

**İŞ LEASING**



**ANNUAL REPORT 2018**



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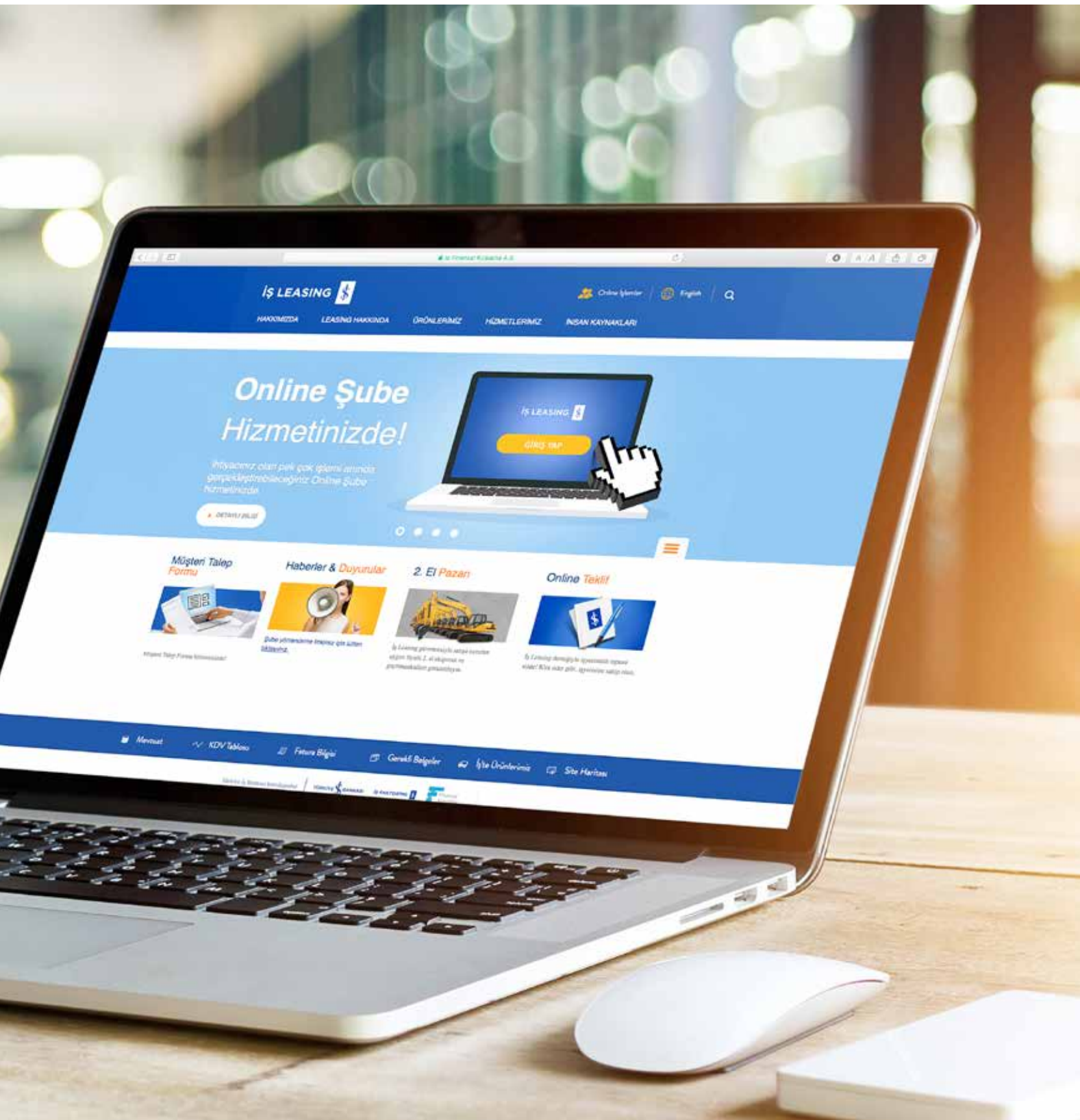
**IN 2018, İŞ LEASING ACHIEVED BUSINESS RESULTS IN LINE WITH ITS GOALS THANKS TO ITS STRONG SHAREHOLDERS' EQUITY AND FUNDING CAPABILITY, DYNAMIC BALANCE SHEET MANAGEMENT AND EFFECTIVE LENDING POLICIES."**



İŞ LEASING ALLOCATES  
ITS FUNDS PARTICULARLY  
TO SECTORS THAT CREATE  
EMPLOYMENT AND ADDED  
VALUE.”

İŞ LEASING PIONEERS THE FINANCING OF PROJECTS THAT CONTRIBUTE TO THE NATIONAL ECONOMY, AND CONTINUES TO BE THE CHOICE OF A BROAD CUSTOMER BASE BY VIRTUE OF ITS HIGH QUALITY, SOLUTION-ORIENTED APPROACH TO SERVICE.





## COMPANY PROFILE

Being one of the first leasing companies established in Turkey following the enactment of the Leasing Law in 1985, İş Leasing represents deep-seated experience in the sector.

Incorporated in 1988 as a partnership of Türkiye İş Bankası (İşbank) Group with IFC, a member of the World Bank Group, and Société Generale Group of France, the Company embarked upon a rapid growth process after İşbank acquired all of the shares held by foreign shareholders in 1995. Part of the Company's shares was offered to the public in 2000.

Offering service to a broad customer base through İşbank's branch network extending all over Turkey, İş Leasing quickly became one of the leading companies of the Turkish leasing sector.

With its pioneering and innovative approach, İş Leasing has always steered the sector and contributed significantly to its growth through a number of "first"s including lease syndication, aircraft lease facility, and sale-and-leaseback.

41.77% of İş Leasing's shares are currently being traded on Borsa İstanbul under the ticker symbol "ISFIN", while the remaining 58.23% is held by İşbank Group, along with full management control over the Company.

Backed by a robust financial structure and sustainable profitability performance, İş Leasing allocates its funds particularly to sectors that create employment and added value, pioneers the financing of projects that contribute to the national economy, and continues to be the choice of a broad customer base by virtue of its high quality, solution-oriented approach to service.

### Shareholding Structure

Shareholder	Share (%)
Türkiye İş Bankası A.Ş.	27.79
Türkiye Sınai Kalkınma Bankası A.Ş.	29.46
Trakya Yatırım Holding A.Ş.	0.90
Türkiye Şişe ve Cam Fab. A.Ş.	0.08
Publicly Held	41.77
<b>Total</b>	<b>100.00</b>

# 41.77%

41.77% OF İŞ LEASING'S SHARES ARE CURRENTLY BEING TRADED ON BORSA İSTANBUL UNDER THE TICKER SYMBOL "ISFIN".



# STRATEGIC PRINCIPLES

## Differentiating products and services that cater to customer needs

- Differentiating service quality through innovative and flexible products
- Privileged customized solutions aligned with evolving trends
- Fast, intelligible and plain business processes that differentiate customer experience
- Customer Relationship Management delivering fast and effective solutions
- High competence, vast experience, and extensive and efficient service network

## Continuity of privileged service through investments into technology

- Continuously upgraded, uninterrupted processing capability and unmatched technological infrastructure
- Fast and efficient technology solutions integrated with business lines, a first in the sector
- Constant investment into digital platforms

## Focus on competent human resource

- Practices that build on the competence and productivity of human resources
- HR policies that enhance employee satisfaction and focus on their development
- Teams possessing team spirit and delivering results with common sense
- Award-winner feedback & suggestion practices
- Objective, transparent, performance-based management policies

## Sustainable growth and profitability

- Solid capital base supporting sustainable growth
- High asset quality
- A successful business model, sustainable real operating income
- Advanced evaluation and measuring infrastructure
- Proactive control system and efficient risk management

## Efficient resource management

- Efficient capital utilization
- Operational efficiency and superior employee productivity
- Access to low-cost funding enabled by high credibility
- Extensive funding structure and safe liquidity level
- Effective maturity and risk management

**EFFECTIVE**

BACKED BY A ROBUST FINANCIAL STRUCTURE AND SUSTAINABLE PROFITABILITY PERFORMANCE, İŞ LEASING ALLOCATES ITS FUNDS PARTICULARLY TO SECTORS THAT CREATE EMPLOYMENT AND ADDED VALUE.

## COMPANY PERFORMANCE

# +15.6%

### LEASING PORTFOLIO

LEASING PORTFOLIO IS UP BY 15.6% YoY AND REACHED TL 5.4 BILLION.

# +18.0%

### SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY GREW BY 18% TO TL 1.2 BILLION.

# +74.9%

### NET PROFIT

NET PROFIT WENT UP BY 74.9% TO TL 197.5 MILLION.

In a year of extraordinary economic circumstances for our country, İş Leasing continued to provide proper financial resources for investment needs of real sector companies, specifically SMEs who are the driving forces of our economy, with a solution and risk oriented point of view in a fast and effective manner.

In 2018, the Company achieved business results in line with its goals thanks to its strong shareholders' equity and funding capability, dynamic balance sheet management and effective lending policies;

- With a transaction volume of USD 532 million and a market share of 11.1% on a transaction basis achieved through its capability to create new transactions, İş Leasing carried its strong position one step further.
- Leasing portfolio increased by 15.6% YoY to reach TL 5.4 billion.
- The Company increased its shareholders' equity by 18% to TL 1.2 billion and return on equity improved by 6.1 points to 18.6%
- Net profit of TL 197.5 million has been recorded with a 74.9% increase.

Structuring its lending and risk monitoring processes with a strong market perception, the Company keeps its asset quality with its credit portfolio having a broad-based risk composition. The Company's non-performing leasing receivable ratio remained below the industry average at 4.76%.

Maintaining its momentum of strong improvement with its sustainable growth and profitability strategy since its inception, İş Leasing created a solution and customer satisfaction oriented service model based on its perfectionist and innovative approach combining its competent human resource with its up-to-date technological infrastructure.

İş Leasing was one of the most preferred leasing service providers in 2018 with its customer experience promise and will continue to carry its position in the sector even further.



# FINANCIAL INDICATORS

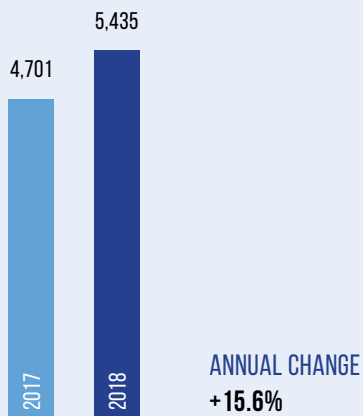
(TL thousand)	2018	2017	Change(%)
Total Assets	8,681,660	9,282,695	-6.5%
Factoring Receivables	2,724,877	4,207,336	-35.2%
Leasing Receivables, Net	5,435,208	4,701,101	15.6%
Shareholders' Equity	1,150,580	974,668	18.0%
Net Profit / Loss	197,537	112,948	74.9%
Return on Assets (ROA) %	2.2	1.3	
Return on Equity (ROE) %	18.6	12.5	
Debt to Equity	6.5	8.5	
Cost/Revenue (%)	40.9	66.0	

**+610 bps**

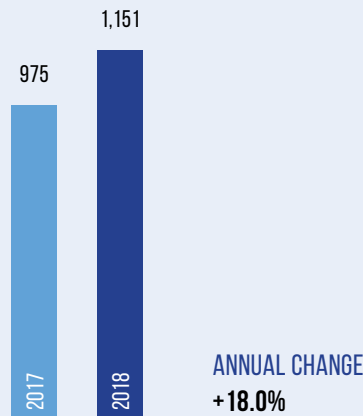
## RETURN ON EQUITY

RETURN ON EQUITY INCREASED BY 610 BPS AND REACHED 18.6%.

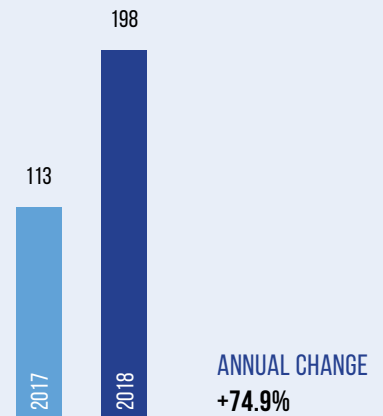
### LEASING PORTFOLIO (MILLION TL)



### TOTAL ASSETS (MILLION TL)



### NET PROFIT (MILLION TL)



## STOCK, ASSESSMENT AND RATING



# 41.77%

PUBLICLY-HELD SINCE 2000 AND 41.7% OF ITS SHARES TRADED ON BIST.

### Stock Performance

Increasing volatility and fluctuations in global markets and pressures on Turkish economy which has been exposed to a high currency and inflation spiral starting with the second half of the year had negative impacts on operations of all sectors and financial markets. BIST 100 index was down by 21% in 2018.

Publicly-held since 2000 and 41.7% of its shares traded on BIST, İş Leasing remained the sector's most important benchmark stock with an average trading volume of 5,554,017 transactions in 2018.

**İŞ LEASING REMAINED THE SECTOR'S MOST IMPORTANT BENCHMARK STOCK WITH AN AVERAGE TRADING VOLUME OF 5,554,017 TRANSACTIONS IN 2018.**



# A+(TUR)

IN ITS RATING REPORT DATED 1 OCTOBER 2018, FITCH RATINGS ANNOUNCED THE LOCAL AND INTERNATIONAL CURRENCY RATINGS OF İŞ LEASING AS A+(TUR) AND B+, RESPECTIVELY.

## Corporate Governance

İş Leasing, a believer in the necessity of an effective corporate governance system to successfully attain its goals through sustainable performance, continually furthers its practices, maintaining a communication with its stakeholders built on the principles of accuracy, transparency, fairness, trust and accountability, and targeting best corporate governance models.

## Credit Rating

In its rating report dated 1 October 2018, Fitch Ratings announced the local and international currency ratings of İş Leasing as A+(tur) and B+, respectively.

Foreign Currency		
Long Term	Short Term	Outlook
B+	B	Negative

Turkish Lira		
Long Term	Short Term	Outlook
BB-	B	Negative

National		
Long Term	Support Rating	Outlook
A+(tur)	4	Stable

## MESSAGE FROM THE CHAIRMAN

**FOCUSING ON PROVIDING STRONG VALUE ADDED SOLUTIONS TO ITS CUSTOMERS IRRESPECTIVE OF THE MARKET CONDITIONS, İŞ LEASING REACHED ITS TARGETS IN 2018.**

### **Murat Bilgiç**

Chairman of the Board of Directors



Dear stakeholders,

Before presenting for your review and approval, the annual report, financial statements and profit distribution proposal, which provide a summary of the 2018 performance of İş Leasing and which have been prepared in accordance with the Capital Market Law and applicable legislation, I would like to give an overview of the world and national economy, and make a brief assessment of the leasing sector, and the position of İş Leasing.

As growth in developed economies continued at different paces in 2018, risks with potential to impact the global economy in a negative way have increased during the last six months of the year.

Geopolitical tensions in various parts of the world, primarily in the Middle East, global trade wars, rapid deterioration in the outlook of developed markets, frequently changing money and fiscal policies are among the major factors which may have unfavorable impacts on global financial markets. This signals for a slowdown in growth and a potential for short term fluctuations in some markets in 2019. Hence, IMF has lowered the growth forecasts for 2018 and 2019 on the grounds of increasing protective trade measures, declining economic activities due to country-specific circumstances in some countries, tightening financial conditions and rising oil prices. IMF estimates global economic growth in 2018-2019 period to be in line with 2017 and stabilized at a rate of 3.7%.

# 1.6%

TURKISH ECONOMY RECORDED A STRONG GROWTH PERFORMANCE IN THE FIRST TWO QUARTERS OF 2018. IN THE THIRD QUARTER OF THE YEAR GROWTH RATE WAS DOWN TO 1.6%.

# ADDED VALUE

### Increasing protective trend in foreign trade was remarkable in 2018.

USA government has put protective measures in foreign trade on its agenda and took substantial steps in 2018. Tariffs levied on many products imported from China to USA had been reciprocated by retaliatory tariffs by China. On the other hand, similar problems were encountered between USA and EU. Extension of foreign trade tensions into 2019 is among possibilities and is likely to have significant impacts on global economy.

### Turkish economy slowed down in the second half of 2018.

Turkish economy recorded a strong growth performance of 7.2% and 5.3% in the first two quarters of 2018, respectively. However, the impact of rapid depreciation of TL on companies' balance sheets, tightened financial conditions and increase in interest rates caused a downward pressure on economic activity. Severe fluctuations in domestic financial markets in the third quarter caused a slowdown of the economy while the expansion trend in the current deficit slowed down with the sudden increase in foreign exchange rates and in the third quarter of the year growth rate was down to 1.6%. Inflation rates have reached striking levels mainly due to the impact of depreciation in TL at an increasing pace on input costs. In the last months of the year, developments in Turkey's international relations, decrease in oil prices due to supply-side movements and expectation of fewer interest hikes by Fed had positive effects on TL assets.

Overall expectation for 2019 is a relative slowdown in growth performance in Turkish economy; however a relative recovery trend in the second half of the year is being anticipated. Fight against inflation, stability in

monetary markets, momentum in exports, continuing structural reforms, increasing tourism revenues as well as international conjuncture will be among the determinants of future growth performance.

### 2018 was a successful year for İş Leasing.

Focusing on providing strong value added solutions to its customers irrespective of the market conditions, İş Leasing reached its targets in 2018.

With decreasing transaction volumes around USD 5 billion in leasing sector in 2018, our company continued its strong support to real sector. İş Leasing used its growth, leveraged by its healthy financial structure, in a careful manner and decisively supported the growth of industries which create added value, particularly SMEs.

Our company will carry on evaluating the opportunities provided by the market in a way to protect the assets of all stakeholders by taking risk-sensitive, cautious, planned and systematic actions.

İş Leasing will continue to support the growth of real economy by using its financial capital as well as its reputation and human resources at appropriate scales.

We believe the following period will provide growth opportunities for İş Leasing and our industry.

On behalf of the Board of Directors and myself, I would like to take this opportunity to thank all our stakeholders who contributed to our 2018 performance.

### Murat Bilgiç

Chairman of the Board of Directors

## MESSAGE FROM THE CEO

**WE WILL CONTINUE TO USE EVERY MEANS AVAILABLE TO PROVIDE RESOURCES FROM BOTH TURKEY AND ABROAD TO FINANCE INVESTMENTS OF COMPANIES FROM VARIOUS SECTORS -ESPECIALLY EXPORTERS- WITH STRONG CASH FLOWS, AND SUPPORT OUR ECONOMY IN THE FOLLOWING PERIOD.**

### **Mehmet Karakılıç**

CEO and Member of the Board of Directors



Despite the slowdown in global economy, growth continued in 2018. However, geopolitical risks, particularly around Middle East, increased its negative impact on risk perception of investors. While global negative conditions, particularly trade wars, had its reflections on financial markets, in Turkey exchange rate attack and interest rate hikes which started in August caused a decrease in capital expenditures and demand and had unfavorable impact on our industry. Transaction volume in leasing sector has been realized as USD 4.8 billion in 2018, indicating a 23% decrease.

İş Leasing has completed 2018 with a performance in line with the budget. As a result of adopting a lending policy which is focused on asset quality and monitoring a broad-based risk, our company financed customers from various segments and industries, specifically SMEs.

İş Leasing has realized a new transaction volume of USD 532 million in 2018 and strengthened its strong position in the sector with a market share of 11.1% from these new transactions.

Our financial lease receivables, which are mainly composed of heavy duty and construction machinery, metal processing, textile and energy sectors, increased by 15.6% YoY and reached TL 5.4 billion. Shareholders' equity of our company grew by 18% to TL 1.2 billion. Consolidated net income has been realized as TL 197.5 million and ROE has been 18.6%.

# 4.76%

THANKS TO OUR ATTENTIVE CREDIT RISK MANAGEMENT, OUR NON PERFORMING LEASING RECEIVABLES RATIO CONTINUED TO REMAIN BELOW INDUSTRY AVERAGE AND STOOD AT 4.76%

# PIONEERING

Thanks to our attentive credit risk management, our non performing leasing receivables ratio continued to remain below industry average and stood at 4.76%.

In 2018, having issued bonds and private sector bills worth TL 3.9 billion within its bond issuance limit of TL 3.5 billion approved by the Capital Markets Board of Turkey (CMB), İş Leasing diversified its funding sources by securing new financing in the aggregate amount of USD 332 million from prestigious credit agencies in Turkey and abroad, including a USD 80 million syndication loan obtained in the first quarter of the year.

In 2019, we anticipate that industry participants will focus more on maintaining asset quality and overcoming the difficulties in long term resource supply, rather than improving customer and new business transactions, given the fact that investment climate will not be very supportive for the growth of our industry.

Maintaining a well-balanced funding composition, we will continue to use every means available to provide resources from both Turkey and abroad to finance investments of financially stable companies from various sectors, -especially exporters- with strong cash flows, and support our economy in the following period.

Our company will pursue adopting its business plan maintaining its new transaction volume market share gains in the last 3 years, collaborating with vendors, increasing the synergy obtained with the branches of Türkiye İş Bankası and activities in direct marketing channels with an aim to increase market share.

As the leading representative of the industry, I am confident that we will reach our targets taking strong and firm steps.

I would like to pay my respects and thank our Board of Directors, employees, our business partners and investors whom I believe will always be with us reaching our goals.

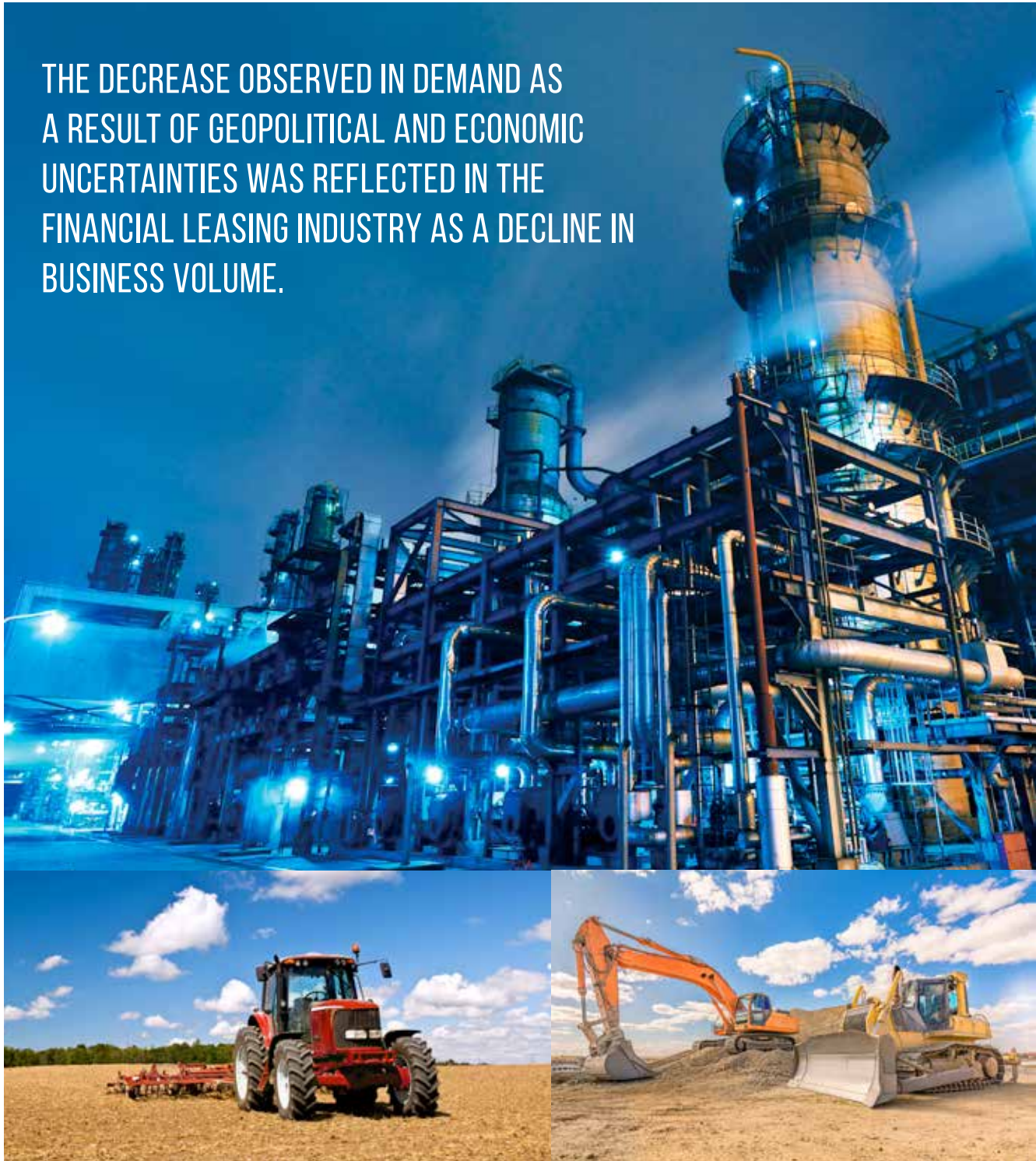
#### **Mehmet Karakılıç**

CEO and Member of the Board of Directors

## FINANCIAL LEASING SECTOR

THE DECREASE OBSERVED IN DEMAND AS A RESULT OF GEOPOLITICAL AND ECONOMIC UNCERTAINTIES WAS REFLECTED IN THE FINANCIAL LEASING INDUSTRY AS A DECLINE IN BUSINESS VOLUME.

# INVESTMENT





# TL 61 BILLION

## LEASING RECEIVABLES

LEASING RECEIVABLES OF THE SECTOR AS OF 2018 YEAR END REACHED TL 61 BILLION.

Relative decrease observed in investment appetite as a result of geopolitical and economic uncertainties for the last three years lead its way to a negative course in 2018 with financial volatility, high currency and interest rates.

In 2018, transaction volume of the leasing sector decreased by 23% to USD 4.8 billion due to pressures resulting from current conjuncture. Leasing receivables of the sector as of 2018 year end reached TL 61 billion, representing an increase of 17% in TL and a decrease of 16% on USD basis.

Ratio of non-performing receivables to leasing portfolio of the sector climbed up to 7.20%.

Under all these unfavorable circumstances, return on equity of the sector dropped down to 9.6%.

When we look at the distribution of investments in the financial leasing sector, heavy duty and construction machinery take the first place with a share of 20.8%, while other machinery and equipment and real estate take the second and third places with respective shares of 19.2% and 17.7%. Following these sectors are textile machinery with 11.8% and metal processing with 9.2% shares.

In Turkey, share of financing of private sector fixed capital investments through leasing is around 5-5.5% and it remained quite stable for the last 5 years. This ratio is 22% in USA, 32% in UK, 17% in Germany and 16% in France. This rate indicates that leasing sector in our country needs to make considerable progress and it has a potential to change by including the end users in its target group with regulatory improvements in related products and industries and decrease in TL interest rates.

In 2019, ceasing of capital flow into our country resulting from increases in volatility in international markets and geopolitical risks will continue to create pressure on economic activity.

In current conjuncture, problems of real sector, deterioration in the investment environment and challenges of leasing sector in obtaining long term funding in comparison with prior years will all have unfavorable impacts on transaction volume.

It is anticipated that 2019 will be a year when focus on risk and activities to improve funding capability will stand out rather than improvement of transaction volume or number of customers.

# 20.8%

## HEAVY DUTY AND CONSTRUCTION MACHINERY

IN DISTRIBUTION OF INVESTMENTS IN THE FINANCIAL LEASING INDUSTRY HEAVY DUTY AND CONSTRUCTION MACHINERY TAKE THE FIRST PLACE WITH A SHARE OF 20.8%.

# İŞ LEASING IN THE SECTOR

# SUCCESS

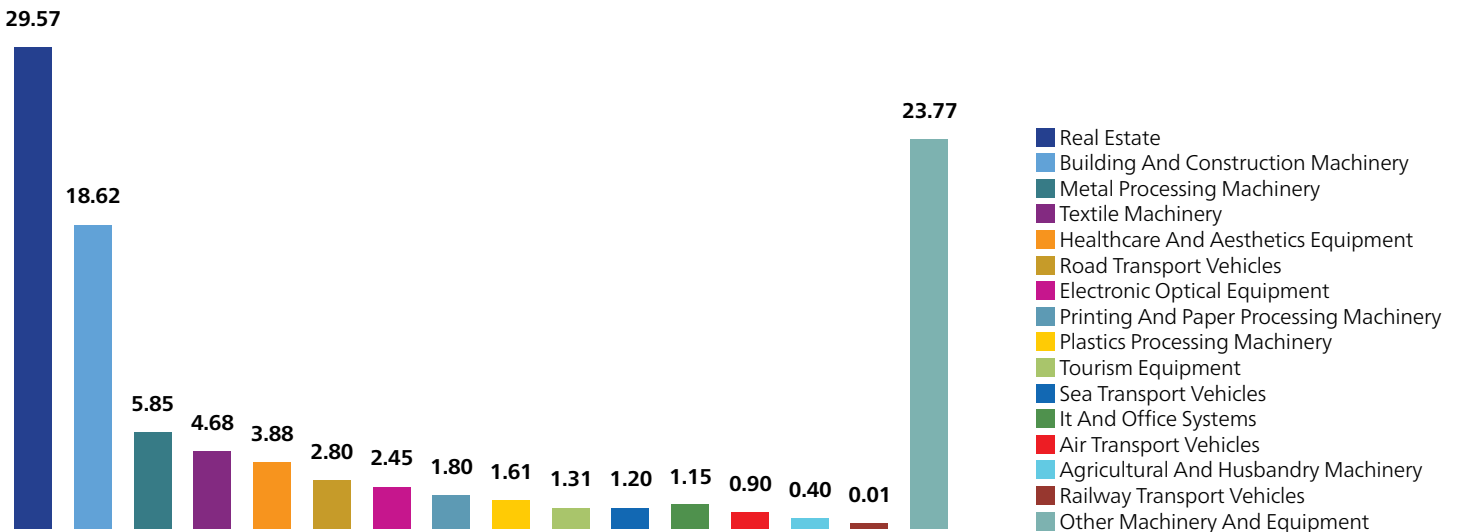
Drawing on its 30 years of experience in the sector, robust financial structure and funding capability, İş Leasing services a broad base of customers from micro businesses to SMEs and corporate firms.

İş Leasing is positioned in the top ranks among its peers with its pioneering identity in the sector, its new product development and solution creation capability, lean and effective business processes that make a difference in customer experience, and swift decision-making mechanisms.

Although a reduction in business volume has been realized in the leasing sector in 2018, İş Leasing has attained an 11.1% market share in new transactions and 8.8% in leasing receivables.

ALTHOUGH A REDUCTION IN BUSINESS VOLUME HAS BEEN REALIZED IN THE LEASING SECTOR IN 2018, İŞ LEASING HAS ATTAINED AN 11.1% MARKET SHARE IN NEW TRANSACTIONS AND 8.8% IN LEASING RECEIVABLES.

## 2018 EQUIPMENT DISTRIBUTION [%]



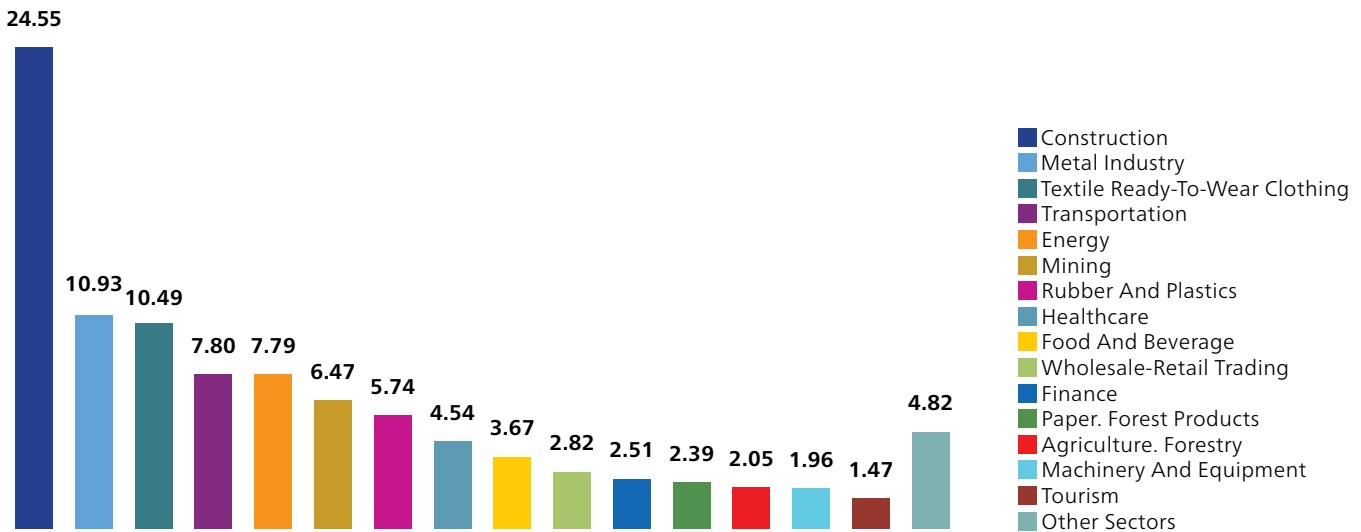


Offering service to its customers out of 15 branches across Turkey, İş Leasing achieved 11.18% market share based on the number of its customers owing to its smart business processes, and a strong and long term approach to customer relationship management built on efficiency and mutual trust.

Its solid funding structure enables İş Leasing to extend financing support of any scale to investments in diverse sectors. Maintaining productive collaborations with vendors in the fields of heavy duty and construction machinery, manufacturing machinery and equipment, the Company is an active player in funding energy projects, as well.

İş Leasing keeps expanding its customer base and strengthening its market position on the back of its approach to service, which reflects its experience and vision, is built upon its state-of-the-art technological infrastructure that can rapidly adapt to change and its competent human resource.

**2018 SECTORAL DISTRIBUTION [%]**



## 2018 ACTIVITIES



COMPETITIVE FINANCING COSTS AVAILABLE TO IT ALLOW İŞ LEASING TO PRODUCE SOLUTIONS THAT ARE ALIGNED WITH ITS CUSTOMERS' FINANCIAL STRUCTURES AND CASH FLOWS.

PREFERRED

### Services

Formulating its customer-oriented service model upon solution creation for its customers' investment needs and the expertise of its professional team, İş Leasing enjoys a significant competitive edge in its sector.

Implementing a solid channel management strategy, the Company's sales activities are carried out through three different channels: İşbank branches, vendors and direct marketing.

İşbank's extensive branch network and countrywide reach present İş Leasing with a broad service geography.

The Company built a collaboration based on productivity principle with vendors; efforts to increase the efficiency of the channel are ongoing.

Competitive financing costs available to it allow the Company to produce solutions that are aligned with its customers' financial structures and cash flows.

İş Leasing achieved a successful performance in 2018 with its service model based on fast, accurate and efficient processes and focused business strategies. In addition, the Company kept contributing to the sector and the economy by carrying further its identity as the preferred service provider.



# 11.18%

## MARKET SHARE ON THE BASIS OF NUMBER OF CUSTOMERS.

İŞ LEASING INCREASED ITS MARKET SHARE TO 11.18% ON THE BASIS OF NUMBER OF CUSTOMERS.

### Portfolio

İş Leasing recognizes that a healthy portfolio and effective risk management are essential for sustainable growth, thus uses technology assisted advanced risk management systems and maintains a broad-based and profitable portfolio with a relatively high credit quality with its cautious lending policies and competent risk management.

Distributing its risk exposure across various sectors that it finances, the Company is noted for its balanced portfolio characterized by diverse sectors and expansive geographical distribution, and in turn, for its NPL ratio that is below the sector's average.

Reinforcing and expanding its customer base with distinctive customer experience, İş Leasing increased its market share to 11.18% on the basis of number of customers.

### İş Faktoring

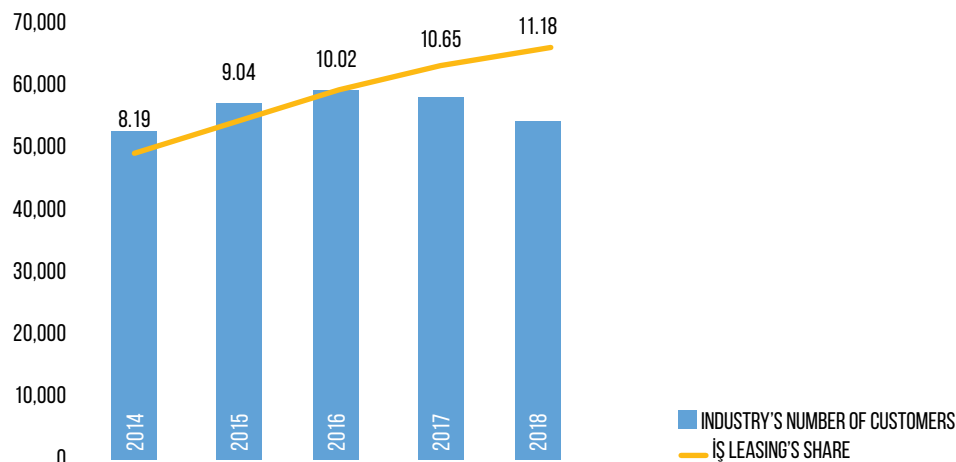
İş Faktoring, of which İş Leasing is the principal shareholder, was incorporated in 1993. Possessing a broad customer base composed of companies of different scales from diverse sectors, İş Faktoring delivers factoring service in domestic and international markets in financing, guarantee and collection areas via its Head Office in İstanbul and six branches operating in Ankara, Tuzla (İstanbul), Adana, Bursa, İzmir and Güneşli (İstanbul).

İş Faktoring has been a member of Factors Chain International (FCI), the most important international factoring initiative in the world, since its incorporation. This membership allows the company to support its customers' international factoring transactions with an extensive correspondent network.

With a factoring receivable of TL 2.7 billion, turnover of TL 10.5 billion and an asset size of TL 2.8 billion at the end of 2018, İş Faktoring realized a net profit of TL 147 million.

In its rating report dated 1 October 2018, Fitch Ratings decreased İş Faktoring's long term foreign currency rating to "B+" from "BB-" and long term local currency rating to "BB-" from "BB" maintaining a "Negative" outlook on both. Fitch Ratings confirmed İş Faktoring's short term foreign currency and local currency ratings as "B". Support rating has been decreased from 4 to 3 and national rating to "A+(tur)" while keeping the outlook at "Stable".

### INDUSTRY'S NUMBER OF CUSTOMERS - İŞ LEASING'S SHARE (%)



## 2018 ACTIVITIES

İŞ LEASING CONTINUED IN 2018 TO UPGRADE ITS TECHNOLOGY TO SECURE PRODUCTIVE GROWTH THROUGH INCREASED SPEED AND ENHANCED QUALITY OF ITS PRODUCTS AND SERVICES.



# TECHNOLOGICAL

### Information Technology

İş Leasing sustains its financing support uninterruptedly to the manufacturing industry, making use of the latest novelties in information technology, and continued in 2018 to upgrade its technology to secure productive growth through increased speed and enhanced quality of its products and services.

Aiming to improve the services offered to customers in line with technological changes and business requirements, the Company puts great emphasis on technology upgrade in a number of aspects that include increasing data processing speed, improving business processes, and enhancing its capacity to found strategic decisions on flexible and precise measurements.

Regular development projects are being carried out in many areas every year while technological infrastructure is being monitored and additional investments are made as needed.

After-Sales Services and Disaster Recovery Center represent two key elements of İş Leasing's customer-focused approach to service. Offering service with a call center infrastructure and aimed at rendering customer satisfaction continuous, After-Sales Services Unit is a significant service point for customers' after-sales support requests. Updated with the latest technology, the Disaster Recovery Center is the assurance of 24/7 uninterrupted service delivery to customers under any circumstance.



### Human Resources and Training

HR strategy of İş Leasing is to manage its "human resource", i.e. its most valuable asset, in the most productive manner in line with the Company's vision, mission and goals. It is intended to form a high value-added team that will make a difference in the sector and maximize the Company's competitiveness, and to develop practices that support the team's professional and personal development, motivate them, and maximize their performance. Accordingly, the HR mission is defined as being the most preferred company by employees in the leasing sector and to render employee satisfaction continuous.

In order to assign the correct person to correct position, İş Leasing uses different assessment and evaluation tools and methods designed objectively and specific for each position based on competencies.

Training activities at İş Leasing are organized in view of business plans, need analyses and performance outputs, and in a way to promote technical and competence development for all employees.

Project activities were carried out for more effective human resource processes, technological developments were realized as part of digitalization and processes such as overtime and leave of absence were transferred to electronic platforms.

Allowing employees to voice their opinions and submit improvement proposals in relation to the working environment, corporate climate and any topic of importance to them, the Employee Committee continues to support internal communication and to serve as the voice of employees.

**TRAINING ACTIVITIES AT İŞ LEASING ARE ORGANIZED IN VIEW OF BUSINESS PLANS, NEED ANALYSES AND PERFORMANCE OUTPUTS, AND IN A WAY TO PROMOTE TECHNICAL AND COMPETENCE DEVELOPMENT FOR ALL EMPLOYEES.**

## BOARD OF DIRECTORS



**Murat Bilgiç**  
Chairman

Born in Ankara in 1968. Mr. Murat Bilgiç was graduated from the International Relations Department of the Middle East Technical University, Faculty of Economic and Administrative Sciences in 1990. He holds a Master's degree in Money-Banking-Finance from the University of Birmingham. He attended the Advanced Management Program in Harvard Business School. Mr. Bilgiç began his career at İşbank in 1990 as an Assistant Inspector on the Board of Inspectors. He became an Assistant Manager in 1999 at the Corporate Loans Underwriting Department and became a Region Manager at the same department in 2002. He became the Head of Corporate Loans Underwriting Department in 2008. He was appointed Deputy Chief Executive on 25 March 2016. Since 09 June 2016, Mr. Bilgiç is the Chairman of the Board of Directors of İş Leasing.



**Şahismail Şimşek**  
Vice Chairman

Born in 1968, Mr. Şimşek is graduated from Ankara University, Faculty of Political Sciences, Department of Finance. After starting his job career as an officer in Türkiye İş Bankası Yenişehir / Ankara branch in 1992, Mr. Şimşek has worked as Unit Supervisor, II. Manager and Vice Manager in Sultanhamam branch between 1995 and 2007, and as Unit Manager in Commercial Banking Product Directorate between 2007 and 2012, and as Branch Manager in Avcılar Commercial Banking Branch between 2012 and 2016. Mr. Şimşek has been appointed as Commercial Banking Sales Division Manager in 2016. Since 28 November 2017, Mr. Şimşek is the Chairman of the Board of Directors of İş Leasing.



**Murat Vulkan**  
Member

Born in 1957, Mr. Vulkan graduated from Hacettepe University, Faculty of Social and Administrative Sciences, Department of English Language and Literature. Having started his career at İşbank in 1982, Mr. Vulkan became an Assistant Section Head in 1987, Sub-Manager in 1993 and Assistant Manager in 1995 at Ankara Branch. He was promoted to Manager of Ereğli/Karadeniz Branch in 1999. He served as Manager of Kayseri Branch from 2001, Regional Manager of İstanbul 4<sup>th</sup> Region from 2004, Manager of Yenişehir/Ankara Branch from 2006 and Manager of Başkent Corporate Branch from 2007. Having served as a Member of the Board of Directors of İşbank from 30 May 2011 until 31 March 2017, Mr. Vulkan was elected a Member of the Board of Directors of İş Leasing on 28 April 2017.





#### **A. Botan Berker** Member

Ayşe Botan Berker holds a bachelor's degree in business administration from the Middle East Technical University, a master's degree in economics from the University of Delaware (USA), and a doctorate degree in finance from Marmara University. She started her professional career at the Central Bank of the Republic of Turkey (CBRT) as external borrowings specialist, where she worked on loans provided to Turkey by the World Bank, the IMF and the OECD Consortium to Aid Turkey. Following her assignment as Deputy Director of Balance of Payments, she functioned as the Director of International Institutions, which is responsible for carrying out the CBRT's borrowings from international markets. Dr. Berker served as the London Representative of the Bank between 1994 and 1996, and before leaving the CBRT in January 1999, she was Deputy Director General of the Directorate General for External Affairs. In 1999, she set up the international rating agency Fitch Ratings' Turkey Office, for which she functioned as the General Manager and Board of Directors member until March 2012. Having founded Merit Risk Yönetimi ve Finansal Danışmanlık company in April 2012, Dr. Berker is a member of the boards of directors of Turcas Enerji Holding A.Ş. and Rhea Girişim Sermayesi A.Ş., and a member of the Board of Trustees of the Turkish Educational Foundation (TEV). Dr. Ayşe Botan Berker lectures on finance at Bahçeşehir, Marmara and Bilgi universities. Since 23 March 2018, Mrs. Berker is a Member of the Board of Directors in İş Leasing.



#### **Selim Yazıcı** Member

Born in 1970 in İstanbul, Selim Yazıcı received his bachelor's degree in mechanical engineering from Yıldız Technical University in 1992, and his master's and doctorate degrees in business administration from İstanbul University in 1994 and 1999, respectively. He started his career in 1992 as a production engineer. In tandem with his graduate studies, he began an academic career in the Department of Business Administration at İstanbul University, Faculty of Political Sciences. Mr. Yazıcı became an associate professor in 2006 and professor in 2014. He taught classes in business management, management, organizational behavior, international business, project management, entrepreneurship, digitization, e-learning and business continuity management within the scope of undergraduate and graduate programs. He held a member's seat on the Board of Directors of the Faculty between 2009 and 2014. He has been serving as the Deputy Head of the Department of Business Administration since 2012 and as the Head of Management and Organization Department since 2016. He is a co-founder of FinTech İstanbul platform, established in 2016 with the objective of making Turkey a regional hub in financial technology and of developing FinTech entrepreneurship. Since 23 March 2018, Mr. Yazıcı is a Member of Board of Directors in İş Leasing.



#### **Mehmet Karakılıç** General Manager / Member

Born in 1967 in Dicle, Mr. Mehmet Karakılıç graduated from the Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Political Science and Public Administration in 1990. He completed the Strategic Bank Financial Management Program at the Manchester Business School in 1998, and later pursued an MBA degree at İstanbul Bilgi University between 2003 and 2005. After starting his career as an assistant inspector trainee on the Board of Auditors of İşbank in 1990, Mr. Karakılıç was appointed Assistant Manager of Fund Management (Treasury) Department in 2000, where he later became a Group (Unit) Manager before being promoted to Strategy and Corporate Performance Management Division Manager in 2008. Having assumed the position of Branch Network Development Division Manager from 2011 until 2017, Mr. Karakılıç has been serving as the General Manager of İş Leasing since 05 May 2017.

## BOARD OF DIRECTORS



**O. Tufan Kurbanoğlu**  
Member

Born in 1971, Mr. Kurbanoğlu is a graduate of Division of Public Management of Middle East Technical University. Starting his job career as an inspector in Türkiye İş Bank in 1993, Mr. Kurbanoğlu is appointed as Vice Manager in Corporate Credits Monitoring and Follow-up Department in 2002. Mr. Kurbanoğlu has served as vice manager between 2002 and 2006, as manager between 2006 and 2011 and as Regional Manager in Retail Credits Monitoring and Follow-up between 2011 and 2014, and is appointed as Commercial and Corporate Credits Monitoring and Follow-up Department head in 2014. Mr. Kurbanoğlu is currently working as Head of Commercial and Corporate Credits Monitoring and Follow-up Department.



**Buğra Avcı**  
Member

Born in 1975, Mr. Avcı is graduated from Bilkent University, Faculty of Business Administration. After starting his job career as a credit specialist in Türkiye İş Bankası in 1988, Mr. Avcı has worked in Individual Banking Marketing and Corporate Banking Marketing Divisions between 2000 and 2007. He has worked as vice manager in Corporate Banking Product Division in 2007, and as Corporate and Commercial Banking Product Division Pricing Unit Manager in 2011. Mr. Avcı has been appointed as Commercial Banking Product Manager in 2015, and is still continuing to work as Commercial Banking Product Manager.



**Hasan Hepkaya**  
Member

Born in 1981, Mr. Hepkaya is graduated from Hacettepe University, Faculty of Business Administration. Having started his career at Garanti Leasing in 2003, he then worked in various positions in the Corporate Marketing and Project Finance departments of Türkiye Sınai Kalkınma Bankası A.Ş. between 2005 and 2014, before serving as Project Finance Manager from 2014 through 2016. Mr. Hepkaya was appointed as Corporate Marketing Manager on 01 January 2017 and is still continuing to work as Corporate Marketing Manager.



**Murat Demircioğlu**  
**Member**

Born in 1975 in Rize, Mr. Murat Demircioğlu graduated from the Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Economics in 1997. He started his professional life as an assistant inspector on the Board of Auditors of İşbank in 1998 and was appointed Commercial Loans Allocation Division Manager in 2017. Mr. Demircioğlu was elected a Member of the Board of Directors of İş Leasing on 07 June 2017.



**Doruk Yurtkuran**  
**Member**

Born in 1980, Mr. Doruk Yurtkuran graduated from the Middle East Technical University, Department of Business Administration in 2002. Starting his job career as an inspector in Türkiye İş Bank in 2003. Mr. Yurtkuran is appointed as Vice Manager to the Bank's Subsidiaries Division in 2012. He is working as Vice Manager in Subsidiaries Division of T. İş Bankası. In addition, Mr. Yurtkuran is also serving as a member of Board of Directors of JSC Isbank Georgia, İş Faktoring A.Ş. and Topkapı Yatırım Holding A.Ş. as well.

## SENIOR MANAGEMENT



**Dilek Sezer**  
Assistant General Manager,  
Financial Management, Purchasing,  
Operation, Human Resources

Mrs. Sezer was born in 1970 and holds a BA degree in business administration from Marmara University. Starting her career in 1991 at TYT Leasing, Mrs. Sezer joined İş Leasing in 1992 and has held various positions, including marketing manager and marketing group manager. Mrs. Sezer has been serving as assistant general manager at İş Leasing since 2006.



**Şahin Emre**  
Assistant General Manager,  
Sales, Marketing, Information  
Technologies

Born in 1973 in Sivas. Mr. Emre has graduated from Middle East Technical University, Department of Business Administration. Mr. Emre began his career as Auditor at Türkiye İş Bankası in 1998. He has worked as Assistant Manager in Corporate Architecture between 2008 and 2009. Then he worked as Assistant Manager and then Unit Manager in Corporate Credits between 2009 and 2016. After serving as an Unit Manager he has appointed as Gebze Branch Manager. Since 4 May 2018 Mr. Emre is serving as an Assistant General Manager at İş Leasing.



**Sibel Doğan**  
Assistant General Manager,  
Credits, Risk Follow-up, Legal

Born in 1977 in Sivas. Mrs. Doğan has graduated from Marmara University, Department of Public Administration. Mrs. Doğan began his career as Assistant Specialist at Türkiye İş Bankası in 1999. She has served as Assistant Manager between 2008 and 2013, as Unit Manager between 2013 and 2018 in Corporate Credits. Since 21 May 2018 Mrs. Doğan is serving as an Assistant General Manager at İş Leasing.



**ESMA TOKER**  
Sales Manager



**ONAN KELEŞ**  
Treasury and Financial Institutions  
Manager



**SERKAN SIRAK**  
Credits Manager



**NESLİHAN ORUÇ**  
Financial Management Manager



**ONUR TUFAN**  
Risk Monitoring Manager



**PINAR UZUNALI**  
Purchasing Manager



**SEYİTHAN AYVAZOĞLUYÜKSEL**  
Law Affairs Manager



**NURAN GÜNEŞ BOZKURT**  
Legal Counselor



**R. SEMİH NABİOĞLU**  
Head of Internal Audit

## SENIOR MANAGEMENT



**ALTAN İYİGÜN**  
Marketing Manager



**ASLI ABACI**  
Human Resources Manager



**A. MURAT YILDIRIM**  
Information Technologies Manager



**TİMUÇİN ÜLKEOK**  
Operations Manager

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

# INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT



**Güney Bağımsız Denetim ve  
SMMM A.Ş.**  
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ey.com  
Ticaret Sicil No: 479920

**To the Shareholders of İş Finansal Kiralama Anonim Şirketi**

## 1) Opinion

We have audited the annual report of İş Finansal Kiralama Anonim Şirketi and its subsidiary ("the Group") for the period of 1/1/2018 - 31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

## 2) Basis for Opinion

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

## 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 1, 2019 on the full set consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

## 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

## INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

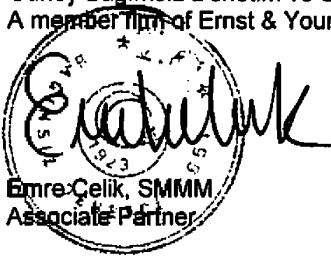
### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

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



**Emre Çelik, SMMM**  
Associate Partner

February 28, 2019  
İstanbul, Türkiye



# CORPORATE GOVERNANCE PRACTICES

## BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

### **The analysis and assessment of the Board of Directors with regard to financial situation and operating results, and degree of realization of the scheduled activities and operations, and situation of the Company against the established strategic goals:**

In 2018, with its transaction volume of USD 532 million, and its market share of 11.1%, İş Leasing maintained its strong positioning in the sector. Having increased its leasing portfolio by 15.6% over the past year, the Company further increased its total assets by 18% to TL 1.151 billion. With a net profit of TL 197.5 million in 2018, the Company recorded a return on equity of 18.6%. As a result of developed techniques applied and care and due diligence shown in credit risk management, the Company's non-performing debts ratio of leasing receivables continued to remain far below the sector average, and was recorded as 4.76%.

Its bond issuance limit of TL 3.5 billion approved by the Capital Markets Board of Turkey (CMB) and having issued bonds and private sector bills worth TL 3.9 billion in total during the year, İş Leasing diversified its funding sources by securing new financing in the aggregate amount of USD 332 million from prestigious credit agencies in Turkey and abroad. With a target to grow with a disciplined approach, the Company acted selectively in growth to be able to manage profit margin pressure resulting from competition in an effective and balanced way, while standing firm at its strategies of broad-based transaction volume and high quality portfolio.

### **Determination and assessment as to whether the capital of the Company is actually depleted or whether the Company is deeply in debt or not:**

As of the end of 2018, capital of the Company is 695.3 million TL, and we have no finding showing, and are not of the opinion, that the capital of the Company is actually depleted or the Company is deeply in debt.

### **Whether the targets determined in the past periods have been reached or not, and whether the general assembly decisions have been performed or not, and if not reached or performed, the reasons thereof, and assessments:**

In 2018, the Company has recorded operating results in tandem with its strategic goals thanks to its dynamic balance sheet management and by focusing on sustainable growth strategies.

All decisions taken in the General Assembly meetings in the past period have been performed.

### **Information on direct or indirect subsidiaries of the Company and its shareholding rates:**

Information on direct or indirect subsidiaries of the Company and its shareholding rates are presented in details in the footnote no. 9 of financial statements.

### **Information on donations and grants made during the year:**

Donations and grants made by the Company in 2018 are TL 1,300.

### **Lawsuits which are brought forward against the Company, and may affect its financial situation and activities, and probable results thereof:**

During the period, the Company has been involved in many lawsuits as the defendant side as a part of its ordinary activities. Accordingly, there exists no legal action or legal proceedings which are not disclosed in footnotes of consolidated financial statements or for which the required provisions and reserves are not set aside and which may make material adverse effects on the financial situation or operating results of the Company.

### **Transactions of the controlling shareholders, directors, top echelon executives and their spouses and blood relatives and relatives by marriage up to second degree with the Company or its affiliates, which may cause conflicts of interests with the Company or its affiliates:**

None.

### **Opinions and comments of the Board of Directors regarding internal control system and internal audit activities:**

Internal control system of the Company covers control and monitoring activities developed by the executive management in order to ensure that the daily operations of the Company are carried out effectively and efficiently within the frame of the established policies, guidelines and limits, and aims to establish a structure ensuring that the control culture is adopted and maintained

throughout the Company. On the other hand, internal audit system of the Company covers the inspection, auditing and reporting processes carried out independently from the executive management in order to ensure that all operations and activities, also including internal control and risk management, are performed in accordance with the policies, strategies and goals, and that the Company assets are protected and maintained. Our Board of Directors has assigned the Audit Committee for supervision, assessment and direction of initiatives and works within the scope of internal control and internal audit activities. Internal Audit, Internal Control and Risk Management Units, reporting to the Board of Directors through the Audit Committee, ensures that risk culture is created, developed and improved throughout the Company through its risk-based audit approach. The Audit Committee of the Company periodically assesses the efficiency of internal control system and the results of internal control activities through internal audit reports prepared and issued by the Internal Audit, Internal Control and Risk Management Units, and shares with the Board of Directors its proposals and suggestions on the actions required to be taken with respect to the findings of the said reports.

**Explanations on administrative and juridical sanctions imposed on the Company and members of its managerial body due to practices and acts in conflict with the laws:**

None.

**Information on private audits and public audits conducted during the accounting period:**

During 2018 accounting period, the Company has been subject to a limited independent audit as of 30.06.2018, and to an independent audit as of 31.12.2018 by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by DRT Yeminli Mali Müşavirlik A.Ş.

**Legal transactions and actions performed with the parent company, or an affiliate of parent company, in favor of the parent company or any affiliate thereof under direction of parent company; and all other measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in the past activity year; and according to the conditions and circumstances known by them as of the time the legal transaction is performed or the measure is taken or is avoided to be taken, whether an appropriate counter-obligation is provided in each legal transaction or not, and whether the measure taken or avoided to be taken has caused damages to the company or not, and if the company has incurred damages, whether such damages are offset and balanced or not:**

There exists no legal transactions and actions performed with the parent company of the Company, or an affiliate of parent company, in favor of the parent company or any affiliate thereof under direction of parent company; and no measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in the past activity year.

**“Conclusion” section of the Affiliation Report:**

During 2018 activity year, within the frame of the relevant provisions of the Turkish Commercial Code, our Company is affiliated to the group of companies of T. İş Bankası A.Ş. Pursuant to article 199 of the Turkish Commercial Code, our Company's Board of Directors has incorporated the following statement in its affiliation report issued about its relations with its parent company and with affiliates of its parent company:

“With respect to all transactions performed by the Company and its parent company and the affiliates thereof during the activity year of 01.01.2018 - 31.12.2018, to the best of its knowledge, all legal transactions and actions performed in favor of the parent company or any affiliate thereof under direction of parent company, and all measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in 2018 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2018 within the knowledge of the Company.”

**Regulatory changes which may have a significant impact on Company's operations**

None.

**Information on conflicts of interest with organizations from whom the Company obtains investment consultancy and rating services and measures taken by the Company to prevent such conflicts of interest**

None.

## CHANGES WITHIN THE REPORT PERIOD

### Increase in the Share Capital

The paid-in capital of the Company has been increased from TL 650,302,645 to TL 695,302,645 with a portion of TL 45,000,000 funded by 2017 profit shares allocated in the form of share certificates in line with the 2017 yearly profit distribution proposal approved by shareholders in the Annual General Assembly held on 23 March 2018, and the capital increase processes have been completed on 08 June 2018.

### Annual General Assembly Held Within the Period

The Company's 2017 Annual General Assembly has been held at the address of İş Kuleleri, 34330, İş Bankası Oditoryum Binası, 4. Levent – İstanbul on 23 March 2018. Ordinary General Assembly Meeting of 2017 was held with the presence of the shareholders representing 600,000,000 Group A and 53,597,338,110 Group B shares from 65,030,264,500 shares corresponding to the Company's total equity of TL 650,302,645. In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

### Profit Distribution

According to the Profit Distribution Table submitted to and approved by the General Assembly of Shareholders within the framework of the Decision No. 2539 and dated 12.02.2017 of the Company's Board of Directors, it has been resolved that the shareholders be distributed first dividends in the form of bonus shares worth TL 45,000 thousand out of the net distributable profit for the period in the amount of TL 109,238 thousand, which is net profit for the period forming the basis of profit distribution pursuant to the Capital Markets Board of Turkey (CMB) legislation in the amount of TL 112,948 thousand, less first legal reserves of TL 3,710 thousand calculated based on the profit figure of TL 74,200 thousand that descends in the Company's statutory records; that deferred taxes of TL 3,067 thousand that is included in the Company's net profit for the period according to statutory records be set off from deferred tax reserves, which are made up of the Company's undistributed deferred tax income from previous periods, and be transferred to extraordinary reserves, and that the distribution of shares that will be distributed as profit share be commenced upon approval of the issuance document for the said shares by the CMB. Distribution of bonus shares was completed on 30 May 2018.

### Changes in Articles of Association

During the period of 01.01.2018 – 31.12.2018, no amendment has been made in the Articles of Association, and in the course of increase of our Company's share capital from TL 650,302,645 to TL 695,302,645, Article 6 "Capital and Types of Shares" of our Company's Articles of Association has been amended, and these amendment has been registered on 08.06.2018.

# COMPANY RISK POLICIES

## Credit Risk

### Overall Principles Regarding the Credit Risk Management Process:

1. The procedures and standards regarding transactions causing credit risk are set down in writing and announced to all employees concerned. As a general principle, the procedures and standards are reviewed at least annually and updated when needed.
2. Transactions causing credit risk with counterparty exposure must be conducted so as not create a concentration and be characterized as “well-diversified” by considering the level of risk. For this purpose, credit risk is monitored by criteria such as counterparty, collateral, sector, maturity and currency.
3. The credit worthiness of the counterparty is assessed by concrete data. For this purpose, a rating and/or grading system has been established and is used as a decision-supporting tool. A satisfactory performance of the counterparty with regard to liabilities is not based on the liquidity of collateral as a principle.
4. In transactions causing credit risk, the standards for acquiring collateral from the counterparty is determined in writing. The types of collateral to be obtained must be in conformity with regulations, conducted activities, market conditions and the essence of this policy.
5. Signs of complications observed in all variables that might hinder the counterparty in the fulfillment of its liabilities and which are both systemic and unique to the debtor, are evaluated as early warning signals.

To fulfill this purpose, credit risk is monitored closely by the Board of Directors. Problematic assets should be transformed into normal assets in a short period of time by judgment of efficiency. The economic value of the asset in question must be more than the resource to be allocated for this purpose.

## Market Risk

### Overall Principles Regarding the Market Risk Management Process:

1. Transactions performed in money and capital markets must be conducted so as not to cause a concentration of parameters such as instrument, maturity, currency, type of interest accrual and be characterized as “well-diversified” by considering the level of risk. As part of diversification, parameters such as maturity, monetary unit, etc. Are monitored to avoid concentration.
2. Monitoring of the credit worthiness of issuers of financial instruments causing market risk is given particular importance. In this context, the issuer should hold an “investment grade” level rating from a credit risk rating organization or must be at the “healthy” category in internal ratings.

# COMPANY RISK POLICIES

## Liquidity Risk

### Overall Principles Regarding the Liquidity Risk Management Process:

1. The primary priority is the compliance of the firm's liquidity risk to the limits set down in legislation and conformance of this risk with the basic strategies of the firm.
2. In order to maintain efficiency and sustainability in liquidity management, a range of available funds, markets, instruments and maturities must be utilized for maximum diversification.
3. In managing liquidity risk, a portfolio structure is formed to derive profit from and comply with market risk management functions, and a risk-return balance is consistently monitored without compromising liquidity requirements.
4. The firm prepares and applies an Emergency State Action and Funding Plan for extraordinary periods.

## Operational Risk

### Overall Principles Regarding the Operational Risk Management Process:

1. Within the firm, there is a business continuity plan approved by the Board of Directors that displays the continuity of activities in the event of extraordinary conditions, minimizing monetary and reputational loss, clearly defining the duties and responsibilities of employees in such situations, the priority of activities and the manner in which these activities will be carried out. The functionality of the plan is reviewed regularly and results are reported to the Board of Directors. Required actions are taken with respect to non-functional issues.
2. The firm must reserve and back up important documents and information apart from the regular field of activity in a safe location.
3. Operational risks must be assessed in terms of the probability of occurrence as well as the level of the effect in the event of occurrence, and necessary measures must be taken.
4. The firm systematically monitors and reports core operational risk indicators and loss data and implements the necessary measures.

## PROFIT DISTRIBUTION POLICY

Principles as to profit distribution of our Company are set down in Article 26 of the Articles of Association.

Distribution of profit in our Company is decided by the General Assembly of Shareholders in line with proposals of the Board of Directors by considering the provisions of the Turkish Commercial Code, the Capital Markets Law and other laws and regulations applicable on our Company.

As profit distribution policy, it is contemplated that at least 30% of the distributable profit will be distributed in the form of cash dividends and/or dematerialized shares, providing that there exists no setback in the global and national economic conditions, and the Company's financial standing and capital adequacy ratios are at the specified levels.

Cash dividend payments are effected by no later than the end of second month following the date of meeting of the General Assembly of Shareholders where the profit distribution decision is taken. Profit share distribution in the form of bonus shares is effected upon receipt of legal permissions and licenses.

Our capital does not contain any share privileged in terms of profit shares.

No founder's jouissance shares are issued, and no profit share is paid to our Directors and employees. The Company may distribute profit share advances to its shareholders within the frame of provisions of relevant article of the Capital Markets Law. The provisions of the relevant legislation are complied with in calculation and distribution of profit share advances.

# DISCLOSURE POLICY

## General Framework of the Disclosure Policy

Our company provides all relevant financial information as well as other explanations and disclosures in line with the provisions of Law no. 6361 on Financial Leasing, Factoring And Financing Companies regulations pursuant to this law, the Capital Market Board legislation, the Turkish Commercial Code and the regulations governing the Exchange İstanbul where our stocks are traded. Bearing in mind generally accepted accounting principles as well as corporate governance principles, we pursue a comprehensive policy to provide information to the public at large.

The underlying goal of the disclosure policy is to ensure that shareholders, investors, employees, clients, creditors and other interested parties are provided access to the necessary information and explanations - with the exception of those related to trade secrets - in a timely, accurate, complete and comprehensive fashion, under equal conditions and as easily and inexpensively as possible.

Our company has actively adopted corporate governance principles, and in the context of informing the public, it exerts utmost effort to implement the requirements of the applicable legislation and international best practices. The İş Finansal Kiralama A.Ş. Disclosure Policy, which has been prepared with this aim in mind, has been put into effect upon approval by the Board of Directors. Modifications to the Disclosure Policy are disclosed to the public after approval by the Board of Directors. A current version of our Disclosure Policy is provided at our website.

## Authorization and Responsibility

The Board of Directors is responsible for the supervision, monitoring and development of company's information policy. A Corporate Governance Committee consisting of three board members has been formed to monitor our company's compliance with corporate governance principles and provide suggestions to the Board while the Investor Relations Unit has been mandated to coordinate the information function.

## The Investor Relations Unit

Our company has formed an Investor Relations Unit with the aim of establishing relations with our shareholders in a regulated fashion and efficiently responding to investor requests. The operations of the unit are been regularly reported to the Board of Directors and the Corporate Governance Committee.

## Means and Methods in Disclosing Information to the Public

The methods and means used in informing the public within the framework of the Financial Leasing Legislation, the Capital Market Legislation, the Turkish Commercial Code and other concerned legislations are described below:

- Financial statements are prepared quarterly on a consolidated basis in accordance with International Accounting Standards and Turkey Accounting Standards as required by the Capital Market Board (CMB) including related footnotes and explanations as well as the independent audit report. These are sent to the Public Disclosure Platform (PDP) within legal time limits and are published on our company's website. Financial statements are also translated into English and published on the website. "Quarterly, consolidated financial statements and its disclosures along with the independent auditors' report prepared in accordance with "Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies", "Communique on Application of Uniform Chart of Accounts and its Explanations in Financial Leasing, Factoring and Financing Companies", Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) together with its appendices and comments issued by Public Oversight, Accounting and Auditing Standards Authority (KGK), regulations, communiques, explanations and circulars on accounting and reporting principles issued by the Banking Regulation and Supervision Agency (BRSA) are being forwarded to Public Disclosure Platform (KAP) and published on our Company's web site. English translation of these financial statements is also published on the web site."



- Financial statements prepared according to International Accounting Standards are also sent quarterly to the Association of Financial Institutions.
- Unconsolidated financial statements prepared according to International Accounting Standards and related information are also sent quarterly to Banking Regulation and Supervision Agency (BRSA), which are published as aggregated (Total Industry) on the BRSA website.
- Information on special circumstances required in the Capital Market Board (CMB) legislation is sent to the Public Disclosure Platform (PDP) within the required time limits. As a company policy, the disclosures of special circumstances are signed by the Assistant General Manager responsible from finance and the Accounting Manager; however should these be not in the office, they are being signed by responsible to be determined by the General Manager and submitted to the PDP. Disclosures of special circumstances are submitted to electronically reported under PDP system. Within 1 business day after the information is disclosed to the public, disclosures of special circumstances are published on our website and are accessible for further 5 years.

Appropriate announcements are sent to the Commercial Registry Gazette and to daily newspapers in the event of changes to the articles of association, of meetings of the General Assembly, or capital increases.

- Our regular general assembly meetings are held within legal time frames every year and all activities performed to ensure the participation of shareholders to the general assembly are documented. The information regarding general assembly meetings is provided under our website [www.isleasing.com.tr](http://www.isleasing.com.tr), to facilitate direct access of all shareholders. Starting from the date of invitation for general assembly, the annual report, financial statements and notes, profit distribution proposal, information memorandum prepared on relevant items of agenda of the general assembly, other relevant documents regarding agenda items, current articles of association, proposal on amendments of articles of association with explanation are provided for the scrutiny of our shareholders at our headquarters.
- Quarterly Operations Reports are prepared in accordance with Capital Market Board (CMB) legislation and corporate governance principles and upon approval of Board of Directors, submitted to PDP and published at our website. Company Annual Report, prepared every year prior to the General Assembly in both Turkish and English in a manner to include any relevant information and explanations is made available to shareholders and published on our website at ([www.isleasing.com.tr](http://www.isleasing.com.tr)).
- It is not planned to hold regular discussions and meetings with the press. When it appears necessary or in order to respond to requests from members of the press, certain announcements are made in the written and visual media. Announcements to written and visual media and data distribution institutions may be made by the Chairman of the Board of Directors, the General Manager or his deputy and other persons designated by those authorities.
- In the Communiqué on Material Events Subject to Disclosure, the future-oriented assessments are defined as “assessments which contain future plans and predictions considered as insider information, or which give an idea to investors about the issuer’s future activities, and financial situation and performance”. Where the future-oriented assessments are intended to be made public through press and media or other means of communication, the same information is further announced through PDP (Public Disclosure Platform) concurrently. In the case of a material change in the future-oriented assessments already made public, the public is separately informed thereabout. Future-oriented prospects are made public with a prior written approval of the General Manager or the Deputy General Manager authorized by the Board of Directors of our Company.

# DISCLOSURE POLICY

- All meeting requests from shareholders are positively responded to and meetings are organized within the shortest possible time frame. From time to time teleconferences are organized by the Investor Relations Unit to provide information to shareholders and stakeholders. Such information is posted in Turkish and English on our website ([www.isleasing.com.tr](http://www.isleasing.com.tr)) to timely provide them to all market participants under equal conditions.
- In order to convey the company's sectoral performance, financial results, vision, strategies and targets to shareholders in a most efficient manner, the Investor Relations Unit accepts meeting requests from shareholders, investment houses, analysts and investors, actively arranges meetings and road-shows with interested parties and visits investors both in Turkey and abroad. Furthermore, to achieve effective publicity of our Company, The Investor Relations Unit prepares presentations and reports which are posted in Turkish and English on our website ([www.isleasing.com.tr](http://www.isleasing.com.tr)) to timely provide them to all market participants under equal conditions.
- Upon request of our shareholders, creditors, rating agencies and organizations doing research on our company, financial statements and related information are sent by the Investor Relations Unit via e-mail. Within the framework of corporate governance principles, in the section "Special to the Investor" which is posted both in Turkish and in English on our website ([www.isleasing.com.tr](http://www.isleasing.com.tr)), detailed information and data are given on our company. Every question from shareholders and other parties is answered by way of e-mails, letters, or telephone and similar means through the coordination of the Investor Relations Unit.

## Other Disclosures

Disclosures other than those mentioned above are made available to the public in line with the authorizations specified in the list of authorized signatories.

## Corporate Website of İş Finansal Kiralama A.Ş. ([www.isleasing.com.tr](http://www.isleasing.com.tr))

Our Company's website is used actively and frequently to inform the public. Prepared in both Turkish and English, the website contains the information and data determined by the regulatory authorities and required by the principles of corporate governance. The site contains announcements on upcoming General Assembly meetings, agenda items and related information, documents and reports and procedures for participating in the General Assembly meeting. In addition, the company's disclosure policy and ethical standards are also featured on the website. The web site is monitored and kept up to date by the Investor Relations Unit.

## Monitoring News and Rumors About the Company

- In order to follow-up the news and rumors about our company appearing on press-publication organs or web sites, the services of a company specialized in media monitoring services are being utilized. All news appearing about our company is sent by the service provider to our company on a daily basis.
- In the event that news or rumors appear on written and visual media which are of significance to affect stakeholders investment decisions or the value of capital market instruments, are not originated by representative authorized persons of the Company, have a different content than the information previously made public through disclosure documents; an immediate disclosure is made to the public as to the validity and completeness of such information. In the event the information necessitates declaration of special circumstances, then the disclosure is made in the form of disclosure of special circumstances.

### **Deferring Disclosure of Internal Information**

Bearing the responsibility, our company may defer the disclosure of internal information in order to prevent damage to its legal rights and interests. No disclosure is made to the public regarding the internal information during the deferment period. Our company is responsible to take all kinds of measures to prevent the deferral from forming a risk of deceiving the public and the information is kept confidential during the deferment period.

Measures to ensure the confidentiality of information are subject to Board of Directors approval. By the time the reasons for deferral are eliminated, an announcement is made to public and immediately to PDP; containing the internal information, the decision to defer and the reasons for deferral.

### **Criteria in Determining Persons with Administrative Responsibility**

When determining the persons who have administrative responsibility, the duties of such individuals within the company and the content of information accessed by such persons are taken as criteria. Accordingly, managers and other employees having information on only a part of the operations of the company and who have limited access to information about all activities are not evaluated in the context of the persons having access to inside information.

In this context, Board Members and Auditors, the General Manager and Assistant General Manager as well as the unit managers and some company employees with access to complete information about the company such as asset-liability structure, profit and loss, cash flows, strategic objectives, etc. and authority to administrative decisions that may affect the company at a macro-level are identified as persons with administrative responsibility.

### **The Announcements of the Statements Regarding the Company's Indirect or Direct Legal and Commercial Relations due to Capital, Management and Audit with real and legal persons**

The Company's statements regarding its indirect or direct legal and commercial relations due to capital, management and audit with real and legal persons, are done within the framework of the CMB's regulations.

### **Confidentiality of Information to be Disclosed to the Public**

All information of the Company, encountered during the period of service which are in the nature of trade secret, and are not desired to be known by persons other than those authorized by the Company, shall be considered as "Company Information". All employees are obligated to protect company information during and after the termination of their service.

Company Ethical Rules, outlining the rules of professional ethics and the sanctions to be applied by the company in case of discordance, in accordance with existing laws and regulations, are published and announced to all staff. Necessary measures are taken to prevent the usage of insider information.

The list of persons with access to internal information is kept up-to-date within the company. Persons having access are required to keep such information confidential until it is announced to the public by a declaration of special circumstances. In order to ensure confidentiality until the declaration of special circumstances, company employees with access to internal information are informed about their responsibilities arising from relevant legislation. Independent auditors, consultants or other persons and institutions rendering services and having temporary access to internal information are contractually covered with a confidentiality clause.

# COMPANY ETHICAL PRINCIPLES

## I. GENERAL PROVISIONS:

### ARTICLE 1. PURPOSE AND SCOPE:

Basic purpose of the Professional Ethical Principles of the Association of Financial Institutions (the "Association"), applicable on all kinds of relations and affairs of companies, being members of the Association, with each other or with their customers, shareholders or employees, or with other entities and institutions, is to maintain the continuity of professional reputation, and to protect stability, trust and confidence in the relevant sectors with regard to fields of business of financial leasing, factoring and finance companies.

İş Finansal Kiralama A.Ş. Ethical Principles ("Ethical Principles") determines and sets down the rules and principles required to be complied with in all kinds of relations and affairs of İş Finansal Kiralama A.Ş. (the "Company") with the Association members, and with its customers, shareholders and employees ("Employees"), and with other entities and institutions, and forms a basis for sanctions to be imposed by the Company in the case of breach of these principles.

Ethical Principles will be published in the Company's corporate internet site ([www.isleasing.com.tr](http://www.isleasing.com.tr)) and the Company's internal publications. It is the responsibility of Managers of the Company to communicate these Ethical Principles to all Employees, and to ensure that the Employees place the required importance on these rules, and to endeavor and show leadership for compliance with these rules. The Board of Directors, Senior Management, Managers and Employees are all liable to comply with these principles.

### ARTICLE 2. GROUNDS:

These Ethical Principles are relied upon the "Financial Leasing, Factoring and Finance Companies Professional Ethical Principles" published and made effective by the Association of Financial Institutions (the "Association") on 18 March 2015, and the provisions of "Corporate Governance Communiqué" published by the Capital Markets Board.

### ARTICLE 3. GENERAL PRINCIPLES:

For the sake of trust and stability in financial markets, and for effective operation of crediting systems by also taking into consideration the requirements of economic development, and for prevention of practices and actions which may cause substantial damages in economy, and with a view to safeguarding the social interests and for protection of environment, the Company and the Employees perform their duties and functions and take actions in tandem with the following general principles.

#### A) HONESTY:

In performing its activities, and in all its relations with its customers, Employees, shareholders, group companies, and with Association members, vendors, and other entities and institutions, the Company adheres to and acts in line with the principle of honesty.

#### B) NEUTRALITY:

The Company does not discriminate between its Employees and customers, and refrains from acting in a biased and prejudiced way.

In providing its services to its Customers, the Company does not make any discrimination on the basis of such differences as national or ethnic origin, religion, financial and social status, or gender.

#### C) RELIABILITY:

In all of its services and actions, the Company gives clear, understandable and true information to its customers and offers its customer services completely and timely, within a mutual trust atmosphere.

**D) TRANSPARENCY:**

The Company keeps its customers informed clearly, understandably and explicitly about such issues as rights and obligations, benefits and risks of products and services provided to the customers.

**E) SAFEGUARDING THE SOCIAL INTERESTS, AND RESPECT FOR ENVIRONMENT:**

In all its activities and operations, in addition to profitability, the Company makes a point of giving support to social and cultural activities in the light of the principles of safeguarding the social interests and of respect for environment.

**F) PREVENTION OF LAUNDERING OF CRIME REVENUES:**

Within the framework of international norms and national applicable laws, the Company adopts it as an important principle to fight against laundering of crime revenues and against corruptions and similar other crimes, and does its best in order to enter into cooperation with both Association members and other entities and institutions and concerned authorities. The Company internally takes the necessary measures and organizes training programs for its Employees in connection therewith.

**G) INSIDER TRADING:**

The Company takes all kinds of actions in order to prevent use of insider information.

**II. RELATIONS OF COMPANY WITH PUBLIC ENTITIES AND ADMINISTRATIONS:****ARTICLE 4. RELATIONS WITH PUBLIC ENTITIES AND ADMINISTRATIONS:**

In its relations with public entities and administrations, the Company acts in line with honesty, accountability and transparency principles, and ensures that all information, documents and records requested for audit and control purposes pursuant to the laws are provided accurately, completely and timely.

Other than issues which are solely concerned with the Company itself, the Company will inform the Association before taking comments and opinions of public entities and administrations on issues which may ultimately be binding on the Financial Leasing Sector.

**III. RELATIONS WITH MEMBERS OF THE ASSOCIATION:****ARTICLE 5. EXCHANGE OF INFORMATION:**

To the extent allowed by the applicable laws and regulations, the Company exchanges information with members of the Association accurately and systematically on all and any subjects whatsoever.

**ARTICLE 6. PERSONNEL MOVEMENTS:**

The Company refrains from all kinds of acts which may lead to unfair competition about employment of personnel.

In spite of freedom of contract and movement in terms of employment of personnel pursuant to the Labor Act and other relevant applicable laws and regulations, the Company takes care to ensure that its personnel recruitments do not interrupt services of other companies. The Company acts honestly and objectively in providing information that may be requested by other companies about its ex-employees.

# COMPANY ETHICAL PRINCIPLES

## ARTICLE 7. COMPETITION:

The Company considers and treats competition as a legitimate contest among all companies operating in financial leasing, factoring and finance sector enabling the market actors to take their economic decisions freely. Therefore, in its activities carried out within free market economy, the Company avoids all kinds of acts, behaviors and statements which may lead to unfair competition, within the frame of principles of not only safeguarding its own interests, but also:

- a) ensuring continuity of trust in financial leasing, factoring and finance companies in general; and
- b) endeavoring for further development of the sector; and
- c) safeguarding joint interests of market players.

This principle is both valid for the Company as a separate legal personality, and covers the acts, behaviors and statements of Managers and Employees of the Company as well.

## ARTICLE 8. ADVERTISEMENTS AND PROMOTIONS:

In its advertisements and promotions aimed at promotion and marketing of both its own financial products and the products and services of members of the Association, the Company complies with the laws and general ethical rules, and acts honestly and realistically, and refrains from all kinds of acts or behaviors which may damage the prestige and reputation of its sector, and may misrepresent its sector.

In its advertisements and promotions, the Company does not use any words or phrases defaming or humiliating other Association members or products and services of other Association members.

## IV. RELATIONS OF COMPANY WITH ITS CUSTOMERS:

### ARTICLE 9. INFORMATION OF CUSTOMERS:

With respect to all kinds of products and services offered to its customers, the Company gives true, accurate and complete information to its customers in a timely manner at all stages of service relations and in all aspects, by strictly complying with the limitations set forth in the applicable laws.

### ARTICLE 10. CUSTOMER SECRETS:

The Company is under obligation to keep in strict confidence all kinds of information and documents of customers and not to divulge them to third parties, other than persons and entities who are clearly and legally authorized to request information and documents.

### ARTICLE 11. SERVICE QUALITY:

The Company considers service quality as a condition precedent of meeting the customer needs and expectations through top quality services to be provided. The Company makes sure that two basic elements of this concept, i.e. technological infrastructure and qualified human resources, are used for continuous development in service quality.

The Company provides services of the same quality and same level to all customers. However, identification of target markets, and differentiation of organizational structure and product range or mix according to the target masses, or adoption of different approaches towards customers in different risk groups cannot be construed as a discrimination among customers or as categorization of customers.

**ARTICLE 12. CUSTOMER COMPLAINTS:**

The Company establishes a system capable of responding to all kinds of questions of its customers with respect to its services, and keeps its customers informed about the services.

The Company delves into causes of customer complaints, and takes actions required for non-repetition of just complaints. The Company informs its Employees for correction of mistakes leading to complaints and for prevention of repetition thereof.

**ARTICLE 13. SECURITY:**

The Company takes all kinds of technical and legal actions for the sake of transactional security in all and any service environments due to changing service channels and technological developments. The Company informs its customers about actions taken by itself and actions required to be taken by the customers.

**V. RELATIONS WITH EMPLOYEES:**

The Company adopts a strategy respectful for rights and interests of its Employees and applying contemporary human resources policies. The Company accepts and treats collaboration and solidarity as important elements of work environment; encourages mutual respect; assures continuity of peace at work; creates appropriate environments where the Employees may express themselves and uses such environments for development of the Company and its Employees; and supports social events and activities of the Employees based on voluntary participation.

**ARTICLE 14. GENERAL QUALIFICATIONS OF EMPLOYEES:**

The Company makes sure that its Employees have the knowledge and the sense of responsibility necessitated by their job positions and duties.

**ARTICLE 15. RECRUITMENT AND CAREER DEVELOPMENT:**

The Company provides equal opportunities both in recruitment and in career development without any discrimination among its Employees. Departing from the principle of best management of human resources, the Company provides training courses, seminars and similar other facilities needed by its Employees to reach the knowledge level according to the necessities of the time and the profession.

In professional promotion of its Employees, the Company takes into account not only their knowledge, skills and personal successes, but also their loyalty to Ethical Principles and their care shown in implementation of principles.

**ARTICLE 16. REPRESENTATION PRINCIPLES AND WORK ENVIRONMENT:**

The Company issues internal regulations requiring its Employees to be clean and well-groomed in line with reputation of profession and knowing that they represent the Company.

The Company takes actions in order to increase motivation of its Employees in all service units and for the sake of provision of service under better conditions, and creates a healthy and safe work environment.

The Company takes required actions in order to prevent all kinds of harassment, especially mobbing, and holds an investigation in the case of allegations thereof. If a mobbing act is detected as a result of investigation, it takes the required actions and applies the sanctions required as per the pertinent laws.

# COMPANY ETHICAL PRINCIPLES

## ARTICLE 17. WORKING HOURS:

The Company ensures that adequate personnel of a number fit for the workload are recruited and employed. It organizes its Employees in such manner to use them with maximum efficiency within working hours, and shows maximum efforts to ensure that overtime work is not needed, and the Employees regularly use their annual leaves.

## ARTICLE 18. RIGHTS OF EMPLOYEES:

The Company assures that all rights of the Employees arising out of the applicable laws and regulations are recognized and granted fully, accurately and timely.

## ARTICLE 19. RELATIONS OF EMPLOYEES WITH CUSTOMERS:

The Company issues internal regulations precluding its Employees from:

- a) entering into non-ethical relations with customers such as debt/credit and surety relations; and
- b) getting gifts from existing or potential customers; and
- c) deriving personal benefits from their own business relations or from opportunities of customers by using their personal positions.

## VI. PROFESSIONAL RULES AND ETHICAL PRINCIPLES TO BE ABIDED BY COMPANY EMPLOYEES:

### ARTICLE 20. PROFESSIONAL RULES AND ETHICAL PRINCIPLES TO BE ABIDED BY EMPLOYEES:

#### The Employees are obliged:

- a) to comply with the current applicable laws and regulations in the course of performance of their job duties; and
- b) to keep their customers informed about benefits and risks of products and services offered to them; and
- c) to provide unbiased and fair services to customers receiving the same services; and
- d) not to disclose any secrets of the Company and its customers, which come to their knowledge in the course of performance of their job duties, to third parties other than the authorities legally and clearly authorized to request them; and
- e) not to cause any loss of reputation of the Company in their works and behaviors; and
- f) not to engage in activities which may lead to their identification as a "Commercial Enterprise" or as an "Artisan or Tradesman"; and
- g) not to act contrary to justice, integrity, honesty, reliability and social responsibility principles; and
- h) to enter into cooperation and to establish respectful and attentive communication with other employees in tandem with joint purposes and motives in performing their job duties and obligations; and
- i) not to use the assets and resources of the Company inefficiently and for non-intended purposes; and
- j) not to derive personal benefits from their own business relations or from opportunities of customers by using their personal positions; and



- k) to immediately refuse offers made to them for provision of benefits, and to report such offers to official authorities and their superiors; and
- l) to direct potential customers first of all to the Company; and
- m) not to enter into non-ethical relations with customers such as debt/credit and surety relations; and
- n) not to accept gifts from existing or potential customers other than common usage and practices; and
- o) to assume responsibility and accountability with respect to their duties in the course of performance of services; and
- p) not to ruin the reputation of the Company and other financial institutions and not to engage in defamatory or humiliating acts towards business partners, shareholders, employees and customers by using their own identity or by concealing their identity or by using misleading identities in media and social media environments, profile accounts or other communications; and
- q) not to take acts binding on the Company, and not to give deceptive and untrue statements by overriding their authority in performance of their job duties.

#### **ARTICLE 21. DEVELOPMENT OF ETHICAL PRINCIPLES OF COMPANIES:**

The Company may at any time and in its sole option make proposals to the Board of Directors of the Association for development and if required, for amendment and revision of the Ethical Principles.

#### **VII. RELATIONS OF COMPANY WITH THE ASSOCIATION:**

##### **ARTICLE 22. RELATIONS WITH THE ASSOCIATION:**

In its relations with the Association, the Company acts in line with honesty and transparency principles, and ensures that all requested information, documents and records are transmitted accurately, completely and timely.

The Company will not make public:

- a) information about other members of the Association; and
- b) correspondences exchanged by the Association with public entities and administrations; and
- c) agreements signed by the Association with its service providers, advisors and consultants; and
- d) any kind of confidential information and documents sent and provided by the Association.

#### **VIII. RELATIONS OF COMPANY WITH ITS SHAREHOLDERS:**

##### **ARTICLE 23. RELATIONS WITH SHAREHOLDERS:**

The Company protects the rights and interests of shareholders as outlined and determined by the applicable laws, and shows maximum efforts to create value against resources provided by shareholders. The Company makes sure that the required information is disclosed to shareholders and to public accurately, completely and timely. The resources, assets and working time of the Company are managed efficiently on the basis of sustainable growth and profitability.

# COMPANY ETHICAL PRINCIPLES

## IX. OTHER PROVISIONS:

### ARTICLE 24. COMPLIANCE WITH LAWS AND LEGAL ACTIONS:

The Company complies with all laws and regulations within the fields of business of the Company, and all policies and working principles published by the Board of Directors of the Company. The Company establishes the systems required for keeping of all operational and legal records completely and in accordance with the laws, and keeps all records, and issues all reports. The Company ensures that agreements signed with other persons and entities are open, clear and understandable and compliant with laws and the Ethical Principles. Other than those authorized in accordance with the principles and limits set forth in the signature circular or the relevant special authorization certificate, the Company takes actions to prevent any Employee from entering into engagements binding on the Company.

### ARTICLE 25. PUBLIC DISCLOSURE:

The Company publishes all public disclosures, statements or bulletins through its legal representatives in compliance with the laws. The Company ensures that disclosures that are newsworthy or for promotion purposes are made by the Company representatives designated in accordance with the information policy of the Company. Information requests of third parties, which are by nature in confidential category for the Company, are responded within the knowledge of the Top Management.

### ARTICLE 26. CONFIDENTIALITY:

The Company and its Employees know that all financial and trade secrets of the Company, and all information which, if disclosed, may weaken the competitive power of the Company, and personnel rights and information, and agreements signed with business partners are "confidential" by nature, and they protect and keep them in strict confidence. Information and documents obtained as a requirement of business may in no case and for no purpose whatsoever be shared with unauthorized persons or entities inside or outside the Company, and be used for speculative purposes or personal interests.

### ARTICLE 27. DETECTION OF BREACHES, AND SANCTION:

Transactions or acts alleged to be contrary to the Association's Ethical Principles and Professional Rules and Decisions are first of all evaluated in the relevant sector committees, and then presented to the decision of the Board of Directors of the Association. If the Board of Directors of the Association decides that a company has breached these Ethical Principles, then it may inflict an administrative fine pursuant to article 42.3 of the Law no. 6361, and it is separately reported to the Banking Regulation and Supervision Authority.

### ARTICLE 28. EFFECTIVE DATE:

These Ethical Principles have entered into force as of 30.06.2015.

# CORPORATE GOVERNANCE PRINCIPLES DECLARATION

İstanbul, 20 February 2019

To Board of Directors of İş Finansal Kiralama A.Ş.

## CORPORATE GOVERNANCE PRINCIPLES DECLARATION

Pursuant to the "Corporate Governance Communiqué" no. II-17.1 of the Capital Markets Board of Turkey (CMB), which went into force upon its publication in the Official Gazette issue 28871 dated 03 January 2014, it has been deemed appropriate for companies traded on Borsa İstanbul (BİST) to incorporate their declaration of compliance with Corporate Governance Principles and their compliance reports in their annual reports and to post the same on their websites. Under the Capital Market legislation, our Company's corporate governance principles reports for each year have been published on our corporate website ([www.isleasing.com.tr](http://www.isleasing.com.tr)) and in our respective annual reports since 2005.

Our Company sees great benefit in enforcing and implementing the corporate governance principles across our Company both with respect to the development of national and international capital markets, and with respect to our Company's interests. Implementation of corporate governance principles at our Company is a continuous and dynamic process, and hence, corporate governance notion is maintained with an expanding scope.

It is targeted to achieve maximum compliance with these principles in the protection of our shareholders' rights, public disclosures, ensuring transparency, and decisions and transactions concerning stakeholders and the Board of Directors. To this end, activities for ensuring compliance with corporate governance principles are carried on under the supervision of our Committee. Within this framework, Corporate Governance Principles Compliance Report for 2018 fiscal year, which incorporates the aspects of those principles that can and cannot be implemented, has been prepared in line with our Company's priorities in this respect, and attached hereto.

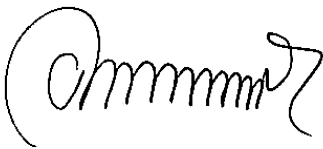
We have reviewed the Corporate Governance Principles Compliance Report, which has been prepared in accordance with the Corporate Governance Principles and the Company's Corporate governance practices and which will be included in the Company's annual report. As a result of our assessment, the said Report has been deemed in conformity with our declaration above, and presented for your information.

Sincerely,

İş Finansal Kiralama A.Ş.

Corporate Governance Committee

Neslihan Oruç  
Member



Doruk Yurtkuran  
Member



Buğra AVCI  
Member



Selim Yazıcı  
Chairman



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

İş Finansal Kiralama Anonim Şirketi (the Company or İş Leasing) is governed by the Corporate Governance Principles set forth in the Capital Markets legislation, and this statement describes the Company's responsibilities and the degree of compliance within the frame of the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué.

İş Leasing addresses its rights and responsibilities primarily towards its shareholders and its employees, customers and other relevant parties within the frame of efficient governance and oversight based on the principles of accountability, equality, transparency and responsibility that make up the universal elements of the corporate governance concept. The Company pursues its operations in compliance with all the compulsory articles of Corporate Governance Principles, putting all necessary policies and measures into practice.

As per the Capital Market Board's decision 2/49 dated 10 January 2019, Corporate Governance Compliance Report numbered II-17.1 will be done on KAP platform using Corporate Compliance Report (URF) and Corporate Governance Information Form (KYBF) templates. Related reports may be found at [www.kap.org.tr/tr/sirket-bilgileri/ozet/988-is-finansal-kiralama-a-s](http://www.kap.org.tr/tr/sirket-bilgileri/ozet/988-is-finansal-kiralama-a-s)

Information explaining reporting through templates is presented below.

Further details regarding the level of compliance with the Corporate Governance Principles are presented in the relevant sections of this report.

## PART II - SHAREHOLDERS

### 1. Investor Relations Unit

There is an Investor Relations Department at the Company, which is responsible for maintaining relationships with shareholders.

Name and Surname	Position	Telephone Number	E-Mail Address
Neslihan Oruç	Manager	+90 212 350 74 70	neslihanoruc@isleasing.com.tr
Onan Keleş	Supervisor	+90 212 350 74 50	onankeles@isleasing.com.tr
Ayşe Perk	Supervisor	+90 212 350 74 78	ayseperk@isleasing.com.tr
Firuze Kutlu	Supervisor	+90 212 350 74 72	firuzekutlu@isleasing.com.tr

The Investor Relations Department reports directly to Mr. Mehmet Karakılıç, General Manager. Ms. Neslihan Oruç holds Capital Market Activities Advanced Level License and Corporate Governance Rating Expertise License.

The activities of the Investor Relations Department are regularly reported to the Board of Directors and the Corporate Governance Committee. The Investor Relations Department basically carries out the following duties:

- Ensure that the records in relation to shareholders are kept in a healthy, secure and up-to-date manner,
- Respond to shareholders' written inquiries about the Company, save for those that are not publicly disclosed, are confidential and/or trade secrets,
- Ensure that General Assembly Meetings are convened in accordance with the applicable legislation, the Company's Articles of Association and other internal regulations; prepare the documents that may be useful to shareholders; ensure that the records of voting results are kept and reports covering the results are sent to shareholders,

- Oversee and monitor any and all matters related to public disclosure under the legislation and the Company's Information Policy,
- Prepare informative reports for investors; organize presentations and meetings as and when necessary.

The Investor Relations Department responded to 21 verbal and 13 written inquiry received from the shareholders during the reporting period, and records on shareholders were kept up-to-date.

## 2. Exercise of Shareholders' Right to Information

All inquiries of shareholders, save for trade secrets or undisclosed information, are being satisfied by the Investor Relations Department within the frame of applicable legislation. The inquiries are first addressed by someone no lower than a Department Manager in the hierarchy, and are responded to in the fastest and the most efficient manner.

All explanations in relation to capital increases, profit distribution, General Assembly meetings, and other matters frequently required under the public disclosure regulations and any information concerning the occurrences with a potential impact on the exercise of shareholders' rights are made public on the Company website, and individual inquiries are fulfilled by the Investor Relations Department.

Pursuant to legislation, minority shareholders are entitled to request appointment of a special auditor from the General Assembly of Shareholders for inspecting some specific events. The Company's shareholders did not request appointment of a special auditor from the General Assembly during 2018. Nevertheless, the request for appointment of a special auditor has not been set forth as an individual right in the Company's Articles of Association.

## 3. General Assembly Meetings

The arrangements related to the Company's General Assembly meetings are covered in the "Articles of Association" and "General Assembly Guidelines", which are also posted on the Company website.

During the reporting period, one General Assembly meeting was held, which was the 2017 Ordinary General Assembly Meeting. The said meeting was held both physically and electronically on 23 March 2018. The procedures prior to the General Assembly were handled in accordance with the Corporate Governance Principles, and the decisions concerning the General Assembly have been shared with the public within due time. 2017 Ordinary General Assembly Meeting was convened with a quorum of 83.34% and was not attended by any stakeholders other than shareholders, or by media members.

Since the Company's Articles of Association do not contain a provision setting out the participation of media members and stakeholders other than shareholders in the General Assembly meetings, media members and stakeholders other than shareholders are not admitted to General Assembly meetings.

The announcements for the meeting including the meeting place, date, time, agenda and sample proxy form were made in due time by being placed in the Trade Registry Gazette and Dünya daily, as well as on the Public Disclosure Platform (in Turkish: KAP) and the Company website; the same were also sent by certified mail to shareholders who are recorded in the share ledger within the same period of time. Before the meeting, the annual report, financial statements and reports, profit distribution proposal, informative document on the General Assembly meeting agenda items, other documents forming the basis of agenda items, and the latest version of the Articles of Association have been made available at the Company headquarters and on the Company website for examination by shareholders.

Shareholders were given the opportunity to ask questions and make suggestions at every stage of the meeting. Shareholders exercised their right to ask questions during the meeting, which were responded to forthwith, and this has been covered in the meeting minutes. No agenda item suggestions were received during the General Assembly meeting. General Assembly meeting minutes have been delivered to shareholders upon conclusion of the meeting and were also posted on the Public Disclosure Platform and the Company website.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

During the General Assembly meeting held in 2018, information was provided on the donations and aids made during the reporting period under a dedicated agenda item.

## 4. Voting Rights and Minority Rights

Pursuant to the Articles of Association, each share entitles its holder to one vote. Although the shares making up the Company's capital do not entail any voting privilege, holders of Class A shares have the privilege to nominate the members of the Board of Directors and to have their consent sought for modifications to be made to the Articles of Association.

There are no cross-shareholding relationships with any company.

There are no members on the Board of Directors, who have been elected with minority votes. The Articles of Association grant no minority rights to those who hold less than one twentieth of the capital.

## 5. Dividend Right and Profit Distribution Policy

No shares entail any privileges in dividend distribution. The full text of the Company's publicly disclosed Profit Distribution Policy is available in the annual report and on the Company website.

Profit for 2017 has been distributed in accordance with the resolution passed in the Ordinary General Assembly Meeting held in 2018.

## 6. Share Transfer

Shares are transferred subject to the Company's Articles of Association and the provisions of applicable legislation.

## PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

### 7. Information Policy

The Company Information Policy is publicly disclosed and presented for the information of shareholders at the General Assembly Meeting, as and when it is updated. The Information Policy, in English and Turkish languages, is posted on the Company website and in the annual report.

The Investor Relations Department is responsible for executing the Information Policy.

There are no material changes in the Company's planned administration and operations for the future.

### 8. Company Internet Site ([www.isleasing.com.tr](http://www.isleasing.com.tr)) and its Content

Prepared in Turkish and English languages, the corporate website covers all the matters set out by Corporate Governance Principles and regulatory authorities, and care is taken to keep the website up-to-date at all times.

### 9. Annual Report

The Company's annual reports are developed so as to cover the information and data required by applicable legislation.

## PART IV - STAKEHOLDERS

### 10. Keeping Stakeholders Informed

The Company's stakeholders are kept regularly informed through material event disclosures, General Assembly meeting minutes, annual reports, financial reports, Public Disclosure Platform and the Company website.

Employees are informed on the Company's goals and activities through performance appraisal meetings held, and all employees have access to memorandums posted on the corporate portal, which is set up to function as the internal information sharing system.

Any act subject to complaint can be communicated by the relevant stakeholder directly to the addressee, the Internal Audit Unit, the Investor Relations Department and the Company's senior management through internal platforms or the Company website; any such complaints raised are forwarded to the Corporate Governance Committee and the Audit Committee.

### 11. Stakeholder Participation in Management

The Company's Articles of Association do not contain any provisions setting out stakeholder participation in the Company's management. Within the frame of the provisions of the Articles of Association, shareholders are involved in decision-making regarding the Company's administration by casting votes in the General Assembly meetings.

There is a suggestion system in place whereby employees can convey their suggestions regarding the Company's operations. There is an online communication environment at İş Leasing that facilitates communication of any and all demands and complaints by the employees directly to the senior management.

### 12. Human Resources Policy

The Company's Human Resources Policy is outlined below:

- The Company espoused the principle of giving equal opportunities to individuals with equal qualifications in recruiting, and the recruitment criteria have been documented in writing.
- No discrimination on the basis of race, religion, language and sex is allowed among employees; respecting human rights is promoted and care is taken to safeguard employees against internal physical and emotional abuse.
- Care is taken to provide a safe working environment and working conditions at high standards, and to further improve them as needed.
- Objective data are taken into consideration in making decisions about training, appointment and promotion.
- Employees are informed of decisions that are of concern to them, along with developments.
- Training plans are made to support employee development, and necessary arrangements are made for participation in training programs.

The Company executives did not receive any complaints from the employees with respect to discrimination during the reporting period.

The Company's Corporate Portal, which is set up to enhance internal information sharing and to increase the effectiveness of communication with the employees, gives all employees quick access to legislation, the activities of departments, job descriptions and distribution of tasks, performance management practices, current announcements and reference sources.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

An orientation program is implemented at the Company that is designed to speed up the adaptation of new hires to the working environment and to help increase their productivity at work.

Job descriptions, individual targets, performance and rewarding criteria are determined by the Company management and announced to employees.

## 13. Code of Ethics and Social Responsibility

The Company has embraced the Ethical Principles announced by the Association of Financial Institutions, which are posted on the Company website.

The Company takes care to make sure that the projects that it extends financing to are compliant with the relevant legislation on environmental and public health; in addition, the Company extends support to social responsibility projects that it deems appropriate.

## PART IV – BOARD OF DIRECTORS

### 14. Structure and Formation of the Board of Directors

Members of the Board of Directors of İş Leasing are presented below.

First & Last Name	Position	Executive/Non-Executive	Term of Office
Murat Bilgiç	Chairman	Non-Executive	2 years
Şahismailto Şimşek	Deputy Chairman	Non-Executive	2 years
Murat Vulkan	Member	Non-Executive	2 years
A. Botan Berker	Independent Member	Non-Executive	2 years
Selim Yazıcı	Independent Member	Non-Executive	2 years
Mehmet Karakılıç	General Manager/Member	Executive	2 years
O. Tufan Kurbanoğlu	Member	Non-Executive	2 years
Buğra Avcı	Member	Non-Executive	2 years
Hasan Hepkaya	Member	Non-Executive	2 years
Murat Demircioğlu	Member	Non-Executive	2 years
Doruk Yurtkuran	Member	Non-Executive	2 years

The Board of Directors is made up of non-executive members, save for the General Manager.



Two independent members, who satisfy the independence criteria set out in the Corporate Governance Principles serve on the Board of Directors; no circumstances arose that would prejudice the independence of the members during the reporting period. Declarations of independence by the relevant members are quoted below:

#### INDEPENDENCE STATEMENT

I, the undersigned, hereby declare, state and warrant:

That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;

That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage up to third degree on the other hand;

That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;

That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;

That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;

That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors; and

That I am deemed a resident of Turkey according to the Income Tax Law; and

That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;

therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname: Dr. A. Botan Berker

Date: 23.03.2018

Signature:



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## INDEPENDENCE STATEMENT

I, the undersigned, hereby declare, state and warrant:

That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;

That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage up to third degree on the other hand;

That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;

That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;

That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;

That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors;

That I am deemed a resident of Turkey according to the Income Tax Law;

That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;

therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname: Prof. Dr. Selim Yazıcı

Date: 23.03.2018

Signature



The Company did not impose any specific rules governing outside positions to be held by the members of the Board of Directors. The arrangements set forth in the Corporate Governance Principles are followed in this respect. Outside positions held by the members of the Board of Directors are presented below:

First & Last Name	Entity	Position
Murat Bilgiç	Türkiye İş Bankası A.Ş. / Group company	Deputy Chief Executive
	JSC Isbank / Group company	Chairman of the Board of Directors
	JSC Isbank Georgia/ Group company	Chairman of the Board of Directors
	Kredi Garanti Fonu A.Ş. / Out-group	Member of the Board of Directors
Şahisimail Şimşek	Levent Yapılandırma Yönetimi A.Ş. / Out-group	Member of the Board of Directors
	Türkiye İş Bankası A.Ş. / Group company	Deputy Chief Executive
A. Botan Berker	Kredi Kayıt Bürosu A.Ş. / Out-group	Member of the Board of Directors
	Merit Risk Yönetimi ve Danışmanlık Ltd. / Out-group	Executive Partner
Selim Yazıcı	İş Girişim Sermayesi A.Ş. / Group company	Independent Member of the Board of Directors
Mehmet Karakılıç	Efes Varlık Yönetim A.Ş. / Group company	Member of the Board of Directors
	Association of Financial Institutions / Out-group	Member of the Board of Directors
O. Tufan Kurbanoglu	Türkiye İş Bankası A.Ş. / Group company	Division Manager, Commercial and Corporate Loans Monitoring and Recovery Division
Buğra Avcı	Türkiye İş Bankası A.Ş. / Group company	Product Manager, Commercial Banking
	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş./ Group company	Member of the Board of Directors
Hasan Hepkaya	Türkiye Sınai Kalkınma Bankası A.Ş. / Group company	Corporate Marketing Manager
Murat Demircioğlu	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial Loans Underwriting Division
	İşbank AG / Group company	Member of the Board of Directors
Doruk Yurtkuran	Türkiye İş Bankası A.Ş. / Group company	Assistant Manager, Subsidiaries Division
	JSC Isbank / Group company	Member of the Board of Directors
	İş Faktoring A.Ş. / Group company	Member of the Board of Directors
	Topkapı Yatırım Holding A.Ş. / Group company	Member of the Board of Directors

Members of the Board of Directors have been elected as per the motion given by the holders of Class A privileged shares at the Ordinary General Assembly Meeting. There is one woman member.

#### 15. Operating Principles of the Board of Directors

The Board of Directors meets at a frequency that will guarantee effective fulfillment of its duties. Agendas for the Board of Directors meetings are prepared by the Chairman of the Board, who seeks proposals from the other members and the General Manager, as well. Information and documents related to the matters covered in the Board of Directors meeting agenda are presented for consideration by the members in advance of the meeting.

During 2018, four Board meetings took place; full attendance was secured in the meetings held in March, June and September, and two members could not attend the meeting held in December. All decisions in the meetings were passed unanimously. The Board of Directors passed 105 decisions, either during the meetings or based on the examination of relevant files.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The questions posed and assessments made by the members, and grounds for dissenting votes, if applicable, are entered into the meeting minutes. No members cast dissenting votes in any of the meetings held in 2018.

Duties and responsibilities of the members of the Board of Directors are expressly stated in the Articles of Association. Pursuant to the Company's Articles of Association, Board members do not have weighted votes or vetoing rights. As per the Articles of Association, the Board of Directors meets with the majority of its full membership and decisions are passed by the majority of those who are present in the meeting. There is not a specific written internal guideline defining how Board of Directors meetings will be made.

During 2018, all related party transactions and transaction basics were laid down for the approval of the Board of Directors. All related decisions were passed unanimously, and there were no related party transactions or transactions of a material nature which had to be submitted to the General Assembly for approval by reason of withdrawal of consent by independent members in 2018. There are no decisions referred to the General Assembly by reason of related party or material transactions.

"Officers' Liability Insurance" policy has been purchased for indemnification of losses that the Company and/or third parties may sustain due to the faults of the Company's Board members or executives committed in the performance of their jobs.

## 16. Number, Structure and Independence of the Board of Directors Committees

Within the frame of the provisions set out in the applicable legislation, Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee have been set up under the Board of Directors at the Company. The committees present information on their activities and the results of their meetings to the Board of Directors when necessary. The operating principles of the committees are posted on the Company website.

### Audit Committee

Formed of two members, the Audit Committee is headed by Ms. A. Botan Berker, a non-executive independent Board member. The other member of the Committee is Mr. Selim Yazıcı, a non-executive independent Board member.

The duties and operating principles of the Audit Committee have been approved by the Board of Directors and put into force. The Committee carries out its activities within the frame of these principles.

### Duties and Operating Principles of the Audit Committee

#### Article 1 Purpose and Scope

This Regulation covers the establishment of an Audit Committee, and regulation of the duties and responsibilities of this Committee as well as its operational procedures in order to ensure that the Board of Directors fulfills its supervisory and audit duties and responsibilities in a healthy manner.

#### Article 2 Justification

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

#### Article 3 Establishment of the Audit Committee

An audit committee is established by at least two members to be selected from among the Board members. The members of the Committee elect a Chairman among themselves.

All of the Committee members are elected from among the independent members of the Board.

If possible, at least one of the members of the Audit Committee should be elected from the Board members having a minimum 5 years of experience in audit/accounting and finance topics.

Committee membership automatically ends upon the termination of the Board membership of the relevant member.

#### **Article 4 Duties and Responsibilities of the Audit Committee**

The duties and responsibilities of the Audit Committee have been outlined below.

The Audit Committee supervises the operation and efficiency of the Company's accounting system, disclosure of its financial information, its independent audit and its internal control and internal audit system.

The selection of the independent audit firm, commencement of the independent audit process after preparing the independent audit contracts, and the subsequent works of the independent audit firm at all times is conducted under the supervision of the Audit Committee.

The Audit Committee determines the name of the independent audit firm and the services to be procured from it, and submits this list to the approval of the Board of Directors.

The Audit Committee determines the methods and criteria to apply to the processing and settling of the complaints sent to the Company regarding the Company's accounting, internal control and audit system, and the independent audit as well as the treatment of the Company's disclosures made by the Company's employees on the subjects of the independent audit within the framework of the confidential principle.

The Audit Company submits in writing to the Board of Directors its assessments on the accuracy and authenticity of the annual and interim financial statements to be disclosed to public and the conformance of these statements with the accounting principles adopted by the Company also by taking the opinions of the Company's managers and independent auditors.

The Audit Committee also performs other works and assignments to be assigned to it by the Board of Directors.

#### **Article 5 The Audit Committee's Operation Principles and Procedures**

The Audit Committee meets at least once every three months and at least four times annually.

The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.

The Committee keeps a minute book and all decisions taken by the Committee are recorded in this book under a separate log number.

The results of the Committee's meetings are issued as an official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.

The decisions of the Committee take effect upon the approval by the Board of Directors.

The Audit Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.

The activities and the meeting results of the Committee are announced at the annual activity report. The annual activity report also provides how many times the Audit Committee has submitted written notifications to the Board of Directors during the given fiscal year.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Audit Committee may invite other people to its meetings as needed to get their opinions on a subject.

Internal Audit Unit determines the agenda of the meetings, makes the calls for the meetings, ensures the communication between the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee

The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.

Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is paid by the Company.

The members of the Audit Committee conduct their duties within the framework of the principles of independence and neutrality.

## Article 6 Validity

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

Relevant Decisions of the Board of Directors

Decision	Effective Date	Revision	Relevant Articles
27.05.2014 / 2151	27.05.2014	1.0	All

During 2018, the Audit Committee met 10 times and passed 14 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- 2018 audit plan and 2018 Internal Control and Risk Management Activity Plan developed by the Company have been discussed and approved.
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Upon getting the opinions of the responsible Company managers, it has been established that the consolidated financial statements and their notes, and annual reports have been prepared accurately and in accordance with the applicable legislation and generally accepted principles and norms, and they have been presented for approval to the Board of Directors for subsequent disclosure.
- It has been established that the Committee did not determine any negative findings with respect to the entry of the Company's commercial transactions into accounting records, to the operation and efficiency of the internal control system, and fulfillment of tax and legal obligations during the reporting period, and that all are in order.
- Findings, opinions and suggestions that resulted from the audit activities carried out by Internal Audit and Internal Control units were first shared with, and evaluated by, those who conducted the relevant activities, and it was ensured that necessary complementary and preventive actions were taken.
- Internal control, file audit and department/unit audit reports drawn up during the reporting period by Internal Audit and Internal Control units have been examined, and presented for the approval of the Board of Directors.

## Corporate Governance Committee

Formed of four members, the Corporate Governance Committee also functions as the Nomination Committee and the Remuneration Committee. Mr. Selim Yazıcı, non-executive independent Board member, serves as the head of the Committee, whereas the other members are Messrs. Doruk Yurtkuran and Buğra Avcı, non-executive Board members, and Ms. Neslihan Oruç, Investor Relations Department Manager.

The duties and operating principles of the Corporate Governance Committee have been approved by the Board of Directors and put into force. The Committee carries out its activities within the frame of these principles.

### **Duties and Operating Principles of the Corporate Governance Committee**

#### **Article 1 Purpose and Scope**

This Regulation covers the establishment of a Corporate Governance Committee and regulation of the duties and responsibilities of this Committee as well as its operational principles and procedures in order to ensure that the Board of Directors fulfills its duties and responsibilities on corporate governance in a healthy manner.

The duties of the Nominating Committee and Compensation Committee will be fulfilled by the Corporate Governance Committee until their establishment.

#### **Article 2 Justification**

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

#### **Article 3 Establishment of the Corporate Governance Communiqué**

Corporate governance Committee is established by appointment of at least two members from among the Board members and the Manager of the Investor Relations Unit/Department.

The members of the Committee elect a Chairman among themselves. The Chairman of the Committee is elected from among the independent members of the Board. Persons who are not Board members but having specialization on their subjects can also become members to the Corporate Governance Committee.

If the Corporate Governance Committee has two members elected from the Board of Directors, both of these members are required to be from the independent members of the Board; and if the Committee has more than two board members, then majority of these members should be independent members. General Manager cannot become a member of the Committee.

The Manager of the Investors Relations Unit/Department is required to work full-time in the company and be positioned as a member of the Corporate Governance Committee.

Corporate Governance Committee membership automatically ends upon the termination of the Board membership.

#### **Article 4 Duties and Responsibilities of the Corporate Governance Committee**

The duties and responsibilities of the Corporate Governance Committee have been outlined below.

The Corporate Governance Committee establishes whether or not the corporate governance principles are duly applied in the Company, and determines the reasons if they are not applied and lay down the conflicts of interest emerging due to the non-application of these principles in the Company, and advises the Board of Directors for the improvement of the corporate governance applications.

The Corporate Governance Committee supervises the activities of the Company's Investment Relations Department.

The Committee lays down the fundamental principles regarding the communication of the Company with the investors, and reviews these principles on a regular basis.

The Corporate Governance Committee, together with the Investors Relations Department, further submits to the Board of Directors its advice for the improvement of the communication between the Company and the shareholders, and the elimination and settlement of the possible disputes in between.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Corporate Governance Committee reviews the Corporate Governance Principles Compliance Report of the Company prior to its being published in the Company's annual activity report, and submits its opinions to the Board of Directors.

The Corporate Governance Committee prepares its advice and assessments for the identification or amendment of the Company's Disclosure Policy and submits it to the Board of Directors. It also oversees to ensure that the Disclosure Policy covers at least the minimum obligatory content laid down by the laws and regulations regarding the communication of the Company with the stakeholders, and it reviews the content, quality, consistency and accuracy of the documents, presentations and explanations to ensure that they are prepared in accordance with the Disclosure Policy.

The Corporate Governance Committee works for infusing the corporate governance culture into the Company and its adoption by the managers and employees at all levels. It follows the domestic and international developments on corporate governance front and monitors their possible effects for the Company.

The duties and responsibilities of the Corporate Governance Committee on nominations have been outlined below.

The Corporate Governance Committee works for setting up a transparent system for the identification, assessment and training of the candidates for board membership and the managerial positions with administrative responsibility and for adoption of proper policies and strategies on this subject.

The Corporate Governance Committee makes regular assessments on the structure and productivity of the Board of Directors and submits its advice on possible changes to the Board of Directors.

The Corporate Governance Committee is responsible for performing the jobs regarding the nomination of the independent member candidates for the Board which are stipulated by the laws and regulations and which are compulsory for the Group including the Company as announced by the Board each year.

The duties and responsibilities of the Corporate Governance Committee on the salaries and remunerations have been outlined below:

The Corporate Governance Committee lays down and oversees the principles, criteria and practices to apply to the compensations of the members of the Board of Directors and executives with administrative responsibility in view of the Company's long term targets.

It submits to the Board of Directors its suggestions about the wages to be offered to the Board members and executives with administrative responsibility as set forth, also in consideration with the degree of realization of the criteria applicable to such compensation.

It provides its assessments and suggestions on the creation and amendment of the Company's compensation policy which sets the compensation principles for the members of the Board of Directors and the managers with administrative responsibility, and submits its opinions to the Board of Directors.

The Corporate Governance Committee also fulfills other duties and responsibilities within its area of responsibility as may be delegated to it by the Board of Directors.

## **Article 5 The Corporate Governance Committee's Operation Principles and Procedures**

The Corporate Governance Committee meets at least once every three months and four times annually.

The Committee meets with the attendance of all its members and takes its decisions by majority vote.



The Committee keeps a decision book and the decisions taken by the Committee are recorded in this book with a log number.

The results of the Committee's meetings are issued as an official report and the assessments and decisions of the Committee are submitted to the Board of Directors within at least one month following the relevant meeting of the Committee.

The decisions of the Committee take effect upon the approval of the Board of Directors.

The Corporate Governance Committee immediately submits its findings, assessments and suggestions on the area of its work and responsibility to the Board of Directors in writing.

The Corporate Governance Committee may invite other people to its meetings as needed to get their opinions on a subject.

The Investor Relations Unit/Department determines the agenda of the meetings, makes the calls for the meetings, ensures the communication within the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee.

The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.

Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is provided by the Company.

The members of the Corporate Governance Committee conduct their duties within the framework of the principles of independence and neutrality.

#### Article 6 Validity

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

#### Relevant Decisions of the Board of Directors

Decision	Effective Date	Revision	Relevant Articles
27.05.2014 / 2151	27.05.2014	1.0	All

During 2018, the Corporate Governance Committee met nine times and passed eight decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- Corporate governance principles compliance report, which was prepared by the Company and covers the 2018 operating period, has been studied and presented for the approval of the Board of Directors.
- Salary rises for 2019 for Company employees have been determined and presented for the approval of the Board of Directors.
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Proposed nominees for the independent member seats on the Board of Directors have been evaluated, giving due consideration to whether they satisfy the independence criteria, and the report thereon has been presented to the Board of Directors.
- The operation and efficiency of the Investor Relations Department has been discussed, and it has been established that activities were carried out duly with respect to informing the investors and public disclosure.
- It has been established that activities were carried out duly across the Company with respect to implementation of Corporate Governance Principles, and that there are no material complaints that the Company received from stakeholders.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## Early Detection of Risk Committee

Formed of three members, Early Detection of Risk Committee is headed by Ms. A. Botan Berker, non-executive independent Board member. Mr. Doruk Yurtkuran and Mr. Şahismail Şimşek, non-executive Board members, are the other two members of the Committee.

The duties and operating principles of the Early Detection of Risk Committee have been approved by the Board of Directors and put into force. The Committee carries out its activities within the frame of these principles.

## Duties and Operating Principles of the Early Detection of Risk Committee

### Article 1 Purpose and Scope

This Regulation covers the establishment of the Early Detection of Risk Committee and regulation of the duties and responsibilities as well as the operation procedures and principles of this Committee in order to ensure the Board of Directors fulfills its duties and responsibilities in the area of risk management in a well manner.

### Article 2 Justification

This Regulation has been prepared based on the Article 378 of the Turkish Commercial Code and the Corporate Governance Communiqué published by the Capital Markets Board.

### Article 3 Establishment of the Early Detection of Risk Committee

Early Detection of Risk Committee is established comprising at least two members to be elected from among the members of the Board of Directors.

Committee members elect a Chairman from among them. The Committee's Chairman should be elected from among the independent members of the Board of Directors. Persons who are not members of the Board of Directors but specialized on their areas can become members of the Committee.

Both members of the Committee have to be independent members of the Board of Directors if the Committee is consisted of two members, and majority of the Committee members should be independent if the Committee is consisted of more than two members. General Manager cannot be a member of the Committee.

The membership to the Early Detection of Risk Committee ends upon the termination of the Board membership of the relevant member, if applicable.

### Article 4 Duties and Responsibilities of the Early Detection of Risk Committee

Early Detection of Risk Committee conducts works aimed at early perception of risks that may imperil the existence, development and sustenance of the Company; taking the required measures regarding the identified risks; and management of such risks.

It submits in writing to the Board of Directors its suggestions and opinions regarding the establishment and development of the Company's risk management system capable of minimizing the effects of the risks for all stakeholders including mainly the shareholders.

It reviews the Company's risk management system at least once a year.

It supervises the realization of the risk management applications in accordance with the decisions of the Board of Directors and the Committee.

It reviews the determinations and assessments regarding the risk management that will be included to the Company's annual activity report.

Early Detection of Risk Committee also fulfills other duties and responsibilities in its area of responsibility as may be assigned to it by the Board of Managers.

#### **Article 5 Operation Principles and Procedures of Early Detection of Risk Committee**

Early Detection of Risk Committee meets at least every three months and at least four times a year.

The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.

The Committee keeps a minute book where the decisions taken are recorded with a separate log number.

The results of the Committee's meetings are issued as an official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.

The Committee's decisions take effect upon the approval of the Board of Directors.

The Early Detection of Risk Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.

Early Detection of Risk Committee may invite other persons to its meetings and take their opinions as it may deem necessary.

Setting the agenda of the Committee's meeting, making calls for the meeting, ensuring the communication with the Committee members, keeping the minute book and other secretarial works of the Committee are performed by the unit in charge of the risk management.

All kinds of resources and support needed during the Committee's fulfillment of its duty are provided by the Board of Directors.

The Committee may benefit from the opinions of the independent experts as it may need regarding its activities subject to the approval of the Board of Directors. The fee of the consultancy service needed by the Committee is paid by the Company.

The members of the Early Detection of Risk Committee fulfill their duties in compliance with the principles of independence and neutrality.

#### **Article 6 Validity**

The provisions of this Regulation take effect on the date of their approval by the Board of Directors and are executed by the Board of Directors.

#### **Relevant Board Decisions**

<b>Decision</b>	<b>Effective Date</b>	<b>Revision</b>	<b>Relevant Articles</b>
27.05.2014 / 2151	27.05.2014	1.0	All

- During 2018, the Corporate Governance Committee met seven times and passed sixteen decisions. In the meetings held, the Committee discussed and evaluated the following topics:
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Periodic risk reports prepared by the Risk Management Unit has been evaluated by the Committee; it has been established that the risks specified in the reports remain within the limits set by the Board of Directors for individual risks to be carried and for total risk exposure. The reports have been presented for the information of the Board of Directors.

Risk management systems have been reviewed, necessary activities were carried out to update the risk management strategy and policies to be pursued by the Company for taking necessary action and managing the risks, and the same have been presented for the information of the Board of Directors.

## 17. Risk Management and Internal Control Mechanism

Potential risks that the Company may be exposed to are defined in the Risk Catalogue. Risk policies have been prepared for risk categories that are critical for the Company's operations, and internal control processes have been established for all practices, procedures and workflows. Internal implementation controls and audits are being carried out by Internal Audit, Internal Control and Risk Management units.

The Early Detection of Risk Committee regularly reviews the processes for risk measurement, assessment and management, and reports its activities to the Board of Directors on a monthly basis. Moreover, the Audit Committee monitors the efficiency of the Company's risk management and internal control activities through internal audit activities, and reports the same to the Board of Directors.

## 18. Strategic Goals of the Company

Strategic goals of the Company are set by the Board of Directors, taking into consideration competitive conditions, overall economic conjuncture, general projections regarding national and international financial markets, and the Company's medium and long-term targets. The members of the Board of Directors and the Company executives discuss and evaluate the strategies and goals set in a detailed and thorough manner. The office of the General Manager of the Company is responsible for implementing the defined strategy and goals.

Actualizations with respect to the approved strategy and goals are reported to the Board of Directors on a monthly basis. The topics reviewed in the Board meetings include the Company's position in the sector, its activities, the actualization levels of the annual budget and targets, financial structure and performance, the alignment level of reporting and operations to international standards, and the reasons and possible actions that can be taken in case of non-achievement of the goals.

## 19. Financial Rights

The Remuneration Policy, which covers the criteria used for determining any rights, benefits and remunerations provided to the Company employees, is available on the Company website.

Attendance fees paid to the members of the Board of Directors are determined by the General Assembly and disclosed on the Public Disclosure Platform.

During 2018, benefits, allowances, resources in cash and in kind, insurance and similar benefits provided to the members of the Board of Directors and the Company's senior executives amounted to TL 4,400 thousand.

Members of the Board of Directors and senior executives are not disbursed loans or credit, nor are they granted guarantee in their favor.

## DECLARATION OF AUDIT COMMITTEE ON INTERNAL CONTROL ENVIRONMENT

İş Leasing has regulated the fundamental duties, authorities and responsibilities regarding its risk management and internal control activities via the "Internal Control, Risk Management and Internal Audit Activities Procedure", approved and released by the Board of Directors. The Board of Directors has appointed the Audit Committee to monitor, evaluate and manage the activities carried out under internal control and internal audit procedures.

The internal control system of the company targets to establish and maintain a company-wide internal control culture internalized by all employees, as a contributing approach covering all operations. The internal audit system on the other hand, comprises the identification and application of precautions designed to eliminate factors threatening, endangering or having the probability to endanger assets, data, information and personnel safety; and to ensure the compliance of company operations to legal and internal regulations. Through its risk based audit approach, the Internal Audit and Risk Management Department, which is reporting to the Board of Directors via the Audit Committee, assures the implementation of above referred actions by contributing to the formation, development and improvement of a company-wide risk culture.

The procedures regarding company operations, work flows, segregation of duties, authorizations and limits are continually reviewed and updated in parallel with changing conditions, risks and needs. Activity work flows incorporate complete and adequate controls addressing identified risks, hereby allowing a controlled execution of operations. Functional segregation of duties, transaction approval authorizations and limits, system controls, post transaction controls and other transaction specific controls ensure the execution of activities continuously in an efficient, correct and safe manner.

The facts, arguments and suggestions determined through the auditing activity of the Internal Audit and Risk Management Department are first communicated and evaluated with the related executing parties. By this token, preemptive and complementary measures are implemented swiftly while accommodating and applicable solutions are introduced. All this activity is monitored closely and evaluated by the Internal Audit and Risk Management Department as well as the executing parties.

The Audit Committee periodically evaluates the effectiveness of the internal control system and the results of internal control activities through internal audit reports prepared by the Internal Audit and Risk Management Department; and shares its suggestions regarding the measures to be taken in relation to the reported findings with the Board of Directors. In the light of all these considerations, the Committee has not detected any downside effect regarding the efficiency of company's internal control system and results of internal control operations, and has concluded that it is duly acted.

Istanbul, 01 February 2019

President of Audit Committee and Board Member

A. Botan BERKER



Audit Committee and Board Member

Selim YAZICI



# GENERAL MEETING AGENDA

## AGENDA CONCERNING THE ORDINARY ASSEMBLY MEETING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 25 MARCH 2019

1. Opening and forming of the meeting's Presidential Board;
2. Reading and discussing the Board of Directors' Annual Report, Declaration of Compliance on Corporate Governance Principles and Independent Auditor Report relating to 2018 activities and operations;
3. Reading, discussing and approval of Financial Statements of 2018;
4. Approval of Directors elected as per article 363 of the Turkish Commercial Code and article 9 of the Articles of Association for the seats vacated in the Board of Directors during the period;
5. Release of the Directors;
6. Discussing and deciding the Profit Distribution Proposal of the Board of Directors, determining the Profit Distribution Date;
7. Election of Directors and determination of their term of office, and information of the shareholders about the outside duties and jobs of the Directors and their justification, according to the existing registered Articles of Association;
8. Determination of remunerations payable to the Directors;
9. Giving permission to persons named by the relevant applicable laws for performance of the transactions referred to in articles 395 and 396 of the Turkish Commercial Code;
10. Giving information about the transactions mentioned in article 1.3.6 of the Corporate Governance Principles;
11. Presentation of the revised Disclosure Policy to the General Assembly for information purposes;
12. Election of Independent Audit Firm.
13. Presentation to the General Assembly for approval purposes of the proposed amendments in article 4 of the Corporate Articles of Association, providing that the required permissions are received from the relevant governmental bodies and authorities;
14. Informing the General Assembly about the donations made in 2018;
15. Determination of the upper limit for donations to be made within the year 2019 pursuant to 5<sup>th</sup> paragraph of article 19 of the Capital Markets Law;

**Venue of Meeting:** İş Kuleleri 34330 İş Bankası Oditoryum Binası 4. Levent-İstanbul

**Date of Meeting:** 25 March 2019, 10:00 hours

## PROFIT DISTRIBUTION PROPOSAL

İŞ FİNANSAL KİRALAMA A.Ş. 2018 Profit Distribution Table (TL thousand)			
1.	Paid in/Issued Share Capital	695,303	
2.	General Legal Reserves (According to Statutory Records)	37,720	
Information on profit distribution privileges according to Articles of Association			
		As per SPK                      As per Statutory Books	
3.	Profit for the Period	276,924	114,963
4.	Taxes (-) (**)	79,387	32,439
5.	Net Profit for the Period (=)	197,537	82,524
6.	Previous Years' Losses (-)	40,085	15,548
7.	General Legal Reserve (-)	3,349	3,349
8.	NET DISTRIBUTABLE PROFIT (=)	154,103	63,627
9.	Donation Made During the Year (+)	1	
10.	Net Distributable Profit Determined with the Addition of Donations Made during the Year	154,104	
11.	First Dividend to Shareholders	-	
	- Cash	-	
	- Stocks	-	
	- Total	-	
12.	Dividends to Holders of Preferred Shares	-	
13.	Other Dividend		
	- To Board of Directors,		
	- To Employees,		
	- To Persons other than Shareholders		
14.	Dividend to Holders of Usufruct Shares	-	
15.	Second Dividend to Shareholders	-	
16.	General Legal Reserves	-	
17.	Statutory Reserves	-	-
18.	Other Reserves	-	-
19.	EXTRAORDINARY RESERVES	154,103	63,627
20.	Other Sources Planned to be Distributed (*)		

(\*) TL 4,091 thousand of deferred taxation expense included in our statutory profit for the year 2018 will be deducted from deferred tax classified in extraordinary reserves which will not be distributed.

### İŞ FİNANSAL KİRALAMA A.Ş. 2018 DIVIDEND RATIO TABLE

GROUP	TOTAL DIVIDEND		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND FOR EACH TL 1 NOMINAL SHARE	
	CASH (TL THOUSAND)	BONUS (TL THOUSAND)	RATIO (%)	AMOUNT (TL THOUSAND)	RATIO (%)
GROSS	A	-	-	-	-
	B	-	-	-	-
	TOTAL	-	-	-	-

## AMENDMENT TEXT OF ARTICLES OF ASSOCIATION

### OLD VERSION

#### Purpose and Scope

#### Article 4

The purpose and scope of operation of the company are entering into any type of leasing transactions both in and outside of Turkey. Without prejudice to the provisions of Capital Market Law of camouflage of earning, the Company may undertake the operations in its scope of operations as well as execute the same in partnership with foreign legal entities or real persons founding Joint Ventures or consortiums, it may undertake such operations with Turkish and foreign companies. The Company may carry out the transactions below, provided they are within its purpose and field of business or supplementary for its purpose and provided they are in accordance with the leasing legislations.

- a) It may carry out national and international agency or similar mediator activities, purchase, rent, lease out, sell, insure all kinds of movable and immovable goods, materials, spare parts and raw materials to perform its field of activity and may make new, renewed goods and goods subject to permit a subject of financial leasing transactions by fulfilling the legislation provisions.
- b)
  - i. It may also purchase and sell immobile properties and real rights in accordance with laws and subject to Board resolution.
  - ii. It may also admit any mobile asset, company and real estate mortgages against its claims out of leasing transactions and other claims of whatever nature or liquidity the bonds it may have received.
  - iii. It may offer mortgages on real estates or mobile assets, companies in order to secure its liabilities under any loans or commitments.
- c) It may undertake operations that might be required by its scope of operations and produce resources in or outside of Turkey for its name and account under the terms and conditions given in laws. Under this definition, it may obtain short, medium and long term loan facilities.
- d) It may purchase securities and value bearing papers and make related transactions in order to maintain its fund management, provided the same shall not constitute investment services and activities.
- e) It may provide funds by deducing its liabilities under instruments as well as produce funds by issuing bonds, debenture bills and such other securities and assign the leasing agreements to other lessors subject to the provisions of the Leasing, Factoring and Financial Companies Code and related laws.
- f) It may utilize directly or indirectly any and all incentives that the lessee might have been awarded if the leasing has partially or entirely taken place under the terms and conditions that Governmental authorities shall determine.
- g) It may render services in financial and technical issues and realize such services in cooperation with other persons.
- h) It may organize service, maintenance and such other activities.

### NEW VERSION

#### Purpose and Scope

#### Article 4

The purpose and scope of operation of the company are entering into any type of leasing transactions both in and outside of Turkey. Without prejudice to the provisions of Capital Market Law of camouflage of earning, the Company may undertake the operations in its scope of operations as well as execute the same in partnership with foreign legal entities or real persons founding Joint Ventures or consortiums, it may undertake such operations with Turkish and foreign companies. The Company may carry out the transactions below, provided they are within its purpose and field of business or supplementary for its purpose and provided they are in accordance with the leasing legislations.

- a) It may carry out national and international agency or similar mediator activities, purchase, rent, lease out, sell, insure all kinds of movable and immovable goods, materials, spare parts and raw materials to perform its field of activity and may make new, renewed goods and goods subject to permit a subject of financial leasing **or operation leasing transactions** by fulfilling the legislation provisions.
- b)
  - i. It may also purchase and sell immobile properties and real rights in accordance with laws and subject to Board resolution.
  - ii. It may also admit any mobile asset, company and real estate mortgages against its claims out of leasing transactions and other claims of whatever nature or liquidity the bonds it may have received.
  - iii. It may offer mortgages on real estates or mobile assets, companies in order to secure its liabilities under any loans or commitments.
- c) It may undertake operations that might be required by its scope of operations and produce resources in or outside of Turkey for its name and account under the terms and conditions given in laws. Under this definition, it may obtain short, medium and long term loan facilities.
- d) It may purchase securities and value bearing papers and make related transactions in order to maintain its fund management, provided the same shall not constitute investment services and activities.
- e) It may provide funds by deducing its liabilities under instruments as well as produce funds by issuing bonds, debenture bills and such other securities and assign the leasing agreements to other lessors subject to the provisions of the Leasing, Factoring and Financial Companies Code and related laws.
- f) It may utilize directly or indirectly any and all incentives that the lessee might have been awarded if the leasing has partially or entirely taken place under the terms and conditions that Governmental authorities shall determine.
- g) It may render services in financial and technical issues and realize such services in cooperation with other persons.
- h) It may organize service, maintenance and such other activities.



- i) It may acquire brands, titles, know-how and such other intellectual properties provided that it shall not make them subject to a leasing.
- j) It may receive personal and/or real securities or mortgages and have such registered with the registered as required by laws.
- k) It may employ foreign specialists and personnel subject to laws.
- l) It may be engaged in insurance agency activities provided they are limited to the good (of its own property) subject to leasing.
- m) Give guarantees, securities, assurances or place liens including mortgages on behalf of the Company or 3<sup>rd</sup> persons by following the principles set forth by the Capital Market Board,
- n) Entering into mortgage transactions pursuant to legal legislation.
- o) The Company may, as a requirement of its social responsibility, make grants and donations according to procedures and principles determined by the Capital Markets Board and in such manner not to hinder or damage its own objectives and fields of business, providing that the upper limit of grants and donations is determined by the General Assembly, and grants and donations in excess of such upper limit are not made, and the grants and donations made are added to the distributable profit base, and they do not conflict with the provisions of the Capital Markets Law pertaining to hidden profit transfer, and all of the required public disclosures are made, and the grants and donations made during a year are reported to the shareholders in the annual ordinary meeting of the General Assembly relating to that year.
- i) It may acquire brands, titles, know-how and such other intellectual properties provided that it shall not make them subject to a leasing.
- j) It may receive personal and/or real securities or mortgages and have such registered with the registered as required by laws.
- k) It may undertake operations that might be required by its scope of operations and produce resources in or outside of Turkey for its name and account under the terms and conditions given in laws. Under this definition, it may obtain short, medium and long term loan facilities.
- l) It may mediate for goods subject to financial leasing or activity leasing transactions, collaterals taken within the scope of these transactions and people leasing the subject goods in concluding insurance agreements relevant to businesses involved in the subject of activities in a way including all kinds of insurances which shall take repayment of financing debts and all such financial elements under protection.**
- m) Give guarantees, securities, assurances or place liens including mortgages on behalf of the Company or 3<sup>rd</sup> persons by following the principles set forth by the Capital Market Board,
- n) Entering into mortgage transactions pursuant to legal legislation.
- o) The Company may, as a requirement of its social responsibility, make grants and donations according to procedures and principles determined by the Capital Markets Board and in such manner not to hinder or damage its own objectives and fields of business, providing that the upper limit of grants and donations is determined by the General Assembly, and grants and donations in excess of such upper limit are not made, and the grants and donations made are added to the distributable profit base, and they do not conflict with the provisions of the Capital Markets Law pertaining to hidden profit transfer, and all of the required public disclosures are made, and the grants and donations made during a year are reported to the shareholders in the annual ordinary meeting of the General Assembly relating to that year.

In addition to the foregoing, other operations that might be deemed as useful or necessary for the company may be incorporated into the field of operation according to Turkish Commercial Code, Capital Markets Code, legislation provisions to which Leasing Companies are subject and other legislations with the proper opinion received from the Banking Regulation and Supervision Agency.

As for the transactions and activities carried out by the Company under this article, both the transactions which may affect investment decisions of investors, and the matters required to be disclosed to investors pursuant to the Capital Markets laws and regulations will be disclosed to public. Furthermore, the provisions of the Capital Markets Law pertaining to hidden profit transfer are reserved for such transactions and activities. If the Company is engaged in transactions and activities not mentioned in this Article, it will be bound by and liable for such transactions and activities as well.

Any changes in objectives and fields of business of the Company require a prior consent of both the Ministry of Customs and Trade and the Capital Markets Board.

In addition to the foregoing, other operations that might be deemed as useful or necessary for the company may be incorporated into the field of operation according to Turkish Commercial Code, Capital Markets Code, legislation provisions to which Leasing Companies are subject and other legislations with the proper opinion received from the Banking Regulation and Supervision Agency.

As for the transactions and activities carried out by the Company under this article, both the transactions which may affect investment decisions of investors, and the matters required to be disclosed to investors pursuant to the Capital Markets laws and regulations will be disclosed to public. Furthermore, the provisions of the Capital Markets Law pertaining to hidden profit transfer are reserved for such transactions and activities. If the Company is engaged in transactions and activities not mentioned in this Article, it will be bound by and liable for such transactions and activities as well.

Any changes in objectives and fields of business of the Company require a prior consent of both the Ministry of Customs and Trade and the Capital Markets Board.

## BOARD DECISION REGARDING FINANCIAL STATEMENTS

İstanbul, 01 February 2019

To the Board of Directors of İŞ FİNANSAL KİRALAMA A.Ş.

I submit the subjects regarding the approval and disclosure of the audited consolidated financial statements and notes for the period 01.01.2018 – 31.12.2018 for your approval.



Mehmet KARAKILIÇ  
General Manager

It is decided to admit the Head Office's proposal above.

**Decision Number:** 2630

**Decision Date:** 01.02.2019



Murat BİLGİÇ  
Chairman



Şahismail ŞİMŞEK  
Vice President



Murat VULKAN  
Member



A. Botan BERKER  
Member



Selim YAZICI  
Member



Mehmet KARAKILIÇ  
Member



O. Tufan KURBANOĞLU  
Member



Buğra AVCI  
Member



Hasan HEPKAYA  
Member



Murat DEMİRCİOĞLU  
Member



Doruk YURTKURAN  
Member

## AUDIT COMMITTEE DECISION

### İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

Decision No: 144

Decision Date : 01.02.2019  
Decision No : 2019.144  
Meeting Hour : 11:00  
Agenda Item No : 1

**SUBJECT:** Regarding financial statements of the period 01.01.2018 – 31.12.2018

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2018 – 31.12.2018 which have been subject to an independent audit are accurate and that they have been prepared in accordance with the relevant legislation as well as with generally accepted accounting principles and standards. We have also consulted with the executives in charge of the company during our audit. We deem it appropriate to submit the said financial statements and their footnotes to the Board of Directors for approval and public disclosure.



A. Botan BERKER  
Chairman of Committee



Selim YAZICI  
Member

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

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

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)

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## INDEPENDENT AUDITOR'S REPORT

Convenience translation into English of independent auditor's report originally prepared and issued in Turkish



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SMMM A.Ş.**  
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### To the Shareholders of İş Finansal Kiralama A.Ş.

#### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama A.Ş. ("the Company") and its subsidiary (all together referred to as "the Group"), which comprise the consolidated statement of balance sheet as at December 31, 2018 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Communique on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

#### Basis for opinion

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

## Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Financial impact of transition to TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></b></p> <p>As presented in disclosure 2 and 6, as of 1 January 2018, the Group adopted the TFRS 9 “Financial Instruments” standard and due to the adoption, the Group started to calculate and recognize expected credit losses for the financial assets. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>– Financial assets that are subject to expected credit loss calculation is material for the consolidated financial statements</li> <li>– Transition to TFRS 9 has 3,5% effect on the Group’s equity</li> <li>– Complex and comprehensive requirements of TFRS 9</li> <li>– The policies that is established by the Group management to calculate the expected credit losses has the legislation and other required risks</li> <li>– The new, important and complex judgments and estimations in the calculation of expected credit losses and</li> <li>– The complex disclosure requirements of TFRS.</li> </ul>	<ul style="list-style-type: none"> <li>– Evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, and global and local requirements</li> <li>– Evaluating the reasonableness of management’s key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice</li> <li>– Involving Financial risk management specialists to challenge significant assumptions/judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates</li> <li>– Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss</li> <li>– Testing mathematical accuracy of Expected credit loss by using samples.</li> <li>– Evaluating the reasonableness and the accuracy of post-model adjustments.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

### Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

#### Reports on independent auditor's responsibilities arising from other regulatory requirements

1. Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 1, 2019.
2. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2018 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.
3. In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The partner in charge of the audit resulting in this independent auditor's report is Emre Çelik.

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

As explained in detail in Note 2.1, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSAs 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.

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

  
**Emre Çelik, SMMM**  
Associate Partner

February 28, 2019  
İstanbul, Turkey

# 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>

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 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>

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 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>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>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>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>

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 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>

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 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
<b>I.</b>	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		<b>58.178</b>	<b>65.715</b>	<b>123.893</b>
<b>II.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		<b>223.224</b>	<b>47.935</b>	<b>271.159</b>
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	<b>35</b>	<b>33.795.392</b>	<b>52.589.160</b>	<b>86.384.552</b>
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	<b>23</b>	<b>1.680.759</b>	<b>4.397</b>	<b>1.685.156</b>
<b>V.</b>	<b>COMMITMENTS</b>		<b>42.222</b>	<b>235.335</b>	<b>277.557</b>
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		-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1.705.290</b>	<b>1.652.342</b>	<b>3.357.632</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>	<b>1.705.290</b>	<b>1.652.342</b>	<b>3.357.632</b>
6.2.1	Forward Foreign Currency Purchases/Sales	<b>23</b>	-	-	-
6.2.2	Swap Purchases/Sales	<b>23</b>	<b>1.705.290</b>	<b>1.652.342</b>	<b>3.357.632</b>
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>186.991</b>	<b>123.886</b>	<b>310.877</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>37.692.056</b>	<b>54.718.770</b>	<b>92.410.826</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 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>		139.115	44.315	183.430
<b>II.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		229.541	28.191	257.732
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	35	29.106.475	37.657.853	66.764.328
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	23	1.337.317	22.721	1.360.038
<b>V.</b>	<b>COMMITMENTS</b>		120.223	750.302	870.525
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>		1.686.114	1.689.612	3.375.726
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	1.686.114	1.689.612	3.375.726
6.2.1	Forward Foreign Currency Purchases/Sales	23	-	-	-
6.2.2	Swap Purchases/Sales	23	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>		491.246	141.618	632.864
<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>		<b>Notes</b>	<b>Audited Prior Period 01.01-31.12.2017</b>
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.)

<b>PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT</b>		<b>Audited Current Period 01.01-31.12.2018</b>
<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
<b>Current Period (01.01 - 31.12.2018)</b>								
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		-	-	-	-	-	-	-
<b>Balance at the End of the Period (III+IV+.....+XI+XII)</b>		<b>695.303</b>	<b>-</b>	<b>-</b>	<b>1.938</b>	<b>-</b>	<b>(73)</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)

(\*)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
		01.01-31.12.2018
		Notes
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>1.1</b>	<b>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	13.498
1.1.8	Payments to Personnel and Service Suppliers	(42.465)
1.1.9	Taxes Paid	(134.733)
1.1.10	Others	86.292
		28
		18
<b>1.2</b>	<b>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.</b>	<b>Net Cash Provided from/(Used in) Operating Activities</b>	<b>(791.148)</b>
<b>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
2.4	Proceeds From Sale of Tangible and Intangible Assets	8,9
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	12.452
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.</b>	<b>Net cash used in investing activities</b>	<b>(21.113)</b>
<b>C.</b>	<b>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.</b>	<b>Net Cash Used in Financing Activities</b>	<b>833.780</b>
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>3.164</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>24.683</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>247.874</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</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.)

		Audited Prior Period
	Notes	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>(1)</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 (%)	-	-

<sup>(1)</sup>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.

<sup>(\*\*)</sup>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:

##### IFRS 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.

##### IFRS 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

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(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:

<u>Definition</u>	<u>Years</u>
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.

# 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)

#### 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

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

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### 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.

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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)

###### 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:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2018</u>
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:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2017</u>
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:

	<u>31 December 2018</u>	<u>31 December 2017</u>
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>		
	<b>Carried value</b>			<b>Expected credit loss</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
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:

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

(\*) 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>2.724.877</u>	<u>4.207.336</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>31.016</u>	<u>42.099</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:

	<u>2019 (**)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 and after</u>	<u>Total</u>
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:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and after</u>	<u>Total</u>
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

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

### 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

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

### 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:

	31 December 2018	31 December 2017
<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>
	31 December 2018	31 December 2017
<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

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

#### 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

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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.

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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>

(\*)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

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### 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:

<u>Temporary time differences subject to deferred tax</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
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)
	<u>132.408</u>	<u>127.769</u>
<u>Deferred tax assets/(liabilities)</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
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>	<u>27.532</u>	<u>26.563</u>

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

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### 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.

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

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### 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

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## 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.

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### 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 itibariyle 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>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## 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>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>
<b>31 December 2018</b>				
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>
<b>31 December 2017</b>				
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

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

### 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

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

### 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

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

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

### 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).

## 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.)

#### 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

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

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

### 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)
31 December 2017	Leasing	Factoring	Consolidation Adjustments	Total
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)



# 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.)

### 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>

# 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.)

### 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>

# 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.)

#### 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.

# 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.)

### 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.

# 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.)

#### 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.

# 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.)

### 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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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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### 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".



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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.

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#### 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.

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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.

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### 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.

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#### 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

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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.

# 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)

(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.

# 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)

#### (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.

# 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)

#### (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

<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows (I+II+III+IV)</b>	<b>Less than 3 Months (I)</b>	<b>3-12 Months (II)</b>	<b>1-5 Years (III)</b>	<b>More than 5 Years (IV)</b>
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.

# 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)

(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.

# 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)

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.

# 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)

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

# 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)

(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



# 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)

#### (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>

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### Çukurova Branch:

Çınarlı Mahallesi, Turhan Cemal Beriker Bulvarı,  
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### Trabzon Branch:

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### Konya Branch:

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