at 31 December 2018, the average interest rates applicable for the factoring receivables are 34,75% for TL, 14,24% for USD, 5,83% for EUR and 6,51% for GBP (31 December 2017: 17,64% for TL, 5,67% for USD, 3,53% for EUR and 5,98% for GBP).

As of 31 December 2018, TL 593.136 thousand, EUR 34.952 thousand, USD 55.672 thousand and GBP 12 thousand factoring receivables have variable interest rates, (31 Aralık 2017: TL 592.022 thousand, EUR 70.938 thousand, USD 51.330 thousand and GBP 1.864 thousand), TL 1.607.396 thousand, EUR 34.952 thousand, USD 55.672 thousand, GBP 13.667 thousand faktoring receivable have stabil interest rates (31 Aralık 2017: TL 2.202.052 thousand, EUR 81.767 thousand, USD 138.031 thousand).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 5. FACTORING RECEIVABLES (Continued)

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Domestic irrevocable	1.564.723	1.867.312
Foreign irrevocable	223.994	195.722
Domestic revocable	817.688	1.801.683
Foreign revocable	118.472	342.619
	<u><b>2.724.877</b></u>	<u><b>4.207.336</b></u>

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Between 90 - 180 days	10.897	2.146
Between 180 - 360 days	5.725	1.505
Over 360 days	14.394	38.448
	<u><b>31.016</b></u>	<u><b>42.099</b></u>

The Group has contractual sureties as collateral for the above non-performing factoring receivables.

As at 31 December 2018, standard and close monitoring factoring receivables and the close monitoring factoring receivable amendments made related to the extension of the payment plan as follows:

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
<b>Number of Amendments Related to the Extension of the Payment Plan</b>	-	-
Extended for 1 or 2 Times	-	190.109
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
<b>The Time Extended via the Amendment on payment Plan</b>	-	-
0-6 Months	-	617
6 Months - 12 Months	-	180.917
1 - 2 Years	-	8.575
2 -5 Years	-	-
5 Years and More	-	-

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 5. FACTORING RECEIVABLES (Continued)

The movement of expected credit loss and specific provisions are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017 (**)
Provision at the beginning of the period (*)	(79.841)	(38.547)
Provision reversed during the period	8.496	(3.210)
Collections	8.136	2.127
Write-off	27.095	-
<b>Provision at the end of the period</b>	<b>(36.114)</b>	<b>(39.630)</b>

(\*) IFRS 9 opening balance.

(\*\*)The movement table as at 31 December 2017 relates to table relates to specific provisions before TFRS 9.

### 6. LEASE RECEIVABLES

#### A. Financial Lease Receivables

As at 31 December 2018, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	2.511.476	3.459.533	5.971.009
Unearned interest income (-)	(369.320)	(383.593)	(752.913)
Leasing contracts in progress (*)	0	50.086	50.086
Advances given for lease transactions	0	52.262	52.262
Other receivables for rental transactions	10.963	0	10.963
Expected Credit Loss- Stage 1	(2.943)	(7.724)	(10.668)
Expected Credit Loss - Stage 2	(3.861)	(11.455)	(15.316)
<b>Total Financial Lease Receivables</b>	<b>2.146.315</b>	<b>3.159.109</b>	<b>5.305.423</b>
Non- Performing Lease Receivables	250.803	15.589	266.392
Specific provision- Stage 3	(128.613)	(7.994)	(136.607)
<b>Net finance lease receivables</b>	<b>2.268.505</b>	<b>3.166.704</b>	<b>5.435.208</b>

(\*) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2017 and 31 December 2018, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 6. LEASE RECEIVABLES(Continued)

#### A. Financial Lease Receivables (Continued)

Ratings	Stage 1	Stage 2	Stage 3	Total	
<b>Internal ratings</b>					
A+ (Excellent)	10	0	0	10	
A (Very good))	11.666	9.352	1	21.019	
A- (Good)	205.315	46.145	8.121	259.581	
B+ (Enough)	1.160.838	191.114	18.544	1.370.496	
B (Reasonable)	901.602	153.010	31.025	1.085.637	
B- (Close Monitoring)	1.251.638	62.753	129.918	1.444.309	
C+ (Insufficient)	650.051	31.782	15.194	697.027	
C (Suspicious)	272.615	8.357	29.462	310.434	
<b>Scoring</b>					
Y (High)	93.529	4.196	5.088	102.813	
O (medium)	207.688	15.507	20.625	243.820	
D (Low)	48.836	5.403	8.414	62.653	
<b>Expected Loss Provisions and specific provision</b>	<b>(10.668)</b>	<b>(15.316)</b>	<b>(136.607)</b>	<b>(162.591)</b>	
<b>Leasing receivables</b>	<b>4.793.120</b>	<b>512.303</b>	<b>129.785</b>	<b>5.435.208</b>	
	<b>Carried value</b>		<b>Expected credit loss and specific provision</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 1</b>
Financial assets	272.569	-	-	(63)	-
Factoring alacakları	4.803.788	527.619	266.392	(10.668)	(15.316)

As at 31 December 2017, details of finance lease receivables are as follows:

31 December 2017	Short Term	Long Term	Total
Invoiced finance lease receivables	59.559	-	59.559
Finance lease income accruals	31.331	-	31.331
Non-performing finance lease receivables (*)	197.720	26.595	224.315
Uninvoiced finance lease receivables	1.950.652	2.854.560	4.805.212
Less: Unearned interest income	(316.960)	(323.575)	(640.535)
Leasing contracts in progress (**)	-	223.516	223.516
Advances given for lease transactions	-	138.329	138.329
Specific provisions (**)	(123.953)	(16.673)	(140.626)
<b>Net finance lease receivables</b>	<b>1.798.349</b>	<b>2.902.752</b>	<b>4.701.101</b>

(\*) Presented as non-performing receivables in the financial statement.

(\*\*) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2018 and 31 December 2017, machinery and equipment's cost and additional expenses, purchased and paid but not tied to leasing contracts are accounted under leasing contracts in progress.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 6. LEASE RECEIVABLES(Continued)

##### A. Financial Lease Receivables (Continued)

As at 31 December 2018, analysis of finance lease receivables according to their maturities is as follows:

	2019 (**)	2020	2021	2022	2023	2024 and after	Total
Finance lease receivables (gross) <sup>(*)</sup>	2.618.647	1.628.706	987.361	489.532	238.548	122.979	6.085.773
Unearned interest	(369.321)	(201.367)	(106.012)	(41.261)	(29.278)	(5.674)	(752.913)
<b>Finance lease receivables (net)</b>	<b><u>2.249.326</u></b>	<b><u>1.427.339</u></b>	<b><u>881.349</u></b>	<b><u>448.271</u></b>	<b><u>209.270</u></b>	<b><u>117.305</u></b>	<b><u>5.332.860</u></b>

<sup>(\*)</sup> Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled to payment plans yet.

As at 31 December 2017, analysis of finance lease receivables according to their maturities is as follows:

	2018	2019	2020	2021	2022	2023 and after	Total
Finance lease receivables (gross) <sup>(*)</sup>	2.115.309	1.367.906	794.317	426.967	167.030	108.262	4.979.79
Unearned interest	(316.961)	(178.853)	(86.037)	(37.060)	(13.547)	(8.077)	(640.535)
<b>Finance lease receivables (net)</b>	<b><u>1.798.348</u></b>	<b><u>1.189.053</u></b>	<b><u>708.280</u></b>	<b><u>389.907</u></b>	<b><u>153.483</u></b>	<b><u>100.185</u></b>	<b><u>4.339.256</u></b>

<sup>(\*)</sup> Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled by the payment plans yet.

As at 31 December 2018, the average compound interest rates applicable for the finance lease receivables are 17,08% for TL, 6,83% for USD, and 5,01% for EUR (31 December 2017: 14,87% for TL, 6,05% for USD, and 4,82% for EUR).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 6. LEASE RECEIVABLES (Continued)

#### A. Financial Lease Receivables (Continued)

As at 31 December 2018, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net) (TL)	Unearned interest in foreign currency	Unearned interest (TL)
USD	176.965.430	930.997	22.364.042	117.039
EUR	462.566.000	2.788.348	50.839.497	306.461
CHF	1.648.000	8.792	97.891	522
TL	-	1.604.723	-	328.891
<b>Total</b>		<b>5.332.860</b>		<b>752.913</b>

(\*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.

As at 31 December 2017, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest (TL)
USD	232.275.715	876.121	22.297.868	83.790
EUR	388.476.698	1.754.166	41.427.561	187.066
CHF	2.213.056	8.531	175.737	677
TL		1.700.438		369.002
<b>Total</b>		<b>4.339.256</b>		<b>640.535</b>

(\*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

Collateral type:	31 December 2018	31 December 2017
Mortgages	262.482	228.871
Sureties of credit guarantee fund	140.457	48.793
Pledged equity	74.329	-
Pledged shares	51.369	34.092
Pledged movable	19.983	-
Letters of guarantee	7.123	16.851
Cash blockages	3.085	3.008
Share certificates	1.356	2.446
Pledged account	-	1.051
Guarantors	129	288
	<b>560.313</b>	<b>335.400</b>

In addition to collaterals above, the Group also has sureties amounting to TL 4.510.688, pledged vehicles amounting to TL 45.430, pledged accounts receivable to TL 61.540. (31 December 2017: sureties amounting to TL 3.707.190, pledged vehicles amounting to TL 50.806, pledged machines amounting to TL 12.514, pledged accounts receivable to TL 118.326).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 6. LEASE RECEIVABLES (Continued)

#### A. Financial Lease Receivables (Continued)

	<u>31 December 2018</u>	<u>31 December 2017</u>
Up to 30 days	93.954	48.613
Between 30 - 60 days	7.006	5.384
Between 60 - 90 days	3.218	2.534
Between 90 - 150 days	-	3.028
Total overdue	<u>104.178</u>	<u>59.559</u>

Details of the collaterals obtained by Group for overdue lease receivables mentioned above are as follows:

<b>Collateral type</b>	<u>31 December 2018</u>	<u>31 December 2017</u>
Mortgages	20.174	28.565
Pledged equity	17.494	27.216
Sureties of credit guarantee fund	9.175	4.019
Pledged Shares	1.356	-
Letters of guarantee	2.327	1.288
Pledged account	-	1.051
Cash blockages	-	59
Guarantors	-	26
	<u>50.526</u>	<u>62.224</u>

In addition to above guarantees, the Group also has sureties amounting to TL 882.876, pledged vehicles amounting to TL 3.281, pledged accounts receivable to TL 1.118 (31 December 2017: sureties amounting to TL 331.696, pledged vehicles amounting to TL 4.244, pledged accounts receivable to TL 2.544).

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 35.

As at 31 December 2018 and 31 December 2017, the aging of non-performing finance lease receivables is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Between 90 - 240 days (31.12.2017: 150-240 days)	16.073	3.638
Between 240 - 360 days	5.693	2.204
Over 360 days	71.569	75.804
Uninvoiced non-performing finance lease receivables	168.034	148.412
Unearned interest of non-performing finance lease receivables	5.023	(5.743)
	<u>266.392</u>	<u>224.315</u>

Collaterals obtained for non-performing finance lease receivables as at 31 December 2018 and 31 December 2017 are as follows:

<b>Guarantee type:</b>	<u>31 December 2018</u>	<u>31 December 2017</u>
Mortgages	12.544	5.299
	<u>12.544</u>	<u>5.299</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 166.880, pledged vehicles amounting to TL 83.785 and leased equipments amounting to TL 3.182 (31 December 2017: sureties amounting to TL 143.473, pledged vehicles amounting to TL 981 and leased equipments amounting to TL 74.562).



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 6. LEASE RECEIVABLES (Continued)

#### A. Financial Lease Receivables (Continued)

	1 January- 31 December 2018	1 January- 31 December 2017
<b>Movement of specific provisions:</b>		
Provision at the beginning of the period	(138.755)	(111.684)
Provision set during the period	(33.802)	(29.923)
Asset Management Company Sale	34.962	-
Collections	988	981
<b>Provision at the end of the period</b>	<b>(136.607)</b>	<b>(140.626)</b>
<b>Expected Credit Loss Movement Table:</b>		
Provision at the beginning of the period	(21.625)	-
Provision set during the period	(4.359)	-
<b>Provision at the end of the period</b>	<b>(25.984)</b>	<b>-</b>
	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	396.834
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months - 12 Months	-	396.834
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 6. LEASE RECEIVABLES (Continued)

#### B. Operating Lease Receivables

	<u>31 December 2018</u>	<u>31 December 2017</u>
Operating Lease Receivables	1	-
	<u>1</u>	<u>-</u>

As at 31 December 2018 and 31 December 2017 analysis of time lease receivables occurred from operating lease receivables according to their maturities is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
2018 Year	-	419
2019 Year	938	414
2020 Year	554	132
2021 Year	338	-
	<u>1.830</u>	<u>965</u>

#### C. Other receivables related to leasing transactions (31.12.2017: Other Receivables)

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	TL	FC	TL	FC
Insurance premium receivables	3.753	5.396	3.157	3.672
Others	1.351	463	2.375	171
	<u>5.104</u>	<u>5.859</u>	<u>5.532</u>	<u>3.843</u>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 7. RELATED PARTIES

As at 31 December 2018 and 31 December 2017, details of related party receivables and payables are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
<u>Finance lease receivables from related parties</u>		
Tukaş Gıda San. ve Tic. A.Ş.	46.929	4.235
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	19.017	11.667
KKB Kredi Kayıt Bürosu A.Ş.	16.982	20.882
Numnum Yiyecek ve İçecek A.Ş.	1.261	1.409
Bankalararası Kart Merkezi A.Ş.	239	505
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	-	377
Toksöz Spor Malzemeleri Ticaret A.Ş.	-	22
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	699
<b>Total</b>	<b>84.428</b>	<b>39.796</b>
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	1	-
<b>Total</b>	<b>1</b>	<b>-</b>
<u>Factoring receivables from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	18.302	15.942
Nevotek Bilişim Ses Ve İletişim Sist. San. ve Tic. A.Ş.	2.774	766
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	49.900
<b>Total</b>	<b>21.076</b>	<b>66.608</b>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	19.623	18.462
İş Merkezleri Yönetim ve İşletim A.Ş.	90	160
İş Net Elekt. Bilgi Ür. Dağ. Tic. ve İlet. Hiz. A.Ş.	45	44
Softtech Yazılım Teknolojileri	11	-
Anadolu Hayat Emeklilik A.Ş.	5	1
KKB Kredi Kayıt Bürosu A.Ş.	4	4
<b>Total</b>	<b>19.778</b>	<b>18.671</b>
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. time deposit	234.471	160.426
Türkiye İş Bankası A.Ş. demand deposit	26.704	28.573
İşbank AG demand deposit	459	5.579
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	53	31
<b>Total</b>	<b>261.687</b>	<b>194.609</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 7. RELATED PARTIES (Continued)

	31 December 2018	31 December 2017
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	-	12.926
<b>Total</b>	<b>-</b>	<b>12.926</b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	70.986	1.670
Türkiye Sınai Kalkınma Bankası A.Ş.	675	466
<b>Total</b>	<b>71.661</b>	<b>2.136</b>

As at 31 December 2018 and 31 December 2017, details of borrowings from related parties are as follows:

#### Borrowings from related parties

##### Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
TL	26,00%-29,40%	02.01.2019-31.12.2021	651.848
EUR	5,43%	08.01.2019	61.025
			<b>712.873</b>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
TL	17,00% -18,57%	02.01.2018-15.06.2018	437.612
USD	4,99%	17.07.2018	38.140
			<b>475.752</b>

##### Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
USD	4,60%	20.06.2020	131.734
EUR	2,27%- 3,07%	18.12.2020-29.12.2025	317.092
			<b>448.826</b>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
USD	2,68%	15.09.2018	3.804
EUR	1,01% - 3,45%	06.06.2018-27.12.2024	255.559
			<b>259.363</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 7. RELATED PARTIES (Continued)

For the periods ended 31 December 2018 and 31 December 2017, finance income and expenses from related parties are as follows:

	31.12.2018	31.12.2017
<u>Finance lease interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.843	1.235
Tukaş Gıda San. Ve Tic.A.Ş.	1.188	271
KKB Kredi Kayıt Bürosu	789	948
Numnum Yiyecek ve İçecek A.Ş.	101	122
Bankalararası Kart Merkezi A.Ş.	49	101
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	9	31
İş Gayrimenkul Yatırım Ort.A.Ş.	5	799
Toksöz Spor Malzemeleri Tic. A.Ş.	1	9
Radore Veri Merkezi Hizm.A.Ş.	-	2
<b>Total</b>	<b>3.985</b>	<b>3.518</b>
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	539	249
TSKB Gayrimenkul Değerleme A.Ş.	141	73
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	9	5
<b>Total</b>	<b>689</b>	<b>327</b>
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	2.247	1.653
<b>Total</b>	<b>2.247</b>	<b>1.653</b>
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	5.351	2.189
İş Net Elektr. Bilgi Ür. Dağ. Tic. ve İlet. Hiz. A.Ş.	40	234
<b>Total</b>	<b>5.391</b>	<b>2.423</b>
<u>Finance expense</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	26.346	20.975
Türkiye İş Bankası A.Ş.	20.695	8.098
İş Yatırım Menkul Değerler A.Ş.	8.063	5.186
İşbank AG	651	28
<b>Total</b>	<b>55.755</b>	<b>34.287</b>
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	3.968	4.556
<b>Total</b>	<b>3.968</b>	<b>4.556</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 7. RELATED PARTIES (Continued)

#### Commission income

	<u>31.12.2018</u>	<u>31.12.2017</u>
Anadolu Anonim Türk Sigorta Şirketi	4.995	5.226
<b>Total</b>	<b>4.995</b>	<b>5.226</b>

#### Factoring commission income from related parties

	<u>31.12.2018</u>	<u>31.12.2017</u>
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	284	85
Şişe Cam Dış Tic.AŞ.	131	-
Nevotek Bil. Ses ve İlet. Sist. San. ve Tic. A.Ş	11	-
<b>Total</b>	<b>426</b>	<b>85</b>

#### Factoring interest income from related parties

Bayek Tedavi Sağlık Hiz. ve İşletmeciliği A.Ş.	4.129	6.384
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	2.735	1.970
Nevotek Bil. Ses ve İlet. Sist. San. ve Tic. A.Ş	149	53
Şişe Cam Dış Tic.AŞ.	-	5
<b>Total</b>	<b>7.013</b>	<b>8.412</b>

#### Mutual funds income

Türkiye İş Bankası A.Ş.	197	476
<b>Total</b>	<b>197</b>	<b>476</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 7. RELATED PARTIES (Continued)

As at 31 December 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	31 December 2018		31 December 2017	
	Purchase	Sale	Purchase	Sale
Swap Transactions	842.851	748.218	206.894	196.707
<b>Total</b>	<b>842.851</b>	<b>748.218</b>	<b>206.894</b>	<b>196.707</b>

As at 31 December 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	31 December 2018		31 December 2017	
	Purchase	Sale	Purchase	Sale
Swap Transactions	185.007	184.132	223.139	222.542
<b>Total</b>	<b>185.007</b>	<b>184.132</b>	<b>223.139</b>	<b>222.542</b>

As at 31 December 2018 and 31 December 2017, the amount of the Group's issued debt securities in related parties' securities portfolio are as follows:

	31 December 2018	31 December 2017
İş Yatırım Menkul Değerler A.Ş.	15.513	100
Millî Reasürans T.A.Ş.	8.258	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	2.549	2.351
Türkiye İş Bankası A.Ş.	1.510	-
İş Yatırım Ortaklığı A.Ş.	943	-
İş Portföy Yönetimi A.Ş.	-	1.003
<b>Total</b>	<b>28.773</b>	<b>3.454</b>

### Total salaries and similar benefits paid to the (key management) (\*)

For the period ended 31 December 2018 and 31 December 2017, total salary and benefits paid to the key management during year comprised the following:

	31 December 2018	31 December 2017
Salaries and other short-term benefits (**)	8.401	7.474
	<b>8.401</b>	<b>7.474</b>

(\*) The Group's key management consists of members of the board of directors, general manager and assistant general managers.

(\*\*) Consists of monetary benefits such as; salaries, bonuses and premiums along with vehicle rentals and other associated expenses.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 8. TANGIBLE ASSETS

For the periods ended 31 December 2018 and 31 December 2017, movements in tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Operating Lease Assets	Other Tangible Assets	Other Assets	Real Estate	Total
<b>Cost</b>							
Opening balance at 1 January 2018	6.168	3.916	1.057	1.456	-	-	12.597
Additions	1.489	347	1.081	-	12.100	8.750	23.767
Disposals	(376)	-	-	-	(12.100)	-	(12.476)
<b>Closing balance at 31 December 2018</b>	<b>7.281</b>	<b>4.263</b>	<b>2.138</b>	<b>1.456</b>	<b>-</b>	<b>8.750</b>	<b>23.888</b>
<b>Accumulated depreciation</b>							
Opening balance at 1 January 2018	(3.766)	(3.453)	(329)	(1.456)	-	-	(9.004)
Depreciation for the period	(787)	(221)	(452)	-	-	(30)	(1.490)
Disposals	92	-	-	-	-	-	92
<b>Closing balance at 31 December 2018</b>	<b>(4.461)</b>	<b>(3.674)</b>	<b>(781)</b>	<b>(1.456)</b>	<b>-</b>	<b>(30)</b>	<b>(10.402)</b>
<b>Carrying amounts at 31 December 2018</b>	<b>2.820</b>	<b>589</b>	<b>1.357</b>	<b>-</b>	<b>-</b>	<b>8.720</b>	<b>13.486</b>
<b>Carrying amounts at 1 January 2018</b>	<b>2.402</b>	<b>463</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.593</b>
<b>Cost</b>							
Opening balance at 1 January 2017	4.736	3.625	627	1.479	-	15.130	25.597
Additions	1.594	298	430	-	-	-	2.322
Transfer	15	(7)	-	(23)	-	-	(15)
Disposals	(177)	-	-	-	-	(15.130)	(15.307)
<b>Closing balance at 31 December 2017</b>	<b>6.168</b>	<b>3.916</b>	<b>1.057</b>	<b>1.456</b>	<b>-</b>	<b>-</b>	<b>12.597</b>
<b>Accumulated depreciation</b>							
Opening balance at 1 January 2017	(3.315)	(3.148)	(62)	(1.479)	-	(164)	(8.168)
Depreciation for the period	(551)	(308)	(267)	-	-	(65)	(1.191)
Transfer	(10)	3	-	23	-	-	16
Disposals	110	-	-	-	-	229	339
<b>Closing balance at 31 December 2017</b>	<b>(3.766)</b>	<b>(3.453)</b>	<b>(329)</b>	<b>(1.456)</b>	<b>-</b>	<b>-</b>	<b>(9.004)</b>
<b>Carrying amounts at 31 December 2017</b>	<b>2.402</b>	<b>463</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.593</b>
<b>Carrying amounts at 1 January 2017</b>	<b>1.421</b>	<b>477</b>	<b>565</b>	<b>-</b>	<b>-</b>	<b>14.966</b>	<b>17.429</b>

As at 31 December 2018 and 31 December 2017, there is no restriction and mortgage on the tangible assets of the Group.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 9. INTANGIBLE ASSETS

For the periods ended 31 December 2018 and 31 December 2017, movements in intangible assets except goodwill are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
<u>Cost</u>		
Opening balance at 1 January	7.215	5.042
Additions	1.819	2.188
Transfer	-	(15)
Disposals	(68)	-
Closing balance at the end of the period	<u>8.966</u>	<u>7.215</u>
<u>Amortization</u>		
Opening balance at 1 January	(3.441)	(2.618)
Amortization for the period	(1.252)	(838)
Transfer		15
Disposals	(1)	-
Closing balance at the end of the period	<u>(4.694)</u>	<u>(3.441)</u>
<b>Carrying amounts<sup>(*)</sup></b>	<u><b>4.272</b></u>	<u><b>3.774</b></u>

<sup>(\*)</sup>The Group's intangible assets consist of computer software.

### GOODWILL

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 31 December 2017, net amount of goodwill is TL 166 (31 December 2017: TL 166). Based on TFRS 3, for the annual periods beginning on 1 January 2005, after the reporting period ended on 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 10. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2018 and 31 December 2017, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary time differences subject to deferred tax	31 December 2018	31 December 2017
Expected Credit Loss/Specific provisions	132.801	118.778
Valuation differences on financial instruments	24.411	14.229
Unearned factoring income	8.916	21.768
Provision for lawsuit	4.823	3.753
Reserve for employee benefits	4.510	3.880
Employee bonus accrual	4.138	4.077
Unused vacation provision	1.581	1.498
Prepaid expenses	582	1.522
Expense accruals	237	216
Finance lease adjustment	(4.558)	(7.533)
Tax base differences in tangible and intangible assets	(4.805)	(2.639)
Finance lease income accruals	(40.228)	(31.780)
	<b>132.408</b>	<b>127.769</b>
Deferred tax assets/(liabilities)	31 December 2018	31 December 2017
Expected Credit Loss/Specific provisions	27.578	24.489
Valuation differences on financial instruments	5.370	3.131
Unearned factoring income	1.962	4.789
Provision for lawsuit	1.061	825
Reserve for employee benefits	916	776
Employee bonus accrual	910	897
Unused vacation provision	328	300
Prepaid expenses	52	48
Expense accruals	128	335
Finance lease adjustment	(911)	(1.507)
Tax base differences in tangible and intangible assets	(1.012)	(528)
Finance lease income accruals	(8.850)	(6.992)
<b>Deferred tax asset</b>	<b>27.532</b>	<b>26.563</b>

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years (31 December 2017: Calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years). The Group has no investment incentive amount used during the period (31 December 2017: TL 44.074).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 10. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

#### Investment Incentive:

The statement "limited to 2006, 2007 and 2008 only" in the 69<sup>th</sup> Article of the Income Tax Law No. 193, which was cancelled by the Constitutional Court decision No. 2009/144 and published in the Official Gazette on 8 January 2010, was re-regulated by the Law No. 6009 Article 5, published in the Official Gazette No. 27659, dated 1 August 2010. This new legislation enabled without any year limitation the continued utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%. The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69<sup>th</sup> article of Law No: 193 with the 5<sup>th</sup> article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decision of the Constitutional Court dated 9 February 2012 no. 2012/9. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

Movements in deferred tax assets are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Opening balance at 1 January	26.563	32.193
Deferred tax income/(expense)	(12.296)	(5.619)
Classified under Shareholders' Equity	33	11
Effect of Changes in Accounting Policies	13.232	-
<b>Closing balance</b>	<b><u>27.532</u></b>	<b><u>26.563</u></b>

### 11. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2018 and 31 December 2017, details of assets held for sale and discontinued operations are as follows:

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	TL	FC	TL	FC
Assets held for sale (*)	939	-	785	-
	<b><u>939</u></b>	<b><u>-</u></b>	<b><u>785</u></b>	<b><u>-</u></b>

(\*) Consist of properties which is included in Group asset acquired as a result of the legal proceedings in relation to its non-performing receivables.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 12. OTHER ASSETS

As at 31 December 2018 and 31 December 2017, details of other assets are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	20.493	-	16.595	22
Amounts to be invoiced	710	7	711	-
Deposits given	40	20	36	33
Advanced given	24	-	24	-
Others	4.994	347	5.372	871
	<b>26.261</b>	<b>374</b>	<b>22.738</b>	<b>926</b>

#### 13. FUNDS BORROWED

As at 31 December 2018 and 31 December 2017, details of funds borrowed are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Short-term borrowings	1.805.825	895.245	3.789.129	1.401.765
Short-term portion of long-term borrowings	19.728	303.850	18.473	261.356
Total short-term borrowings	<b>1.825.553</b>	<b>1.199.095</b>	<b>3.807.602</b>	<b>1.663.121</b>
Long-term borrowings	241.648	1.638.928	45.976	1.060.444
Total long-term borrowings	<b>241.648</b>	<b>1.638.928</b>	<b>45.976</b>	<b>1.060.444</b>
<b>Total borrowings</b>	<b>2.067.201</b>	<b>2.838.023</b>	<b>3.853.578</b>	<b>2.723.565</b>

As at 31 December 2018 and 31 December 2017, borrowings has no collateral.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 13. FUNDS BORROWED (Continued)

As at 31 December 2018 and 31 December 2017, details of short term borrowings based on types of currency are as follows:

<u>Currency</u> (*)	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2018</u>
TL	17,68%-35,00%	1.780.114	1.780.114
USD	2,56%-4,60%	222.698	1.172
Euro	0,50%-5,61%	144.026.965	868.193
GBP	1,96%-4,50%	1.286.189	8.557
Interest accruals			43.034
<b>TOTAL</b>			<b>2.701.070</b>

  

<u>Currency</u> (*)	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2017</u>
TL	11,57%-19,70%	3.764.473	3.764.473
USD	1,95%-5,01%	92.409.475	348.559
Euro	0,50%-3,45%	227.121.288	1.025.566
GBP	4,50%	-	-
Interest accruals			52.296
<b>TOTAL</b>			<b>5.190.894</b>

(\*) Foreign currency indexed borrowings have been presented in TL column in the accompanying consolidated statement of financial position.

As at 31 December 2018 and 31 December 2017, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2018</u>
TL	20,63%-18,54%	200.000	200.000
USD	1,51%-5,68%	115.971.655	610.115
Euro	0,80%-4,84%	231.260.470	1.394.039
<b>TOTAL</b>			<b>2.204.154</b>

  

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2017</u>
USD	1,51%-4,56%	49.835.783	187.976
Euro	0,80%-3,85%	265.368.691	1.198.273
<b>TOTAL</b>			<b>1.386.249</b>

As at 31 December 2018 and 31 December 2017, compounded interest rates have been presented

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 13. FUNDS BORROWED (Continued)

As 31 December 2018 and 31 December 2017, details of borrowings based on types of interest rate are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Fixed rate	2.005.802	941.512	3.787.184	1.352.867
Variable rate	61.399	1.896.511	66.394	1.370.698
	<b>2.067.201</b>	<b>2.838.023</b>	<b>3.853.578</b>	<b>2.723.565</b>

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

As at 31 December 2018, the Group has available credit limit of TL 13.026.317 which has fulfilled all necessary conditions but has not been used. (31 December 2017: TL 8.974.822).

### 14. OTHER LIABILITIES

As at 31 December 2018 and 31 December 2017, details of miscellaneous payables are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Advances received (**)	17.228	32.251	20.717	75.659
Value Added Tax	10.505	-	76	-
Banking and Insurance Transaction Tax	4.008	-	2.601	-
Payables to suppliers for lease transactions	2.382	32.221	8.106	59.273
Deferred Income	844	-	199	-
Income Tax Liability	695	-	628	-
Social Security Premium Liability	688	-	1.195	-
Other Tax and Liabilities	35	-	36	-
Other(*)	11.778	33.807	13.316	31.819
	<b>48.163</b>	<b>98.279</b>	<b>46.874</b>	<b>166.751</b>

(\*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in instalments. Other payables consist of the Group's insurance premium payables and payables to suppliers resulting from intercorporate daily operations of the Group.

The Group purchases generally in cash from the suppliers. The Group has a financial risk management policy that enables the Group to pay all its payables at their maturities.

As at 31 December 2018 and 31 December 2017, details of other liabilities are as follows:

(\*\*) Advances received consist of advances received from lessees in accordance with the leasing agreements for machinery and equipments that are not readily in use of the customers.

### 15. FINANCE LEASE OBLIGATIONS

None.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 16. DEBT SECURITIES ISSUED

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Bills bonds	2.246.681	-	1.321.010	-
Bonds issued	-	-	91.890	-
Interest accruals	105.360	-	47.962	-
	<b>2.352.041</b>	<b>-</b>	<b>1.460.862</b>	<b>-</b>

31 Aralık 2018 itibarıyla Grup tarafından ihraç edilmiş olan finansman bonolarının özellikleri aşağıda verilmektedir.

ISIN CODE	Maturity Starting Date	Nominal Value of Capital Market Instrument Sold	Maturity Date	Sale Type	Coupon Period
TRFISFN11919	25.01.2018	138.430	10.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN11927	09.02.2018	120.000	25.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41916	20.04.2018	68.500	05.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN11935	12.10.2018	250.000	10.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN11943	30.10.2018	300.000	28.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN31917	12.11.2018	200.000	12.03.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN31925	19.11.2018	200.000	19.03.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN31933	23.11.2018	250.000	28.03.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41924	04.12.2018	160.000	03.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41932	14.12.2018	36.600	12.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41940	18.12.2018	115.409	17.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFA11916	11.10.2018	150.000	07.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFA11924	23.11.2018	132.800	22.01.2019	Sale To Qualified Investor	Pay at tenor
TRFISFA21915	23.11.2018	191.000	21.02.2019	Sale To Qualified Investor	Pay at tenor
TRFISFA21923	18.12.2018	116.350	18.02.2019	Sale To Qualified Investor	Pay at tenor

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 17. PROVISIONS

As at 31 December 2018 and 31 December 2017, reserve for employee benefits are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Reserve for employee severance indemnity	4.510	3.880
Provision for employee bonus	4.138	4.077
Vacation pay provision	1.581	1.498
	<u>10.229</u>	<u>9.455</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.

TAS 19 - "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As at 31 December 2018 and 31 December 2017, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Discount rate	4,22%	3,43%
Inflation	11,30%	7,80%
Estimated probability of retirement	100%	100%

For the periods ended 31 December 2018 and 31 December 2017, movements in reserve for employee severance indemnity are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Balance at the beginning of the year	3.880	3.573
Cost of interest	560	427
Cost of services	564	306
Amounts paid to employee severance indemnity	(682)	(385)
Cancellations	24	13
Actuarial loss	164	(54)
<b>Balance at the end of the year</b>	<u>4.510</u>	<u>3.880</u>

The movement of the vacation pay liability for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Balance at the beginning of the year	1.498	1.129
Increase during the period	83	369
<b>Balance at the end of the year</b>	<u>1.581</u>	<u>1.498</u>



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 17. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Balance at the beginning of the year	4.077	2.713
Increase during the period	4.138	4.077
Reversals	(1.642)	(783)
Payment made during the period	(2.435)	(1.930)
<b>Balance at the end of the year</b>	<b><u>4.138</u></b>	<b><u>4.077</u></b>

As at 31 December 2018 and 31 December 2017, other provisions are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for lawsuits	4.823	3.753
Provision for general administrative expenses	237	216
Expected Credit Loss for Financial Assets	74	-
	<b><u>5.134</u></b>	<b><u>3.969</u></b>

Movements in other provisions for the periods ended 31 December 2018 and 31 December 2017 are as follows:

<u>31 December 2018</u>	<u>General provision for financial lease receivables</u>	<u>Provision for lawsuits</u>	<u>Provision for administrative expenses</u>	<u>Expected Credit Loss for Financial Assets</u>
At the beginning of the year	-	3.753	216	-
Period Expense	-	1.470	237	74
Payments	-	-	(216)	-
Cancellations	-	(400)	-	-
<b>At the end of the period</b>	<b><u>-</u></b>	<b><u>4.823</u></b>	<b><u>237</u></b>	<b><u>74</u></b>
<u>31 December 2017</u>	<u>General provision for financial lease receivables</u>	<u>Provision for lawsuits</u>	<u>Provision for administrative expenses</u>	<u>Expected Provision for Financial Assets</u>
At the beginning of the year	-	3.170	215	-
Period Expense	-	605	216	-
Payments	-	-	(215)	-
Cancellations	-	(22)	-	-
<b>At the end of the period</b>	<b><u>-</u></b>	<b><u>3.753</u></b>	<b><u>216</u></b>	<b><u>-</u></b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 18. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 31 December 2018 and 31 December 2017 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Refundable Deferred Tax	60.237	-
Income taxes withheld	1.147	728
<b>Total</b>	<b><u>61.384</u></b>	<b><u>728</u></b>

As at 31 December 2018 and 31 December 2017, details of current year tax liability are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Current period corporate tax provision (Note: 33)	67.091	19.776
Current period investment incentive provision(Note: 33)	-	8.727
Taxes paid for the current period	(111.839)	(5.143)
Refundable Corporate Tax	60.237	-
<b>Corporate tax payable</b>	<b><u>15.489</u></b>	<b><u>23.360</u></b>

For the periods ended 31 December 2018 and 31 December 2017, movements of corporate tax payable are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Corporate tax payable at the beginning of the year	23.360	28.371
Current period tax expense	67.091	28.503
Provision for previous period corporate tax	(466)	(1.446)
Taxes paid during the year	(134.733)	(32.068)
Refundable Corporate Tax	60.237	-
<b>Corporate tax payable</b>	<b><u>15.489</u></b>	<b><u>23.360</u></b>

### 19. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring A.Ş. As at 31 December 2018, the non-controlling interests amounting to TL 65.568 (31 December 2017: TL 41.088) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 32.004 (31 December 2017: TL 10.782) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Balance at the beginning of the year	41.088	28.037
Fair value changes of marketable securities	(696)	2.269
Effect of Changes in Accounting Policies	(6.828)	-
From the Profit/Loss of the year	32.004	10.782
<b>Balance at the end of the year</b>	<b><u>65.568</u></b>	<b><u>41.088</u></b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 20. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2018 nominal capital of the Company is TL 695.303, the share capital of the Company consists of 65.030.264.500 shares Kurus 1 price.

As at 31 December 2018 and 31 December 2017, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2018</u>	<u>(%)</u>	<u>31 December 2017</u>
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	193.253	28,56	185.726
Türkiye İş Bankası A.Ş.	27,79	198.578	27,79	180.746
Trakya Yatırım Holding A.Ş.	0,90	6.258	0,90	5.853
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	531	0,08	496
Publicly traded	41,77	296.683	42,67	277.482
<b>TOTAL</b>	<b>100,00</b>	<b>695.303</b>	<b>100,00</b>	<b>650.303</b>

Pursuant to General Assembly held on 23 March 2018, the Company increased its share capital by TL 45.000 to TL 695.303. The increase comprises of bonus shares from previous years' profit. Capital increase has been registered on 8 June 2018.

Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

<u>Shareholders</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Trakya Yatırım Holding A.Ş.	22.500.000	22.500.000
<b>Total</b>	<b>600.000.000</b>	<b>600.000.000</b>

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

### Capital Reserves

	<u>31 December 2018</u>	<u>31 December 2017</u>
Other Capital Reserves <sup>(*)</sup>	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss</i>	(73)	58
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss <sup>(**)</sup>	16.300	22.189
<b>Total</b>	<b>16.227</b>	<b>22.247</b>

<sup>(\*)</sup> Comprised of bonus shares obtained from associates, subsidiaries and jointly controlled entities

<sup>(\*\*)</sup> Other Comprehensive Income or Expenses to be reclassified in profit or Loss consists of the valuation differences arised from the fair value of the financial assets.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 21. PROFIT RESERVES

As at 31 December 2018 and 31 December 2017, details of profit reserves are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Legal reserves	44.321	38.674
Extraordinary reserves	169.771	107.470
<b>Total</b>	<b><u>214.092</u></b>	<b><u>146.144</u></b>

<sup>(\*)</sup> As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TL 28.268 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 31 December 2018 (31 December 2017: TL 31.335).

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 5% per annum, until the total reserve reaches 20% 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. TL 5.647 calculated on legal profit has been transferred to legal reserves by a decision of the Company's Board of Directors.

### 22. PRIOR YEARS' PROFIT/LOSS

The Group has TL 40.085 retained earnings as at 31 December 2018 (31 December 2017: None).

### 23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018, TL 1.685.156 of letters of guarantee are given to customs, authorities and banks (31 December 2017: TL 1.360.038).

As at 31 December 2018, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 12.301 (31 December 2017: TL 6.487). The Group has provided a provision amounting to TL 4.823 for litigations (31 December 2017: TL 3.753) in the accompanying consolidated financial statements (Note 17). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2018, the Group has letter of credit commitments of USD 5.098.500, EUR 6.135.250 (TL 63.806) (31 December 2017: USD 17.979.100, EUR 17.646.619 (TL 147.499)).

As at 31 December 2018 has no factoring commitment. (31 December 2017: None)

As at 31 December 2018, the Group has lease commitments of USD 2.796.477, EUR 26.014.727 and full TL 42.221.796 (TL 213.751) (31 December 2017: USD 12.446.989, EUR 123.099.081, full TL 120.223.133 (TL 723.026)).

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2018 details of derivatives are as follows:

	31 December 2018	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	1.455.346	8.773
TL	1.705.290.268	1.705.290
		<b>1.714.063</b>
Currency Swap Sales:		
USD	134.400.000	707.065
EUR	153.519.957	925.418
GBP	400.000	2.661
CHF	1.579.050	8.425
		<b>1.643.569</b>

As at 31 December 2017 details of derivatives transactions are as follows:

	31 December 2017	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	1.984.562	8.961
TL	1.686.114	1.686.114
		<b>1.695.075</b>
Currency Swap Sales:		
USD	283.396.292	1.068.942
EUR	131.380.217	593.247
GBP	2.000.000	10.161
CHF	2.153.250	8.300
		<b>1.680.651</b>

Group's derivative transactions performed with related parties are presented in Note 7.

The Group has TL 72.110 of unrealized loss and TL 96.521 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2018 (Note 4) (31 December 2017: TL 19.613 unrealized loss and TL 5.383 unrealized income).

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#### 23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2018, analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	1.432.573	281.490	1.714.063
Currency Swap Sales	1.397.378	246.191	1.643.569
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

As at 31 December 2017, analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	1.686.114	8.961	1.695.075
Currency Swap Sales	1.672.351	8.300	1.680.651
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

#### 24. SEGMENT REPORTING

Information regarding the Group's operating business segments is based on the Group's management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

##### *Business segments*

The Group comprises the following main business segments:

- Leasing Includes the Group's finance lease activities
- Factoring operations Includes the Group's factoring activities

<u>31 December 2018</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.964.763	2.770.664	(53.767)	8.681.660
Total liabilities	5.061.539	2.469.541	-	7.531.080
Net profit for the year	82.524	147.017	(32.004)	197.537
<u>31 December 2017</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.068.687	4.267.775	(53.767)	9.282.695
Total liabilities	4.229.006	4.079.021	-	8.308.027
Net profit for the year	74.200	49.530	(10.782)	112.948

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 24. SEGMENT REPORTING (Continued)

31 December 2018	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	486.072	530.465	-	1.016.537
Financial Expenses (-)	(437.466)	(455.242)	-	(892.708)
Gross Profit/Loss	48.606	75.223	-	123.829
Operating Expense (-)	(42.683)	(29.725)	-	(72.408)
Gross Operating Profit/Loss	5.923	45.498	-	51.421
Other Operating Income	335.248	149.111	-	484.359
Provisions (-)	(42.174)	(10)	-	(42.184)
Other operating Expenses (-)	(184.034)	(634)	-	(184.668)
Net Operating Profit/Loss	114.963	193.965	-	308.928
Profit or Loss from Continuing Operations before tax	114.963	193.965	-	308.928
Provision for Taxes from Continuing Operations (±)	(32.439)	(46.948)	-	(79.387)
Net Profit or Loss from Continuing Operations	82.524	147.017	-	229.541
Non-controlling Interests	-	-	(32.004)	(32.004)
<b>Net Profit or Loss for the Period</b>	<b>82.524</b>	<b>147.017</b>	<b>-</b>	<b>197.537</b>
Fixed Asset Additions	24.654	932	-	25.586
Depreciation and Amortisation	(1.928)	(814)	-	(2.742)
<b>31 December 2017</b>	<b>Leasing</b>	<b>Factoring</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
Operating Income	366.137	328.039	-	694.176
Financial Expenses (-)	(261.893)	(354.886)	-	(616.779)
Gross Profit/Loss	104.244	(26.847)	-	77.397
Operating Expense (-)	(40.155)	(25.072)	-	(65.227)
Gross Operating Profit/Loss	64.089	(51.919)	-	12.170
Other Operating Income	111.589	143.666	-	255.255
Provisions (-)	(29.923)	(3.210)	-	(33.133)
Other operating Expenses (-)	(48.913)	(27.527)	-	(76.440)
Net Operating Profit/Loss	96.842	61.010	-	157.852
Profit or Loss from Continuing Operations	96.842	61.010	-	157.852
Provision for Taxes from Continuing Operations (±)	(22.642)	(11.480)	-	(34.122)
Net Profit or Loss from Continuing Operations	74.200	49.530	-	123.730
Non-controlling Interests	-	-	(10.782)	(10.782)
<b>Net Profit or Loss for the Period</b>	<b>74.200</b>	<b>49.530</b>	<b>(10.782)</b>	<b>112.948</b>
Fixed Asset Additions	2.826	1.684	-	4.510
Depreciation and Amortisation	(1.466)	(563)	-	(2.029)

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### 25. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 330.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 10 January 2019. The bond have a maturity of 10 May 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 182.500 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 22 January 2019. The bond have a maturity of 17 April 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 250.000 has been paid on 10 January 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 138.430 has been paid on 10 January 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 150.000 has been paid on 7 January 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 132.800 has been paid on 22 January 2019.

### 26. OPERATING INCOME

For the periods ended 31 December 2018 and 31 December 2017, details of operating income are as follows:

	<u>31.12.2018</u>	<u>31.12.2018</u>
Finance Lease income	485.383	365.810
Operating lease income	689	327
Factoring income	530.465	328.039
	<u><b>1.016.537</b></u>	<u><b>694.176</b></u>



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### 27. OPERATING EXPENSES

For the periods ended 31 December 2018 and 31 December 2017, operating expenses are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Personnel expenses	(46.686)	(40.429)
Office rent expenses	(5.624)	(6.070)
Information technology expenses	(3.396)	(2.608)
Depreciation and amortization expenses	(2.742)	(2.029)
Board of Directors attendance fee	(2.535)	(2.284)
Travel and car expenses	(2.531)	(2.241)
BRSA participation fee	(1.468)	(973)
Taxes, duties and charges	(1.305)	(1.604)
Provision for employee severance indemnity	(1.148)	(746)
Consultancy expenses	(663)	(628)
Communication expense	(652)	(518)
Advertising expense	(584)	(794)
Representation expense	(203)	(259)
Capital increase expense	(197)	(195)
Insurance expense	(88)	(534)
Write-off expenses	-	(25)
Other general administrative expenses	(2.586)	(3.290)
	<u><b>(72.408)</b></u>	<u><b>(65.227)</b></u>

### 28. OTHER OPERATING INCOME

For the periods ended 31 December 2018 and 31 December 2017, details of other operating income are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Income from derivative financial transactions	311.780	225.181
Foreign exchange gains	108.912	-
Collections from prior period non-performing receivables and cancellation income	13.138	3.107
Interest income	7.117	4.937
Dividend income	5.391	2.423
Commission income	4.995	5.226
Other	33.666	14.381
	<u><b>484.359</b></u>	<u><b>255.255</b></u>

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### 29. FINANCE EXPENSES

For the periods ended 31 December 2018 and 31 December 2017, details of finance expenses are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Interest expense on funds borrowed	(538.356)	(404.644)
Interest expense on debt securities issued	(316.173)	(185.969)
Fees and commissions expense	(38.179)	(26.166)
	<u>(892.708)</u>	<u>(616.779)</u>

### 30. PROVISIONS

For the periods ended 31 December 2018 and 31 December 2017, details of provision for non-performing receivables are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Expected Credit Loss	(42.184)	-
Specific provision expenses	-	(33.133)
	<u>(42.184)</u>	<u>(33.133)</u>

### 31. OTHER OPERATING EXPENSES

For the periods ended 31 December 2018 and 31 December 2017, details of other operating expenses are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Exchange difference expenses	-	(36.951)
Losses from derivative financial transactions	(180.459)	(35.839)
Other	(4.209)	(3.650)
	<u>(184.668)</u>	<u>(76.440)</u>

Derivative financial instruments with a view to direct the Group's financial risks (forward and currency swap contracts) consist of combination of more than one sub-transaction as time or spot. Entire such transactions are not trading and are preferred due to economic worth occurred at the maturity. Although, entire such transactions do not cover all conditions for hedge accounting, buy-sell spot transactions at the transaction date are recorded at initial amounts, buy-sell transactions that held to maturity date are recorded in fair values.

Measurement differences of such sub-transactions which are integrated and fixed by the initial date economic worth at the maturity date on initial measurement of buy-sell transactions and measurement at the maturity date of buy-sell transactions cause the differences on income/expense components in the inperiods.

The difference as foreign currency expenses difference between income/loss is at amounting TL 20.134 from measurement difference of such transactions in the Group's financial statements as at 31 December 2018 (31 December 2017: TL 6.381 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

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### 32. TAXATION

For the periods ended 31 December 2018 and 31 December 2017, details of tax expense are as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Current corporate tax charge	(67.091)	(28.503)
Deferred tax income/(expense)	(12.296)	(5.619)
	<u>(79.387)</u>	<u>(34.122)</u>

The reported tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

	%	<u>1 January- 31 December 2018</u>	%	<u>1 January- 31 December 2017</u>
Net profit for the period		229.541		123.730
Total tax expense		79.387		34.122
<b>Profit before tax</b>		<b>308.928</b>		<b>157.852</b>
Income tax using the Group's tax rate	22,00	67.964	19,95	31.484
Non-deductible expenses	0,91	2.817	1,40	2.215
Tax exempt income	(0,38)	(1.181)	(0,31)	(484)
Investment incentives	0,00	-	0,04	67
Other	3,17	9.787	0,53	840
<b>Total income tax expense</b>	<b>25,70</b>	<b>79.387</b>	<b>21,61</b>	<b>34.122</b>

#### Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Turkish tax legislation does not allow a parent company to file a tax return on its consolidated financial statements. Therefore, the tax liabilities reflected in this consolidated financial statements are calculated separately for all companies included in the scope of consolidation.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2018, corporate income tax rate is 22% (31 December 2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% (31 December 2017: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

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#### 32. TAXATION (Continued)

An amendment is made to Law No: 7061 "Amendment of Certain Tax Laws and Some Other Laws" which was proposed by the General Directorate of the Prime Ministry's Laws and Decrees dated 28 September 2017 and published in the Official Gazette No. 30261 dated December 5, 2017; which is the addition of Provisional Article 10" to the Law No. 5520 on Taxation of Institutions, as stated in Article 91. "In accordance with the provisional article 1, the rate of 20% in the first paragraph of Article 32 of this Law shall be 22% for the corporate earnings of the taxation periods of the institutions in 2018, 2019 and 2020 shall apply.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1<sup>st</sup> and 25<sup>th</sup> of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. After this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the companies. There is no withholding tax on the investments incentives utilized without investment incentive certificates.

#### Investment Incentives

Temporary Article 69 added to the Income Tax Law numbered 193 with Law no 5479, which became effective starting from 1 January 2006, upon being promulgated in Official Gazette no 26133 dated 8 April 2006, stating that taxpayers can deduct the investment allowance exemption amounts which were present according to legislative provisions effective on 31 December 2005 (and by taking into account the corporate tax legislation in that date) only from the corporate profits of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006.

At this perspective, an investment allowance which cannot be deducted partially or totally in three years was not allowed to be transferred to following years and became unavailable as of 31 December 2008. On the other side, Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of Article 2 and Article 15 of the Law no 5479 and the right of investment allowance became unavailable during the period of 1 January 2006 and 8 April 2006.

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### 32. TAXATION (Continued)

However, on 15 October 2009, Turkish Constitutional Court decided to cancel the clause numbered (2) of the Article 15 of the Law 5479 and expressions of 2006, 2007, 2008 in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as at 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, time limitations for carried forward investment allowance gained in the previous period of mentioned date and limitations related to investments commenced between the dates of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation of investment allowance become effective with promulgation of decision on the official gazette and the decision of Turkish Constitutional Court was promulgated in Official Gazette no 27456 dated 8 January 2010.

According to the decision mentioned above, investment allowances transferred to 2006 due to lack of profit and investment allowances gained by the investments that are commenced before 1 January 2006 and continued after that date constituting economic and technical integrity will not be only used in 2006, 2007 and 2008, but also in the following years. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year according to amendments to the Income Tax Law promulgated in Official Gazette no 27659 dated 1 August 2010. With this amendment, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%.

The statement "the amount of investment allowance to be utilized may not exceed 25% of earnings for the year" which was previously added to the temporary article 69 1<sup>st</sup> clause, of Income Tax Law with the 5<sup>th</sup> article of Law numbered 6009, was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

#### Transfer Pricing

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

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

Purchase, sale, manufacturing and construction operations, leasing and leasing transactions, borrowing and issuing money, bonuses, fees and similar transactions that require payments are considered as purchase or sale of goods or services in every condition. Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

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### 33. 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. 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 is calculated by dividing net income distributable to shareholders by the weighted average number of shares issued.

The weighted average number of shares of the Group and earnings per share for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	<u>1 January- 31 December 2018</u>	<u>1 January- 31 December 2017</u>
Weighted average number of outstanding shares <sup>(*)</sup> <sup>(**)</sup>	69.530.264.500	65.030.264.500
Net profit for the year (TL)	197.537	112.948
Basic earnings per share (full TL)	0,0028	0,0016

<sup>(\*)</sup> As at 31 December 2018, the share capital of the Company consists of 69.530.264.500 shares having Kurus 1 nominal price.

<sup>(\*\*)</sup> Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share figure.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Number of shares at beginning of the year	65.030.264.500	60.030.264.500
Capital increase <sup>(**)</sup>	4.500.000.000	5.000.000.000
Number of shares at end of the year	<u>69.530.264.500</u>	<u>65.030.264.500</u>

### 34. Other Issues that Significantly Affect the Financial Statements or Other Issues Required for Understanding of the Financial Statements

None.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

#### (a) Capital risk management

The Group 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 2018, the debt/equity ratio is 16% (31 December 2017: 12%). As at 31 December 2018 and 31 December 2017, the leverage ratios are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Funds borrowed	4.905.224	6.577.143
Debt securities issued	2.352.041	1.460.862
Other liabilities	146.441	208.890
Total liabilities	<u>7.403.706</u>	<u>8.246.895</u>
Cash and Cash Equivalents (-)	<u>(272.569)</u>	<u>(247.893)</u>
Net liabilities	<u>7.131.137</u>	<u>7.999.002</u>
Total shareholders' equity	1.150.581	974.668
Shareholders' equity/liabilities	16%	12%

According to the credit rating reports of Fitch issued at 03 October 2018, credit ratings of the Company are as follows:

#### Foreign Currency

Long term	B+
Short term	B
Outlook	Negative

#### TL

Long term	BB-
Short term	B
Outlook	Negative

#### National

Long term	A+ (tur)
Outlook	Stabile
Support	4

#### (b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 "Significant accounting policies".

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Financial Assets:</b>		
Cash and Cash Equivalents	272.569	247.893
Financial Assets at Fair Value Through Profit or Loss	1.259	4.747
Derivative Financial Assets	72.110	5.383
Specific provisions/Expected Credit Loss (-)	(400)	(400)
Finance lease receivables and non-performing receivables, net	5.435.208	4.710.476
Factoring receivables and non-performing factoring receivables, net	2.724.877	4.207.336
Financial Assets at Fair Value Through Other Comprehensive Income	41.622	47.187
<b>Financial Liabilities:</b>		
Derivative financial liabilities at fair value	(96.521)	(19.613)
Other liabilities	(146.441)	(213.625)
Funds borrowed	(4.905.224)	(6.577.143)
Debt securities issued	(2.352.041)	(1.460.862)

<sup>(\*)</sup> Included in other receivables.

(d) Financial risk management objectives

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

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

In order to minimize potential risks, the Group reports monthly to the risk management committee which is in charge of monitoring risks and the policies applied.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

#### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group's income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- "Forward foreign exchange contracts" to hedge the exchange rate risk arising from operations.
- "Currency swaps" to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.

There has been no change in the Group's exposure to market risks or the method it uses to manage and measure such risks.

##### (f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

As 31 December 2018 and 31 December 2017, details of foreign currency denominated assets and liabilities are as follows:

<b>31 December 2018 <sup>(*)</sup></b>	<b>USD (000)</b>	<b>Avro (000)</b>	<b>CHF (000)</b>	<b>GBP (000)</b>	<b>JPY (000)</b>	<b>AUD (000)</b>	<b>TL Equivalent</b>
Banks	8.033	37.563	12	26	26	16	268.988
Finance lease receivables	176.798	461.740	1.648	-	-	-	3.722.279
Factoring receivables	75.336	34.801	-	2.056	-	-	619.796
Advances given for lease transactions	3.832	4.547	-	-	-	-	47.571
Leasing contracts in progress	517	4.538	-	-	-	-	30.076
Other receivables from leasing transactions	167	826	-	-	-	-	5.859
Other assets	46	22	-	-	-	-	374
<b>Total assets <sup>(**)</sup></b>	<b>264.730</b>	<b>544.037</b>	<b>1.660</b>	<b>2.082</b>	<b>26</b>	<b>16</b>	<b>4.694.943</b>
Funds borrowed <sup>(*)</sup>	(116.855)	(377.589)	-	(1.286)	-	-	(2.899.424)
Miscellaneous payables and other Liabilities	(3)	(707)	-	-	-	-	(4.275)
Other provisions	(6.277)	(10.650)	-	(159)	-	-	(98.279)
<b>Total liabilities <sup>(**)</sup></b>	<b>(123.135)</b>	<b>(388.946)</b>	<b>-</b>	<b>(1.445)</b>	<b>-</b>	<b>-</b>	<b>(3.001.978)</b>
Balance sheet position	141.595	155.091	1.660	637	26	16	1.692.965
<b>Off balance sheet position</b>	<b>(134.399)</b>	<b>(152.065)</b>	<b>(1.579)</b>	<b>(400)</b>	<b>-</b>	<b>-</b>	<b>(1.634.794)</b>
<b>Net foreign currency position</b>	<b>7.196</b>	<b>3.026</b>	<b>81</b>	<b>237</b>	<b>26</b>	<b>16</b>	<b>58.171</b>

<sup>(\*)</sup> As at 31 December 2018, foreign currency indexed borrowings amounting to EUR 10.186 (Total: TL 61.401), foreign currency indexed factoring receivables amounting to USD 5.084, EUR 11.987 (Total: TL 95.453) are presented in TL column in the accompanying consolidated statement of financial position.

<sup>(\*\*)</sup> As at 31 December 2018, accruals of derivative assets amounting to TL 72.110 and derivative liabilities amounting to TL 96.521 are not included.

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	AUD 000	TL Equivalent
<b>31 December 2017 (*)</b>							
Banks	7.176	47.225	1	480	26	16	242.800
Finance lease receivables	232.276	388.477	2.213	-	-	-	2.638.818
Factoring receivables	189.361	152.705	-	1.864	-	-	1.413.261
Advances given for lease transactions	18.799	14.237	-	-	-	-	135.195
Leasing contracts in progress	3.749	33.900	-	-	-	-	167.216
Other receivables from leasing transactions	222	666	-	-	-	-	3.843
Other assets	49	163	-	-	-	-	926
<b>Total assets (**)</b>	<b>451.632</b>	<b>637.373</b>	<b>2.214</b>	<b>2.344</b>	<b>26</b>	<b>16</b>	<b>4.602.059</b>
Funds borrowed	(143.645)	(497.540)	-	-	-	-	(2.788.456)
Miscellaneous payables and other liabilities	(13.289)	(25.815)	(1)	(11)	-	-	(166.751)
Other provisions	-	(697)	-	-	-	-	(3.148)
<b>Total liabilities (**)</b>	<b>(156.934)</b>	<b>(524.052)</b>	<b>(1)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>(2.958.355)</b>
<b>Balance sheet position</b>	<b>294.698</b>	<b>113.321</b>	<b>2.213</b>	<b>2.333</b>	<b>26</b>	<b>16</b>	<b>1.643.704</b>
<b>Off balance sheet position</b>	<b>(283.396)</b>	<b>(129.396)</b>	<b>(2.153)</b>	<b>(2.000)</b>	<b>-</b>	<b>-</b>	<b>(1.671.689)</b>
<b>Net foreign currency position</b>	<b>11.302</b>	<b>(16.075)</b>	<b>60</b>	<b>333</b>	<b>26</b>	<b>16</b>	<b>(27.985)</b>

(\*)As at 31 December 2017, foreign currency indexed borrowings amounting to EUR 14.371 (Total: TL 64.891), foreign currency indexed factoring receivables amounting to USD 78.933, EUR 49.197 (Total: TL 519.875) are presented in TL column in the accompanying consolidated statement of financial position.

(\*\*)As at 31 December 2017, accruals of derivative assets amounting to TL 5.278 and derivative liabilities amounting to TL 19.613 are not included.

#### Foreign currency sensitivity

The Group is mainly exposed to USD and EUR exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15% of change in such exchange rates. The Group 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 Group'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.

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

31 December 2018	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	111.738	(111.738)	111.738	(111.738)
2- Hedged portion of TL against USD risk (-)	(106.059)	106.059	(106.059)	106.059
<b>3- Net effect of USD (1+ 2)</b>	<b>5.679</b>	<b>(5.679)</b>	<b>5.679</b>	<b>(5.679)</b>
15% change of the Euro against TL				
4- Net Euro asset/liability	140.233	(140.233)	140.233	(140.233)
5- Hedged portion of TL against Euro risk (-)	(137.497)	137.497	(137.497)	137.497
<b>6- Net effect of Euro (4+5)</b>	<b>2.736</b>	<b>(2.736)</b>	<b>2.736</b>	<b>(2.736)</b>
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	591	(591)	591	(591)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
<b>9- Net effect of other foreign currencies (7+8)</b>	<b>591</b>	<b>(591)</b>	<b>591</b>	<b>(591)</b>
<b>TOTAL (3+6+9)</b>	<b>9.006</b>	<b>(9.006)</b>	<b>9.006</b>	<b>(9.006)</b>

(\*) Includes profit/loss effect.

31 December 2017	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	166.736	(166.736)	166.736	(166.736)
2- Hedged portion of TL against USD risk (-)	(160.341)	160.341	(160.341)	160.341
<b>3- Net effect of USD (1+ 2)</b>	<b>6.395</b>	<b>(6.395)</b>	<b>6.395</b>	<b>(6.395)</b>
15% change of the Euro against TL				
4- Net Euro asset/liability	76.755	(76.755)	76.755	(76.755)
5- Hedged portion of TL against Euro risk (-)	(87.643)	87.643	(87.643)	87.643
<b>6- Net effect of Euro (4+5)</b>	<b>(10.888)</b>	<b>10.888</b>	<b>(10.888)</b>	<b>10.888</b>
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	289	(289)	289	(289)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
<b>9- Net effect of other foreign currencies (7+8)</b>	<b>289</b>	<b>(289)</b>	<b>289</b>	<b>(289)</b>
<b>TOTAL (3+6+9)</b>	<b>(4.204)</b>	<b>4.204</b>	<b>(4.204)</b>	<b>4.204</b>

(\*) Includes profit/loss effect.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

#### Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group 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 Group’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 Group 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.

As at 31 December 2018 and 31 December 2017, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b><u>Fixed rate instruments</u></b>		
Financial assets:		
Cash and Cash Equivalents	242.790	212.504
Finance lease receivables (*)	5.197.739	4.243.950
Factoring receivables	2.027.450	3.091.909
Financial liabilities:		
Funds borrowed	2.947.314	5.140.051
Debt securities issued	2.352.041	1.368.677
<b><u>Variable rate instruments</u></b>		
Financial assets:		
Finance lease receivables (*)	135.121	95.306
Factoring receivables	697.427	1.115.427
Financial liabilities:		
Borrowings	1.957.910	1.437.092
Debt securities issued	-	92.185

(\*) Leasing contracts in progress and advances given are not included in the balances above.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

#### Interest rate sensitivity (Continued)

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

- Interest income from finance leases with variable interest rates would be higher at an amount of TL 1.486 (31 December 2017: TL 985).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 3.439 (31 December 2017: TL 11.001).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 18.471 (31 December 2017: TL 14.400).

(h) Other price risks

The Group is exposed to equity securities 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 Group.

#### 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 values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher/lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 2.152 (31 December 2017: TL 2.090).

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group’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 risk management committee.

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

Sectoral allocation of finance lease receivables is as follows:

	<u>31 December 2018(%)</u>	<u>31 December 2017(%)</u>
Construction	24,55	24,42
Metal industry	10,93	12,75
Textile	10,49	10,09
Transportation	7,80	7,33
Mining	6,47	3,80
Chemical and plastic	5,74	4,30
Healthcare	4,54	3,45
Food and beverage	3,67	2,79
Retail and wholesale	2,82	4,83
Finance	2,51	3,27
Forestry products and paper	2,39	2,49
Agriculture and forestry	2,05	2,23
Machinery and equipment	1,96	2,11
Tourism	1,47	2,19
Other	12,61	13,95
	<u>100,00</u>	<u>100,00</u>

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2018, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Cash and Cash Equivalents	Financial Assets at Fair value through profit/loss	Financial Assets at Fair Value Through Other Comprehensive Income (***)	Derivative Financial Assets
	Finance Lease Receivables		Factoring Receivables					
31 December 2018	Related party	Third party	Related party	Third party				
Exposure to maximum credit risk as at reporting date (*)	84.428	5.350.779	21.076	2.703.801	272.569	859	41.622	72.110
- The portion of maximum risk covered by guarantee	-	572.858	-	205.746	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	84.428	4.283.194	21.076	2.675.517	272.569	859	41.622	72.110
- The portion covered by guarantee	-	509.787	-	201.067	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	746	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	937.801	-	20.349	-	-	-	-
- The portion covered by guarantee	-	50.526	-	4.679	-	-	-	-
D. Net carrying value of impaired assets	-	129.785	-	7.189	-	-	-	-
- Overdue (gross book value)	-	233.384	-	31.016	-	-	-	-
- Impairment (-)	-	(135.330)	-	(23.827)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	12.545	-	-	-	-	-	-
- Not past due (gross book value)	-	33.008	-	-	-	-	-	-
- Impairment (-)	-	(1.277)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

(\*) Guarantees received are not taken into account in the calculation

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

(\*\*\*) Equity securities are not included in the table as they don't have market risk.



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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2017, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Cash and Cash Equivalents	Financial Assets at Fair Value through profit/loss	Financial Assets at Fair Value Through Other Comprehensive Income <sup>(****)</sup>	Derivative Financial Assets
	Finance Lease Receivables		Factoring Receivables					
31 December 2017	Related party	Third party	Related party	Third party				
Exposure to maximum credit risk as at reporting date <sup>(*)</sup>	39.796	4.661.305	66.608	4.140.728	247.893	5.147	-	5.383
- The portion of maximum risk covered by guarantee	-	313.483	-	1.889.090	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	39.796	4.176.909	66.608	4.133.968	247.893	5.147	-	5.383
- The portion covered by guarantee	-	273.176	-	1.884.799	-	-	-	-
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	-	400.707	-	4.291	-	-	-	-
- The portion covered by guarantee	-	35.008	-	4.291	-	-	-	-
D. Net carrying value of impaired assets	-	83.689	-	2.469	-	-	-	-
- Overdue (gross book value)	-	186.643	-	42.099	-	-	-	-
- Impairment (-)	-	(128.760)	-	(39.630)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) <sup>(**)</sup>	-	5.299	-	-	-	-	-	-
- Not past due (gross book value)	-	37.672	-	-	-	-	-	-
- Impairment (-)	-	(11.866)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) <sup>(**)</sup>	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

<sup>(\*)</sup>Guarantees received are not taken into account in the calculation.

<sup>(\*\*)</sup>Includes collaterals for the assets impaired but not overdue.

<sup>(\*\*\*\*)</sup>Equity securities are not included in the table as they don't have market risk.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (i) Credit risk management (Continued)

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	31 December 2018		31 December 2017	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	73.546.054	7.196.699	57.510.563	7.243.087
Collaterals of factoring transaction	8.772.559	189.749	6.738.353	800.554
Guaranties of factoring transaction	1.293.956	-	429.658	-
Mortgage	1.132.352	290.123	797.914	238.899
Pledged accounts	744.055	61.540	625.010	118.326
Pledged commercial	215.000	51.369	115.000	34.092
Pledged shares	172.996	74.329	127.328	-
Sureties of credit guarantee fund	165.380	140.457	104.193	48.793
Pledged vehicles	153.208	48.612	139.860	51.787
Guarantors	60.391	130	21.116	288
Commercial receivable insurance	32.140	-	17.500	392
Letters of guarantee	31.810	8.023	73.728	26.088
Pledged movable	30.800	19.983	-	-
Ship mortgage	13.152	-	9.430	-
Cash blockages	7.442	3.085	7.554	3.008
Collaterals given by vendors	7.275	-	11.792	-
Share certificates	2.450	1.356	2.450	2.446
Funds bonds as collateral	1.735	-	-	-
Collaterals of leasing transaction	1.295	-	1.326	-
Pledged machines	502	-	30.502	12.514
Pledged account	-	-	1.051	1.051
	<b>86.384.552</b>	<b>8.085.455</b>	<b>66.764.328</b>	<b>8.581.325</b>

(\*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (j) Liquidity risk management

The Group management formed liquidity risk management policy for the Group’s short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities 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 maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group’s assets and liabilities have also been included in the table below.

#### 31 December 2018

Contractual Maturities	Carrying Amount	Contractual Cash Flows (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	272.569	272.592	272.592			
Financial Assets at Fair value through profit and Loss	859	859	859	-	-	-
Lease Receivables (*)	5.321.898	6.034.583	798.195	1.761.267	3.352.142	122.979
Factoring Receivables	2.724.877	2.760.862	2.138.114	615.160	7.588	-
Other Lease Receivables	10.963	10.963	10.963			
<b>Total Assets</b>	<b>8.331.166</b>	<b>9.079.859</b>	<b>3.220.723</b>	<b>2.376.427</b>	<b>3.359.730</b>	<b>122.979</b>
Non-derivative Financial Liabilities:						
Funds Borrowed	4.905.224	5.098.255	2.063.431	988.221	1.917.361	129.242
Debt Securities Issued	2.352.041	2.429.089	1.398.580	1.030.509	-	-
Other Liabilities	146.442	146.442	140.470	1.302	4.670	-
<b>Total Liabilities</b>	<b>7.403.707</b>	<b>7.673.786</b>	<b>3.602.481</b>	<b>2.020.032</b>	<b>1.922.031</b>	<b>129.242</b>

(\*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (Continued)

Liquidity risk table (Continued)

31 December 2017 Contractual Maturities	Carrying Amount	Contractual Cash Flows (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	247.893	247.909	247.909	-	-	-
Financial Assets at Fair value through profit and Loss	5.147	5.147	5.147	-	-	-
Lease Receivables (*)	4.339.256	4.948.010	623.302	1.443.553	2.772.892	108.263
Factoring Receivables	4.207.336	4.320.872	2.681.018	1.598.179	41.675	-
Other Lease Receivables	9.376	9.376	9.376	-	-	-
<b>Total Assets</b>	<b>8.809.008</b>	<b>9.531.314</b>	<b>3.566.752</b>	<b>3.041.732</b>	<b>2.814.567</b>	<b>108.263</b>
Non-derivative Financial Liabilities:						
Funds Borrowed	6.577.143	6.693.676	3.993.545	1.555.330	1.060.697	84.104
Debt Securities Issued	1.460.862	1.510.934	891.040	619.894	-	-
Other Liabilities	208.890	208.890	203.360	-	5.530	-
<b>Total Liabilities</b>	<b>8.246.895</b>	<b>8.413.500</b>	<b>5.087.945</b>	<b>2.175.224</b>	<b>1.066.227</b>	<b>84.104</b>

(\*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

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#### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2018 and 31 December 2017.

<b>31 December 2018</b>	<b>Carrying</b>	<b>Contractual Cash</b>	<b>Less than 3</b>	<b>3-12</b>	<b>1-5</b>	<b>More than</b>
<b>Contractual Maturities</b>	<b>Amount</b>	<b>Flows (I+II+III+IV)</b>	<b>Months (I)</b>	<b>Months (II)</b>	<b>Years (III)</b>	<b>5 Years (IV)</b>
Cash inflows from derivatives	70.496	1.714.064	1.355.041	77.533	281.490	-
Cash outflows from derivatives	-	1.643.568	1.325.184	72.193	246.191	-
<b>31 December 2017</b>	<b>Carrying</b>	<b>Contractual Cash</b>	<b>Less than 3</b>	<b>3-12</b>	<b>1-5</b>	<b>More than</b>
<b>Contractual Maturities</b>	<b>Amount</b>	<b>Flows (I+II+III+IV)</b>	<b>Months (I)</b>	<b>Months (II)</b>	<b>Years (III)</b>	<b>5 Years (IV)</b>
Cash inflows from derivatives	14.425	1.695.075	1.415.257	270.857	8.961	-
Cash outflows from derivatives	-	1.680.650	1.415.293	257.057	8.300	-

(k) Fair value of financial instruments

Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments:

31 December 2018	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<b>Financial Assets</b>								
Cash and Cash Equivalents	-	272.569	-	-	-	272.569	272.569	4
Financial Assets at Fair Value Through Profit or Loss	859	-	-	-	-	859	859	4
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	41.622	-	41.622	41.622	4
Derivative financial assets	72.110	-	-	-	-	72.110	72.110	4
Finance lease receivables and non-performing lease receivables	-	-	5.435.207	-	-	5.435.208	5.057.218	6
Factoring receivables and non-performing factoring receivables	-	-	2.724.877	-	-	2.724.877	2.724.877	5
<b>Financial liabilities</b>								
Derivative financial Liabilities	96.521	-	-	-	-	96.521	96.521	4
Other liabilities	-	-	-	-	146.442	146.442	146.442	14
Funds borrowed	-	-	-	-	4.905.224	4.905.224	4.827.492	13
Debt securities issued	-	-	-	-	2.352.041	2.352.041	2.415.513	16

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2017	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<b>Financial Assets</b>								
Cash and Cash Equivalents	-	247.893	-	-	-	247.893	247.893	4
Financial Assets at Fair Value Through Profit or Loss	5.147	-	-	-	-	5.147	5.147	4
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	47.187	-	47.187	47.187	4
Derivative financial assets	5.383	-	-	-	-	5.383	5.383	4
Finance lease receivables and non-performing lease receivables	-	-	4.701.101	-	-	4.701.101	4.674.170	6
Factoring receivables and non-performing factoring receivables	-	-	4.207.336	-	-	4.207.336	4.207.336	5
Other receivables	-	-	9.375	-	-	9.375	9.375	
<b>Financial liabilities</b>								
Derivative financial Liabilities	19.613	-	-	-	-	19.613	19.613	4
Other liabilities	-	-	-	-	208.890	208.890	208.890	14
Funds borrowed	-	-	-	-	6.577.143	6.577.143	6.571.886	13
Debt securities issued	-	-	-	-	1.460.862	1.460.862	1.481.797	16

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### 35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (I) Fair value hierarchy

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).

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	-	859	-	859
Derivative financial assets	-	72.110	-	72.110
Financial Assets at Fair Value Through Other Comprehensive Income	36.897	-	686	37.583
<b>Total financial assets carried at fair value</b>	<b>36.897</b>	<b>72.969</b>	<b>686</b>	<b>110.552</b>
Derivative financial liabilities	-	96.521	-	96.521
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>96.521</b>	<b>-</b>	<b>96.521</b>
<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	-	5.147	-	5.147
Derivative financial assets	-	5.383	-	5.383
Financial Assets at Fair Value Through Other Comprehensive Income	43.482	-	666	44.148
<b>Total financial assets carried at fair value</b>	<b>43.482</b>	<b>10.530</b>	<b>666</b>	<b>54.678</b>
Derivative financial liabilities	-	19.613	-	19.613
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>19.613</b>	<b>-</b>	<b>19.613</b>