

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2019

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

ASSETS	Notes	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS and CENTRAL BANK	4	2.078	419.650	421.728	3.581	268.988	272.569
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	951	-	951	859	-	859
III. DERIVATIVE FINANCIAL ASSETS	6	-	1.388	1.388	-	72.110	72.110
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	86.279	-	86.279	41.622	-	41.622
V. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		3.966.343	4.319.071	8.285.414	3.800.153	4.246.622	8.046.775
5.1 Factoring Receivables	8	2.545.265	614.482	3.159.748	2.201.496	528.479	2.729.975
5.1.1 Discounted Factoring Receivables (Net)		623.701	141.297	764.999	315.924	101.991	417.915
5.1.2 Other Factoring Receivables		1.921.564	473.185	2.394.749	1.885.572	426.488	2.312.060
5.2 Financing loans		-	-	-	-	-	-
5.2.1 Consumer Loans		-	-	-	-	-	-
5.2.2 Credit Cards		-	-	-	-	-	-
5.2.3 Installment Commercial Loans		-	-	-	-	-	-
5.3 Lease Receivables (Net)	9	1.253.324	3.754.306	5.007.630	1.495.532	3.722.565	5.218.097
5.3.1 Finance Lease Receivables		1.540.524	4.189.793	5.730.317	1.824.423	4.146.586	5.971.009
5.3.2 Operational Lease Receivables		-	-	-	-	1	1
5.3.3 Unearned Income (-)		(287.200)	(435.487)	(722.687)	(328.891)	(424.022)	(752.913)
5.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5 Non-Performing Loans	8,9	563.946	15.894	579.840	270.608	26.800	297.408
5.6 Expected Credit Loss (-)/Specific Provisions (-)		(396.192)	(65.611)	(461.803)	(167.483)	(31.222)	(198.705)
VI. EQUITY INVESTMENTS		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Subsidiaries (Net)		-	-	-	-	-	-
6.3 Joint Ventures (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	11	12.417	-	12.417	13.486	-	13.486
VIII. INTANGIBLE ASSETS (Net)	12	3.965	-	3.965	4.438	-	4.438
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSET	21	18.019	-	18.019	61.384	-	61.384
XI. DEFERRED TAX ASSET	13	33.071	-	33.071	27.532	-	27.532
XII. OTHER ASSETS	15	70.510	152.567	223.077	56.066	83.880	139.946
<b>SUB TOTAL</b>		<b>4.193.634</b>	<b>4.892.676</b>	<b>9.086.310</b>	<b>4.009.121</b>	<b>4.671.600</b>	<b>8.680.721</b>
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	1.989	-	1.989	939	-	939
XI Held for Sale		1.989	-	1.989	939	-	939
XII Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>4.195.623</b>	<b>4.892.676</b>	<b>9.088.299</b>	<b>4.010.060</b>	<b>4.671.600</b>	<b>8.681.660</b>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2019

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

LIABILITIES	Notes	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. FUNDS BORROWED</b>	<b>16</b>	<b>3.217.423</b>	<b>3.953.221</b>	<b>7.170.644</b>	<b>2.067.201</b>	<b>2.838.023</b>	<b>4.905.224</b>
<b>II. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>III. LEASE PAYABLES</b>	<b>18</b>	<b>383</b>	<b>457</b>	<b>840</b>	-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>	<b>19</b>	<b>369.966</b>		<b>369.966</b>	<b>2.352.041</b>	-	<b>2.352.041</b>
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITY</b>	<b>6</b>	-	<b>10.723</b>	<b>10.723</b>	-	<b>96.521</b>	<b>96.521</b>
<b>VII. PROVISIONS</b>	<b>20</b>	<b>13.844</b>	<b>4.704</b>	<b>18.548</b>	<b>11.088</b>	<b>4.275</b>	<b>15.363</b>
7.1 Restructuring Provisions		-	-	-	-	-	-
7.2 Reserves For Employee Benefits		11.434	-	11.434	10.229	-	10.229
7.3 General Provisions		-	-	-	-	-	-
7.4 Other Provisions		2.410	4.704	7.114	859	4.275	5.134
<b>VIII. CURRENT PERIOD TAX LIABILITY</b>	<b>21</b>	<b>20.637</b>		<b>20.637</b>	<b>15.489</b>	-	<b>15.489</b>
<b>IX. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>X. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XI. OTHER LIABILITY</b>	<b>17</b>	<b>97.570</b>	<b>125.438</b>	<b>223.008</b>	<b>48.163</b>	<b>98.279</b>	<b>146.442</b>
<b>SUB TOTAL</b>		<b>3.719.823</b>	<b>4.094.543</b>	<b>7.814.366</b>	<b>4.493.982</b>	<b>3.037.098</b>	<b>7.531.080</b>
<b>XII. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
12.1 Held For Sale		-	-	-	-	-	-
12.2 Discontinued Operations		-	-	-	-	-	-
<b>XIII. SHAREHOLDER'S EQUITY</b>		<b>1.273.933</b>	-	<b>1.273.933</b>	<b>1.150.580</b>	-	<b>1.150.580</b>
13.1 Paid-in Capital	<b>23</b>	695.303	-	695.303	695.303	-	695.303
13.2 Capital Reserves	<b>23</b>	1.938	-	1.938	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	1.938	-	1.938
13.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	<b>23</b>	(588)	-	(588)	(73)	-	(73)
13.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	<b>23</b>	55.960	-	55.960	16.300	-	16.300
13.5 Profit Reserves	<b>24</b>	396.081	-	396.081	214.092	-	214.092
13.5.1 Legal Reserves		51.004	-	51.004	44.321	-	44.321
13.5.2 Statutory Reserves		-	-	-	-	-	-
13.5.3 Extraordinary Reserves		345.077	-	345.077	169.771	-	169.771
13.5.4 Other Profit Reserves		-	-	-	-	-	-
13.6 Profit or Loss		59.755	-	59.755	157.452	-	157.452
13.6.1 Prior Periods Profit/Loss	<b>25</b>	(24.537)	-	(24.537)	(40.085)	-	(40.085)
13.6.2 Current Period Profit/Loss		84.292	-	84.292	197.537	-	197.537
Non-Controlling Interests	<b>22</b>	65.484	-	65.484	65.568	-	65.568
<b>TOTAL LIABILITIES</b>		<b>4.993.756</b>	<b>9.088.358</b>	<b>9.088.299</b>	<b>5.644.562</b>	<b>3.037.098</b>	<b>8.681.660</b>

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# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

### AS AT 31 DECEMBER 2019

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

OFF-BALANCE SHEET ITEMS		Notes	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		58.645	253.324	311.879	58.178	65.715	123.893
II.	<b>REVOCABLE FACTORING TRANSACTIONS</b>		126.107	80.548	206.655	223.224	47.935	271.159
III.	<b>COLLATERALS RECEIVED</b>	38	37.002.683	56.303.541	93.306.224	33.795.392	52.589.160	86.384.552
IV.	<b>COLLATERALS GIVEN</b>	26	109.903	39.345	149.248	1.680.759	4.397	1.685.156
V.	<b>COMMITMENTS</b>		111.157	372.388	483.545	42.222	235.335	277.557
5.1	Irrevocable Commitments		-	53.434	53.434	-	63.806	63.806
5.2	Revocable Commitments		111.157	318.954	430.111	42.222	171.529	213.751
5.2.1	Lease Commitments		111.157	318.954	430.111	42.222	171.529	213.751
5.2.1.1	Finance Lease Commitments		111.157	318.954	430.111	42.222	171.529	213.751
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	26	797.431	886.085	1.683.516	1.705.290	1.652.342	3.357.632
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		797.431	886.085	1.683.516	1.705.290	1.652.342	3.357.632
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		797.431	886.085	1.683.516	1.705.290	1.652.342	3.357.632
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	<b>ITEMS HELD IN CUSTODY</b>		444.387	122.766	557.153	186.991	123.886	310.877
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>			<b>38.650.313</b>	<b>58.047.907</b>	<b>96.698.220</b>	<b>37.692.056</b>	<b>54.718.770</b>	<b>92.410.826</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

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

PROFIT OR LOSS STATEMENT		Notes	Audited	Audited
			Current Period 01.01-31.12.2019	Prior Period (*) 01.01-31.12.2018
<b>I.</b>	<b>OPERATING INCOME</b>	<b>29</b>	<b>958.285</b>	<b>1.016.537</b>
	<b>FAKTORİNG INCOME</b>		<b>477.229</b>	<b>530.465</b>
1.1	Factoring Interest Income		462.780	489.758
1.1.1	Discounted		73.557	92.664
1.1.2	Other		389.223	397.094
1.2	Factoring Commission Income		14.449	40.707
1.2.1	Discounted		2.572	4.883
1.2.2	Other		11.877	35.824
	<b>INCOME FROM FINANCING LOANS</b>		<b>-</b>	<b>-</b>
1.3	Interest income from Financing Loans		-	-
1.4	Fees and Commission Income from Financing Loans		-	-
	<b>LEASE INCOME</b>		<b>481.056</b>	<b>486.072</b>
1.5	Finance Lease Income		480.187	485.383
1.6	Operational Lease Income		869	689
1.7	Fees and Commission Income from Lease Operations		-	-
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>	<b>32</b>	<b>(799.155)</b>	<b>(892.708)</b>
2.1	Interest Expense on Funds Borrowed		(467.275)	(538.356)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		(327)	-
2.4	Interest Expense on Securities Issued		(295.902)	(316.173)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(35.651)	(38.179)
<b>III.</b>	<b>GROSS PROFIT/LOSS (I+II)</b>		<b>159.130</b>	<b>123.829</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>30</b>	<b>(80.161)</b>	<b>(72.408)</b>
4.1	Personal Expenses		(51.809)	(46.686)
4.2	Employee Severance Indemnity Expense		(1.273)	(1.148)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(27.105)	(24.574)
4.5	Other		-	-
<b>V.</b>	<b>GROSS OPERATING PROFIT/LOSS (III+IV)</b>		<b>78.969</b>	<b>51.421</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>31</b>	<b>557.714</b>	<b>484.359</b>
6.1	Interest Income on Bank Deposits		8.169	7.117
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		4.380	5.391
6.4	Gains on Securities Trading		213	-
6.5	Income From Derivative Financial Instruments		291.492	311.780
6.6	Foreign Exchange Gains		175.055	108.912
6.7	Other		78.405	51.159
<b>VII.</b>	<b>PROVISION EXPENSES (-)</b>	<b>33</b>	<b>(312.295)</b>	<b>(42.184)</b>
7.1	Specific Provisions		-	-
7.2	Expected Credit Losses		(312.295)	(42.184)
7.3	General Provisions		-	-
7.4	Other		-	-
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>34</b>	<b>(215.844)</b>	<b>(184.668)</b>

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

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

PROFIT OR LOSS STATEMENT		Notes	Audited	Audited
			Current Period 01.01-31.12.2019	Prior Period (*) 01.01-31.12.2018
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment Losses on Tangible and Intangible Assets		-	-
8.3	Losses on Securities Trading		-	-
8.4	Losses From Derivative Financial Instruments		(197.634)	(180.459)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(18.210)	(4.209)
<b>IX.</b>	<b>NET OPERATING PROFIT (V+...+VIII)</b>		<b>108.544</b>	<b>308.928</b>
<b>X.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XI.</b>	<b>PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD</b>		-	-
<b>XII.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)</b>		<b>108.544</b>	<b>308.928</b>
<b>XIV.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>35</b>	<b>(29.334)</b>	<b>(79.387)</b>
14.1	Current Tax Provision		(34.738)	(67.091)
14.2	Deferred Tax Income Effect (+)		(1.625)	(12.296)
14.3	Deferred Tax Expense Effect (-)		7.029	388
<b>XV.</b>	<b>NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)</b>		<b>79.210</b>	<b>229.541</b>
<b>XVI.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
<b>XVII.</b>	<b>EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expense on Discontinued Operations		-	-
<b>XVIII.</b>	<b>PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)</b>		-	-
<b>XIX.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
<b>XX.</b>	<b>NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)</b>		-	-
	<b>NON-CONTROLLING INTERESTS</b>		<b>5.082</b>	<b>(32.004)</b>
<b>XXI.</b>	<b>NET PROFIT FOR THE PERIOD (XV+XX)</b>		<b>84.292</b>	<b>197.537</b>
	<b>EARNINGS PER SHARE (**)</b>	<b>36</b>	<b>0,12</b>	<b>0,28</b>
	Earnings Per Share from Continued Operations		0,12	0,28
	Earnings Per Share from Discontinued Operations		-	-
	<b>DILUTED EARNINGS PER SHARE</b>	<b>36</b>	<b>0,12</b>	<b>0,28</b>
	Earnings Per Share from Continued Operations		0,12	0,28
	Earnings Per Share from Discontinued Operations		-	-

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited	Unaudited
		Current Period 01.01-31.12.2019	Prior Period <sup>(*)</sup> 01.01-31.12.2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>79.210</b>	<b>229.541</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>44.143</b>	<b>(6.176)</b>
<b>2.1</b>	<b>Items that will not be Reclassified to Profit or Loss</b>	<b>(515)</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	(650)	(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	135	33
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>	<b>44.658</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	44.658	(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>123.353</b>	<b>222.825</b>

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## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

(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>Prior Period (01.01 - 31.12.2018) (Unaudited) <sup>(*)</sup></b>								
I. Balance at the Beginning of the Period		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)	24	650.303	-	-	1.938	58	-	
IV. Total Comprehensive Income		-	-	-	-	(131)	-	
V. Cash Capital Increase		-	-	-	-	-	-	
VI. Capital Increase from internal reserves		45.000	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	
X. Increases/Decreases due to other changes		-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	
11.1 Dividend Paid		-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-	-	-	
11.3 Other		-	-	-	-	-	-	
<b>Balance at the End of the Period (III+IV+.....+XI)</b>		<b>695.303</b>			<b>1.938</b>	<b>(73)</b>		
<b>Current Period (01.01 - 31.12.2019) (Unaudited)</b>								
I. Balance at the Beginning of the Period		695.303	-	-	1.938	73	-	
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)	24	695.303	-	-	1.938	73	-	
IV. Total Comprehensive Income		-	-	-	-	(515)	-	
V. Cash Capital Increase		-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	
X. Increases/Decreases due to other changes		-	-	-	-	-	-	
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>1.938</b>	<b>(588)</b>		

<sup>(\*)</sup> The financial statements as of 31 December 2018 have been aligned with the new financial statements accordingly to the "Communique on Uniform Chart of Accounts and Prospectus to be Implemented by Financial Leasing, Factoring and Financing Companies" the published in the Official Gazette dated 1 February 2019 and numbered 28861.

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)

Other Accumulated  
Comprehensive Income  
that may be reclassified  
subsequently to Profit/Loss

4	5	6	Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
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)	-	-	-	-	197.537	31.308	(222.825)
-	-	-	-	-	-	-	-
-	-	-	(45.000)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	229.541
-	-	-	112.948	-	(112.948)	-	-
-	-	-	-	-	-	-	-
-	-	-	112.948	-	(112.948)	-	-
-	-	-	-	-	-	-	-
16.300	-	-	214.092	(40.085)	197.537	65.568	1.150.580
16.300	-	-	214.092	(40.085)	197.537	65.568	1.150.580
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16.300	-	-	214.092	(40.085)	197.537	65.568	1.150.580
39.660	-	-	-	-	84.292	(84)	123.353
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	181.989	15.548	(197.537)	-	-
-	-	-	-	-	-	-	-
-	-	-	181.989	15.548	(197.537)	-	-
-	-	-	-	-	-	-	-
55.960	-	-	396.081	(24.537)	84.292	65.484	1.273.933



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited Current Period 01.01-31.12.2019	Restated Unaudited Prior Period <sup>(*)</sup> 01.01-31.12.2018
<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>253.288</b>	<b>160.915</b>
1.1.1	Interests Received/Lease Income	946.466	960.957
1.1.2	Interest Paid/Lease Expenses	(822.253)	(806.393)
1.1.4	Dividends Received	4.380	5.391
1.1.5	Fees and Commissions Received	14.449	40.707
1.1.6	Other Income	40.982	37.661
1.1.7	Collections from Non-performing Receivables	31 37.423	13.498
1.1.8	Payments to Personnel and Service Suppliers	(47.379)	(42.465)
1.1.9	Taxes Paid	(42.409)	(134.733)
1.1.10	Others	21 122.629	86.292
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>	<b>1.783.687</b>	<b>(952.063)</b>
1.2.1	Net (Increase) Decrease in Factoring Receivables	(665.414)	1.470.994
1.2.2	Net (Increase) Decrease in Financing Loans	-	-
1.2.3	Net (Increase) Decrease in Lease Receivables	502.794	361.408
1.2.4	Net (Increase) Decrease in Other Assets	29.678	(139.408)
1.2.5	Net Increase (Decrease) in Factoring Payables	-	-
1.2.6	Net Increase (Decrease) in Lease Payables	840	-
1.2.7	Net Increase (Decrease) in Funds Borrowed	1.901.300	(2.700.142)
1.2.8	Net Increase (Decrease) in Due Payables	-	-
1.2.9	Net Increase (Decrease) in Other Liabilities	14.490	55.163
<b>I.</b>	<b>Net Cash Provided from/(Used in) Operating Activities</b>	<b>2.036.976</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	11,12 (4.774)	(25.586)
2.4	Proceeds From Sale of Tangible and Intangible Assets	11,12 293	12.452
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	-	-
2.6	Proceeds From Sale of Financial Assets Available for Sale	-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities	-	-
2.8	Proceeds from Sale of Held-to-Maturity Investment Securities	-	-
2.9	Other	-	-
<b>II.</b>	<b>Net cash used in investing activities</b>	<b>(4.481)</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	2.711.972	5.601.402
3.2	Cash used for repayment of funds borrowed and securities issued	(4.595.964)	(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>(1.883.992)</b>	<b>833.780</b>
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>667</b>	<b>3.164</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>149.170</b>	<b>24.683</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>4 272.557</b>	<b>247.874</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>4 421.727</b>	<b>272.557</b>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2019

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

İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**)		Current Period 31 December 2019	Prior Period 31 December 2018
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>			
1.1	Current Year Income	113.626	276.924
1.2	Taxes And Duties Payable(-)	(29.334)	(79.387)
1.2.1	Corporate Tax (Income tax)	(34.738)	(69.091)
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties	5.404	(12.296)
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>84.292</b>	<b>(197.537)</b>
1.3	Prior Year Losses(-)	(24.537)	(140.085)
1.4	First Legal Reserves (-)	(5.128)	(3.349)
1.5	Other Statutory Reserves(-) (***)	-	1
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(a-(1.3+1.4+1.5))]</b>	<b>54.627</b>	<b>154.104</b>
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Owners Of Ordinary Shares	-	-
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	-	154.103
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	-	0,28
3.2	To Owners Of Ordinary Shares (%)	-	28%
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	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Preferred Shares	-	-
4.4	To Owners Of Preferred Shares (%)	-	-

(\*) Since the Company's Ordinary General Assembly Meeting has not been held as of the date of these financial statements, only distributable net period profit amount is specified in the statement of profit appropriation of 2019.

(\*\*) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, an therefore, the part of the period profit arising from the aforementioned assets should not be subject to profit distribution or capital increase. There is deferred atx income of TL 5,404 Thousand, which will not be subject to distribution (December 31, 2018: TL 388 Thousand)

(\*\*\*) Consists of donations made during the year.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

(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 30 September 2019, the Company and its subsidiary ("the Group") have 248 employees (31 December 2018: 268 employees).

#### Dividend Payable

As at 30 September 2019, 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 January 2020 have been approved by the Board of Directors of the Group and authorized for issue as at 31 December 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

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

Note 8 - Factoring receivables

Note 9 - Lease receivables

Note 20 - Provisions

Note 26 - Provisions, contingent assets and liabilities

#### Basis of Consolidation

The details of the Group's subsidiary as at 30 September 2019 and 31 December 2018 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 30 September 2019 and 31 December 2018, 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 2019

(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.

##### 2.2 Changes in Accounting Policies

The Group has applied TFRS 16 (Financial Reporting Standards of Turkey 16) in the financial statements of September 30, 2019 as the date of first practice to be on January 1, 2019. Other accounting policies taken as the basis in preparing the financial statements of the accounting periods ended on September 30, 2019 and September 30, 2018 are applied consistently with the financial statements prepared as of December 31, 2018.

##### 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.

The Company has started to apply TFRS 9 as of 1 January 2018; The opening effect resulting from the transition to TFRS 9 is reflected in the financial statements as of 31 December 2018. Furthermore, TFRS 9 has been restated in the statement of profit or loss of 31 December 2018 due to the publication of the interim report dated 31 December 2018 and its effects on the financial statements are as follows.

##### 2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2019 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, 2019. 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 2019

(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 2019 are as follows:

##### IFRS 16 Leases

In April 2018, POA has published a new standard, IFRS 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. IFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16:

The Group adopted IFRS 16 using the [modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and IFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

#### The effects of the financial statements as of January 1, 2019 are as follows:

##### Assets

Tangible Assets (Right-of-use assets)	3.321
---------------------------------------	-------

##### Liabilities

Lease Liabilities	3.654
Deferred Lease Expenses	(333)

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

(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 2019 are as follows (continued):

Set out below are the new accounting policies of the The Group upon adoption of TFRS 16:

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the The Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 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.

These amendments are applied for annual periods beginning on or after 1 January 2019. Early application of the amendments is still permitted. The amendment will not have a major impact on the financial position or performance of the Group.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### AS AT 31 DECEMBER 2019

(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 2019 are as follows (continued):

##### **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.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. Early application of the amendments is still permitted. The amendment will not have a major impact on the financial position or performance of the Group.

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

In January 2019 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 amendment will not have a major impact on the financial position or performance of the Group.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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#### 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 January 2019, 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 amendment will not have a major 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 a major 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 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.

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

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and did not have an impact on the 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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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)

##### 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) (Continued)

###### Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the the Group.

###### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is 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 2019

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

#### 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.

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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

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

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

##### c. Intangible Assets

Intangible assets include computer software, 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.

##### 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.

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

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

##### 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.

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

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

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

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

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

##### Financial Assets (Continued)

##### Financial Lease Receivables, Factoring Receivables and Expected Credit Loss

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.

##### **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.

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

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

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

###### 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.

###### 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.

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

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

##### 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 IFRS 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.

##### 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 30 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
USD	5,9402	5,2609
EUR	6,6506	6,0280
GBP	7,7765	6,6528
CHF	6,0932	5,3352
100 JPY	5,4291	4,7547
AUD	4,1433	3,7026

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.



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### AS AT 31 DECEMBER 2019

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

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

##### 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 IAS 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.

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

In accordance with IAS 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. 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 27).

##### n. 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.

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

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

##### n. 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.

##### o. 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 IAS 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 2019</u>	<u>31 December 2018</u>
Discount rate	4,20%	4,22%
Expected rate of salary/limit increase	7,20%	11,30%
Probability of retirement	100%	100%

##### p. 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.

##### 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

##### s. Related Parties

In accordance with IAS 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 10).

#### 4. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 31 December 2018, the details of the banks are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Demand Deposits	2.078	24.615	3.581	26.198
Time Deposits	-	395.034	-	242.778
Interest accrual	-	1	-	12
	<b>2.078</b>	<b>419.650</b>	<b>3.581</b>	<b>268.988</b>

The details of the time deposits as at 31 December 2019 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2019
USD	1,25%	02.01.2020	9.082
Euro	0,10 - 0,16%	02.01.2020-24.01.2020	385.953
			<b>395.035</b>

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

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

As at 31 December 2019, TL 415.265 portion of total foreign currency deposits (31 December 2018: TL 258.024) and TL 1.863 portion of total TL deposits (31 December 2018: TL 3.151) consist of accounts at the Group's main shareholder, Türkiye İş Bankası A.Ş.

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

	31 December 2019	31 December 2018
Demand deposits	26.693	29.779
Time deposits (1-3 months) (excluding accrual)	395.034	242.778
<b>Cash and cash equivalents</b>	<b>421.727</b>	<b>272.557</b>

As at 31 December 2019 and 31 December 2018, there is no blockage on cash and cash equivalents

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#### 5. 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 2019 and 31 December 2018, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	31 December 2019	
	TL	FC
Debt securities issued by private sector <sup>(*)</sup>	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	951	-
	<b>951</b>	<b>-</b>
	31 December 2018	
	TL	FC
Debt securities issued by private sector <sup>(*)</sup>	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	859	-
	<b>859</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 951 (31 December 2018: TL 859).

#### 6. DERIVATIVE 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 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	1.388	-	72.110
	<b>-</b>	<b>1.388</b>	<b>-</b>	<b>72.110</b>

##### Derivative Financial Liabilities

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	10.723	-	96.521
	<b>-</b>	<b>10.723</b>	<b>-</b>	<b>96.521</b>

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

As at 31 December 2019 and 31 December 2018, 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 2019	31 December 2018	31 December 2019	31 December 2018
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	78.959	35.559
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	2.595	1.338
<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	686
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	4.000	4.000
<b>TOTAL</b>						<b>86.279</b>	<b>41.622</b>

#### 8. FACTORING RECEIVABLES

As at 31 December 2019 and 31 December 2018 details of factoring receivables are as follows:

	31 December 2019	31 December 2018
Factoring receivables	3.173.684	2.738.891
Factoring interest income accrual (-)	(13.936)	(8.916)
<b>Total factoring receivables</b>	<b>3.159.748</b>	<b>2.729.975</b>
Stage 1 (Expected Credit Loss)	(23.486)	(9.412)
Stage 2 (Expected Credit Loss)	(4.674)	(2.875)
<b>Total factoring receivables</b>	<b>3.131.588</b>	<b>2.717.688</b>
Non-performing factoring receivables	227.541	31.016
Specific provisions- Stage 3	(180.388)	(23.827)
<b>Factoring receivables, net</b>	<b>3.178.741</b>	<b>2.724.877</b>

As at 31 December 2019, the rating of factoring receivables are as follows:

Ratings - 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Total portfolio	3.080.137	79.611	227.541	3.387.289
Very good	1.774.203	-	-	1.774.203
Standard	1.305.933	-	-	1.305.933
Substandard	-	79.611	227.541	307.152
Expected credit loss and specific provisions	<b>(23.486)</b>	<b>(4.674)</b>	<b>(180.388)</b>	<b>(208.548)</b>
<b>Factoring receivables, net</b>	<b>3.056.651</b>	<b>74.937</b>	<b>47.153</b>	<b>3.178.741</b>

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#### 8. FACTORING RECEIVABLES (Continued)

As at 31 December 2018, the rating of factoring receivables are as follows:

Ratings - 31 December 2018	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	756.445	-	-	756.445
Substandard	-	258.740	31.016	289.756
Expected credit loss and specific provisions	(9.412)	(2.875)	(23.827)	(36.114)
<b>Factoring receivables, net</b>	<b>2.461.823</b>	<b>255.865</b>	<b>7.189</b>	<b>2.724.877</b>

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

	1 January- 31 December 2019	1 January- 31 December 2018
Provision at the beginning of the period	(36.114)	(79.841)
Provision set during the period	(202.286)	-
Provision reversed during the period	-	8.496
Collections	18.827	8.136
Write-Off (*)	11.025	27.095
Provision at the end of the period	<b>(208.548)</b>	<b>(36.114)</b>

As at 31 December 2019, the average interest rates applicable for the factoring receivables are 15,03% for TL, for 6,26% USD, 2,76% for EUR and 5,50% for GBP (31 December 2018: 34,93% for TL, 14,33% for USD, 6,22% for EUR and 6,51% for GBP).

As of 31 December 2019, TL 449,874 thousand, EUR 7.583 thousand, USD 4.111 thousand and GBP 1.695 thousand factoring receivables have variable interest rates, (31 Aralık 2018: TL 524.262 thousand, EUR 17.219 thousand, USD 10.678 thousand and GBP 2.054 thousand), TL 2.117.292 thousand, EUR 52.244 thousand, USD 29.640 thousand, GBP 2 thousand factoring receivable have stabil interest rates (31 Aralık 2018: TL 1.581.783 thousand, EUR 17.731 thousand, USD 65.270 thousand).

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

	31 December 2019	31 December 2018
Domestic irrevocable	1.992.268	1.564.723
Foreign irrevocable	130.767	223.994
Domestic revocable	919.905	817.688
Foreign revocable	135.800	118.472
	<b>3.178.740</b>	<b>2.724.877</b>

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#### 8. FACTORING RECEIVABLES (Continued)

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Up to 90 days	15.402	-
Between 90 - 180 days	64	10.897
Between 180 - 360 days	192.698	5.725
Over 360 days	19.377	14.394
	<u>227.541</u>	<u>31.016</u>

<sup>(\*)</sup> Consists of the non-performing finance lease receivables written off through sales to Sümer Varlık Yönetim A.Ş. in 2019

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

As at 31 December 2019, 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	-	-
Extended for 3,4 or 5 Times	-	1.125
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	-	-
6 Months - 12 Months	-	1.125
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

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	-	-

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#### 9. LEASE RECEIVABLES

##### A. Financial Lease Receivables

As at 31 December 2019, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	2.402.567	3.327.750	5.730.317
Unearned interest income (-)	(360.965)	(361.722)	(722.687)
<b>Subtotal</b>	<b>2.041.602</b>	<b>2.966.028</b>	<b>5.007.630</b>
Expected Credit Loss- Stage 1	(1.641)	(19.454)	(21.095)
Expected Credit Loss - Stage 2	(4.141)	(43.256)	(47.397)
<b>Total Financial Lease Receivables</b>	<b>2.035.820</b>	<b>2.903.318</b>	<b>4.939.138</b>
Non- Performing Lease Receivables	346.671	5.628	352.299
Specific provision- Stage 3	(181.811)	(2.952)	(184.763)
<b>Net finance lease receivables</b>	<b>2.200.680</b>	<b>2.905.994</b>	<b>5.106.674</b>

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial Assets	421.728	-	-	50	-	-
Financial Lease Receivables	4.620.830	386.800	352.299	(21.095)	(47.397)	(184.763)

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 (-)	(369.319)	(383.593)	(752.912)
<b>Subtotal</b>	<b>2.142.157</b>	<b>3.075.940</b>	<b>5.218.097</b>
Expected Credit Loss- Stage 1	(2.943)	(7.724)	(10.667)
Expected Credit Loss - Stage 2	(3.861)	(11.455)	(15.316)
<b>Total Financial Lease Receivables</b>	<b>2.135.352</b>	<b>3.056.761</b>	<b>5.192.113</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>2.257.542</b>	<b>3.064.356</b>	<b>5.321.898</b>

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 2	Stage 3
Financial Lease Receivables	4.690.477	527.619	266.392	(10.667)	(15.316)	(136.607)
Financial Assets	272.569	-	-	(63)	-	-



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#### 9. LEASE RECEIVABLES (Continued)

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

As at 31 December, the rating of finance lease receivables are as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
<b>Internal ratings</b>				
A+ (Excellent)	249	-	-	249
A (Very good))	9.709	11.430	1	21.140
A- (Good)	150.770	1.108	8.046	159.924
B+ (Enough)	1.104.653	79.496	118.480	1.302.629
B (Reasonable)	1.081.994	72.818	14.820	1.169.631
B- (Close Monitoring)	1.206.796	93.578	126.501	1.426.875
C+ (Insufficient)	614.524	64.297	18.291	697.113
C (Suspicious)	257.995	51.570	28.678	338.243
<b>Scoring</b>				
Y (High)	54.806	94	3.964	58.864
O (medium)	111.153	7.121	23.826	142.100
D (Low)	28.180	5.288	9.692	43.160
<b>Expected Loss Provisions and specific provision</b>	<b>(21.095)</b>	<b>(47.397)</b>	<b>(184.763)</b>	<b>(253.255)</b>
<b>Leasing receivables</b>	<b>4.599.735</b>	<b>339.403</b>	<b>167.536</b>	<b>5.106.674</b>

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

Ratings	Stage 1	Stage 2	Stage 3	Total
<b>Internal ratings</b>				
A+ (Excellent)	-	-	-	-
A (Very good))	204.916	46.118	8.121	259.155
A- (Good)	1.105.649	190.938	18.416	1.315.003
B+ (Enough)	901.674	152.720	27.736	1.082.130
B (Reasonable)	1.245.006	62.074	111.474	1.418.554
B- (Close Monitoring)	647.080	31.680	11.720	690.480
C+ (Insufficient)	257.638	8.281	22.068	287.987
C (Suspicious)	11.634	9.352	6.012	26.998
<b>Scoring</b>				
Y (High)	94.453	4.184	3.359	101.996
O (medium)	207.619	15.304	17.100	240.023
D (Low)	49.018	5.314	7.831	62.163
<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>4.714.019</b>	<b>510.649</b>	<b>97.230</b>	<b>5.321.898</b>

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#### 9. LEASE RECEIVABLES (Continued)

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

As at 31 December 2019, standard and close monitoring leasing receivables and the close monitoring leasing receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close Monitoring
<b>Number of Amendments Related to the Extension of the Payment Plan</b>		
Extended for 1 or 2 Times	-	139.240
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
<b>The Time Extended via the Amendment on payment Plan</b>		
0-6 Months	-	-
6 Months - 12 Months	-	139.240
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

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

	Standard Receivables	Receivables Under Close Monitoring
<b>Number of Amendments Related to the Extension of the Payment Plan</b>		
Extended for 1 or 2 Times	-	396.834
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
<b>The Time Extended via the Amendment on payment Plan</b>		
0-6 Months	-	-
6 Months - 12 Months	-	396.834
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

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#### 9. LEASE RECEIVABLES (Continued)

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

As at 31 December 2019, analysis of finance lease receivables according to their maturities is as follows:

	2020	2021	2022	2023	2024	2025 and after	Toplam
Finance lease receivables (gross)	2.495.983	1.612.189	952.619	497.967	197.172	73.431	5.829.361
Unearned interest	(360.966)	(198.416)	(95.275)	(54.409)	(10.445)	(3.176)	(722.687)
<b>Finance lease receivables (net)</b>	<b>2.135.017</b>	<b>1.413.773</b>	<b>857.344</b>	<b>443.558</b>	<b>186.727</b>	<b>70.255</b>	<b>5.106.674</b>

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

	2019	2020	2021	2022	2023	2024 and after	Toplam
Finance lease receivables (gross)	2.607.685	1.628.706	987.361	489.532	238.548	122.979	6.074.811
Unearned interest	(369.321)	(201.367)	(106.012)	(41.261)	(29.278)	(5.674)	(752.913)
<b>Finance lease receivables (net)</b>	<b>2.238.364</b>	<b>1.427.339</b>	<b>881.349</b>	<b>448.271</b>	<b>209.270</b>	<b>117.305</b>	<b>5.321.898</b>

As at 31 December 2019, the average compound interest rates applicable for the finance lease receivables are 20,44% for TL, 7,61% for USD, 5,27% for EUR and 3,92% for CHF (31 December 2018: 17,08% for TL, 6,83% for USD and 5,01% for EUR).

As at 31 December 2019, 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	123.949.673	736.286	20.332.217	120.777
EUR	446.282.000	2.968.043	47.281.976	314.454
CHF	1.068.000	6.508	42.068	256
TL	-	1.395.837		287.200
<b>Total</b>		<b>5.106.674</b>		<b>722.687</b>

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	176.798.430	930.118	22.364.042	117.039
EUR	461.740.000	2.783.368	50.839.497	306.461
CHF	1.648.000	8.792	97.891	522
TL		1.599.620	-	328.891
<b>Total</b>		<b>5.321.898</b>		<b>752.913</b>

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#### 9. LEASE RECEIVABLES (Continued)

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

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):

<u>Collateral type:</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Mortgages	229.258	262.482
Sureties of credit guarantee fund	123.518	140.457
Pledged equity	75.049	74.329
Pledged shares	33.502	51.369
Pledged movable	7.047	19.983
Letters of guarantee	3.250	7.123
Cash blockages	1.625	3.085
Share certificates	328	1.356
Guarantors	11	129
	<b>473.588</b>	<b>560.313</b>

In addition to collaterals above, the Group also has sureties amounting to TL 4.256.379 , pledged vehicles amounting to TL 22.483, pledged accounts receivable to TL 200.881 (31 December 2018: sureties amounting to TL 4.510.688, pledged vehicles amounting to TL 45.430, pledged accounts receivable to TL 61.540).

As at 31 December 2019 and 31 December 2018 details of overdue finance lease receivables are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Up to 30 days	50.015	93.954
Between 30 - 60 days	7.105	7.006
Between 60 - 90 days	8.767	3.218
Total overdue	<b>65.887</b>	<b>104.178</b>

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

<u>Collateral type</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Mortgages	66.397	20.174
Pledged equity	18.091	17.494
Sureties of credit guarantee fund	17.004	9.175
Letters of guarantee	426	2.327
Pledged Shares	-	1.356
	<b>101.918</b>	<b>50.526</b>

In addition to above guarantees, the Group also has sureties amounting to TL 432.123, pledged vehicles amounting to TL 8.103, pledged accounts receivable to TL 4.593 (31 December 2018: sureties amounting to TL 882.876 , pledged vehicles amounting to TL 3.281, pledged accounts receivable to TL 1.118).

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#### 9. LEASE RECEIVABLES (Continued)

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

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 2019 and 31 December 2018, the aging of non-performing finance lease receivables is as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Between 90 - 240 days	52.591	16.073
Between 240 - 360 days	3.285	5.693
Over 360 days	94.448	71.569
Uninvoiced non-performing finance lease receivables	205.743	178.080
Unearned interest of non-performing finance lease receivables	(3.768)	(5.023)
	<u><b>352.299</b></u>	<u><b>266.392</b></u>

Collaterals obtained for non-performing finance lease receivables as at 31 December 2019 and 31 December 2018 are as follows:

<u>Guarantee type:</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Mortgages	12.490	12.544
	<u><b>12.490</b></u>	<u><b>12.544</b></u>

In addition to the above collaterals, the Group also has sureties amounting to TL 194.485, pledged vehicles amounting to TL 74.582 and leased equipments amounting to TL 70.371 (31 December 2018: sureties amounting to TL 166.880, pledged vehicles amounting to TL 83.785 and leased equipments amounting to TL 3.182).

<u>Movement of specific provisions:</u>	<u>1 January-31 December 2019</u>	<u>1 January-31 December 2018</u>
Provision at the beginning of the period	(162.591)	(160.380)
Collections	18.596	988
Provision set during the period	(110.009)	(38.161)
Sales to Asset Management (**)	-	34.962
Write-Off (*)	749	-
<b>Provision at the end of the period</b>	<u><b>(253.255)</b></u>	<u><b>(162.591)</b></u>

##### B. Operating Lease Receivables

	<u>31 December 2019</u>	<u>31 December 2018</u>
Operating Lease Receivables	-	1
	<u><b>-</b></u>	<u><b>1</b></u>

As at 31 December 2019 and 31 December 2018 analysis of time lease receivables occurred from operating lease receivables according to their maturities is as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
2019 Year	-	938
2020 Year	626	554
2021 Year	381	338
	<u><b>1.007</b></u>	<u><b>1.830</b></u>

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#### 10. RELATED PARTIES

As at 31 December 2019 and 31 December 2018, details of related party receivables and payables are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
<u>Finance lease receivables from related parties</u>		
Tukaş Gıda San. ve Tic. A.Ş.	40.767	46.929
KKB Kredi Kayıt Bürosu A.Ş.	6.681	16.982
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	6.492	19.017
Radore Veri Merkezi Hizm.A.Ş.	2.233	-
Numnum Yiyecek ve İçecek A.Ş.	827	1.261
Toksöz Spor Malzemeleri Ticaret A.Ş.	511	-
Bankalararası Kart Merkezi A.Ş.	-	239
<b>Total</b>	<b><u>57.511</u></b>	<b><u>84.428</u></b>
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	1
<b>Total</b>	<b><u>-</u></b>	<b><u>1</u></b>
<u>Factoring receivables from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	9.852	18.302
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	2.796	2.774
Toksöz Spor Malzemeleri Tic. A. Ş.	2.381	-
<b>Total</b>	<b><u>15.029</u></b>	<b><u>21.076</u></b>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	16.066	19.623
Türkiye İş Bankası A.Ş.	189	-
İş Merkezleri Yönetim ve İşletim A.Ş.	96	90
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	26	45
KKB Kredi Kayıt Bürosu A.Ş.	4	4
Anadolu Hayat Emeklilik A.Ş.	4	5
Erişim Hizmetleri A.Ş.	1	-
Softtech Yazılım Teknolojileri	-	11
<b>Total</b>	<b><u>16.386</u></b>	<b><u>19.778</u></b>
<u>Deposits placed to related parties</u>		
	<u>31 December 2019</u>	<u>31 December 2018</u>
Türkiye İş Bankası A.Ş. time deposit	395.036	234.471
Türkiye İş Bankası A.Ş. demand deposit	22.093	26.704
İşbank AG demand deposit	193	459
Türkiye Sınai Kalkınma Bankası A.Ş. demand deposit	28	53
<b>Total</b>	<b><u>417.350</u></b>	<b><u>261.687</u></b>

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#### 10. RELATED PARTIES (Continued)

	31 December 2019	31 December 2018
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	1.351	70.986
Türkiye Sınai Kalkınma Bankası A.Ş.	-	675
<b>Total</b>	<b>1.351</b>	<b>71.661</b>
<u>Finance lease liability to related parties</u>		
Türkiye İş Bankası A.Ş.	3.041	-
<b>Total</b>	<b>3.041</b>	<b>-</b>

As at 31 December 2019 and 31 December 2018, 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 2019</u>
TL	11,20% - 29,40%	31.01.2020-31.12.2021	1.149.178
EUR	3,45%	23.06.2020	118.860
Avro	0,75%-3,44%	03.01.2020-26.06.2020	553.764
			<b>1.821.802</b>

<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>

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

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2019</u>
TL	10,50%	06.01.2020	50.123
ABD Doları	4,00%	20.06.2020	49.571
EUR	2,17%-2,97%	18.12.2020-01.06.2026	447.558
			<b>547.252</b>

<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>

##### İş Bank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2019</u>
EUR	0,50%	03.01.2020-16.03.2020	28.401
			<b>28.401</b>

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#### 10. RELATED PARTIES (Continued)

For the periods ended 31 December 2019 and 31 December 2018, finance income and expenses from related parties are as follows:

	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
<u>Finance lease interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	4.579	1.843
Tukaş Gıda San. Ve Tic.A.Ş.	2.051	1.188
KKB Kredi Kayıt Bürosu	457	789
Radore Veri Merkezi Hizm.A.Ş.	452	-
Toksöz Spor Malzemeleri Tic. A.Ş.	101	1
Numnum Yiyecek ve İçecek A.Ş.	56	101
Bankalararası Kart Merkezi A.Ş.	17	49
T. İş Bankası Gm İnşaat Emlak Müd.	4	-
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	-	9
İş Gayrimenkul Yatırım Ort.A.Ş.	-	5
<b>Total</b>	<b>7.717</b>	<b>3.985</b>
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	677	539
TSKB Gayrimenkul Değerleme A.Ş.	184	141
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	8	9
<b>Total</b>	<b>869</b>	<b>689</b>
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	1.216	2.247
<b>Total</b>	<b>1.216</b>	<b>2.247</b>
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	4.378	5.351
Yatırım Finansman Menkul Değerler A.Ş.	2	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	-	40
<b>Total</b>	<b>4.380</b>	<b>5.391</b>
<u>Finance expense</u>		
Türkiye İş Bankası A.Ş.	54.385	20.695
Türkiye Sınai Kalkınma Bankası A.Ş.	18.618	26.346
İş Yatırım Menkul Değerler A.Ş.	7.293	8.063
İşbank AG	631	651
<b>Total</b>	<b>80.927</b>	<b>55.755</b>
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	2.700	3.968
<b>Total</b>	<b>2.700</b>	<b>3.968</b>



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#### 10. RELATED PARTIES (Continued)

	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	4.574	4.995
<b>Total</b>	<b>4.574</b>	<b>4.995</b>
<u>Factoring commission income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	307	284
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	32	11
Toksöz Spor Malzemeleri	29	-
Şişe Cam Dış Tic.A.Ş.	-	131
<b>Total</b>	<b>368</b>	<b>426</b>
<u>Factoring interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	3.527	4.129
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	2.570	2.735
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	232	149
Toksöz Spor Malzemeleri	240	-
<b>Total</b>	<b>6.569</b>	<b>7.013</b>
<u>Finance lease expence</u>		
Türkiye İş Bankası A.Ş.	238	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	9	-
	<b>247</b>	<b>-</b>
<u>Mutual funds income</u>		
Türkiye İş Bankası A.Ş.	1.787	197
<b>Total</b>	<b>1.787</b>	<b>197</b>

As at 31 December 2019 and 31 December 2018, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	31 December 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	312.894	310.202	842.851	748.218
<b>Total</b>	<b>312.894</b>	<b>310.202</b>	<b>842.851</b>	<b>748.218</b>

As at 31 December 2019 and 31 December 2018, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	31 December 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	-	-	185.007	184.132
<b>Total</b>	<b>-</b>	<b>-</b>	<b>185.007</b>	<b>184.132</b>

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#### 10. RELATED PARTIES (Continued)

As at 31 December 2019 and 31 December 2018, the amount of the Group's issued debt securities in related parties' securities portfolio are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Türkiye İş Bankası A.Ş.	-	1.510
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	2.549
İş Yatırım Menkul Değerler A.Ş.	-	15.513
İş Yatırım Ortaklığı A.Ş.	-	943
Millî Reasürans T.A.Ş.	-	8.258
<b>Total</b>	<b>-</b>	<b>28.773</b>

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

For the period ended 31 December 2019 and 31 December 2018, total salary and benefits paid to the key management during year comprised the following:

	<u>01.01.2019- 31.12.2019</u>	<u>01.01.2018- 31.12.2018</u>
Salaries and other short-term benefits (**)	9.643	8.401
	<b>9.643</b>	<b>8.401</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.

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#### 11. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improve- ments	Operating Lease Assets	Vehicles	Other Tangible Assets	Right of Use	Real Estate	Total
<b>Cost</b>								
Opening balance at 1 January 2019	7.281	4.263	2.138	-	1.456	-	8.750	23.888
Transference	(183)	-	-	183	-	-	-	-
Additions	206	6	-	227	-	3.400	-	3.839
Disposals	(444)	-	(627)	-	-	(106)	-	(1.177)
<b>Closing balance at 31 December 2019</b>	<b>6.860</b>	<b>4.269</b>	<b>1.511</b>	<b>410</b>	<b>1.456</b>	<b>3.294</b>	<b>8.750</b>	<b>26.550</b>
<b>Accumulated depreciation</b>								
Opening balance at 1 January 2019	(4.461)	(3.674)	(781)	-	(1.456)	-	(30)	(10.402)
Depreciation for the period	(772)	(181)	(651)	(49)	-	(2.787)	(175)	(4.615)
Transference	3	-	-	(3)	-	-	-	-
Disposals	190	-	628	-	-	66	-	884
<b>Closing balance at 31 December 2019</b>	<b>(5.040)</b>	<b>(3.855)</b>	<b>(804)</b>	<b>(52)</b>	<b>(1.456)</b>	<b>(2.721)</b>	<b>(205)</b>	<b>(14.133)</b>
<b>Carrying amounts at 31 December 2019</b>	<b>1.820</b>	<b>414</b>	<b>707</b>	<b>358</b>	<b>-</b>	<b>573</b>	<b>8.545</b>	<b>12.417</b>
<b>Carrying amounts at 1 January 2019</b>	<b>2.820</b>	<b>589</b>	<b>1.357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.720</b>	<b>13.486</b>

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#### 11. TANGIBLE ASSETS (Continued)

For the periods ended 31 December 2019 and 30 September 2018, movements in tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improve- ments	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>

(\*) The amount consists of the transactions classified as fixed assets of the Group as a lessee in accordance with IFRS-16. As of 31 December 2019 and 31 December 2018, there is not any blockage over tangible assets

#### 12. INTANGIBLE ASSETS

For the periods ended 31 December 2019 and 30 December 2018, movements in intangible assets except goodwill are as follows:

	31 December 2019	31 December 2018
<b>Cost</b>		
Opening balance at 1 January	8.966	7.215
Additions	935	1.819
Disposals	-	(68)
<b>Closing balance at the end of the period</b>	<b>9.901</b>	<b>8.966</b>
<b>Amortization</b>		
Opening balance at 1 January	(4.694)	(3.441)
Amortization for the period	(1.408)	(1.252)
Disposals	-	(1)
<b>Closing balance at the end of the period</b>	<b>(6.102)</b>	<b>(4.694)</b>
<b>Carrying amounts<sup>(*)</sup></b>	<b>3.799</b>	<b>4.272</b>

(\*) 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 2019, net amount of goodwill is TL 166 (31 December 2018: 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.

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#### 13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2019 and 31 December 2018, 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 2019</u>	<u>31 December 2018</u>
Expected Credit Loss/Specific provisions	175.635	132.801
Unearned factoring income	13.936	8.916
Financial Tax loss	9.511	-
Valuation differences on financial instruments	9.334	24.411
Provision for lawsuit	6.874	4.823
Reserve for employee benefits	5.449	4.510
Employee bonus accrual	4.538	4.138
Unused vacation provision	1.447	1.581
Prepaid expenses	725	582
Expense accruals	171	237
Provision for expected loss	68	-
Tax base differences in tangible and intangible assets	(3.675)	(4.805)
Finance lease adjustment	(5.463)	(4.558)
Finance lease income accruals	(55.043)	(40.228)
	<u>163.507</u>	<u>132.408</u>
<u>Deferred tax assets/(liabilities)</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Expected Credit Loss/Specific provisions	35.690	27.578
Unearned factoring income	3.066	1.962
Financial Tax loss	2.092	-
Valuation differences on financial instruments	2.054	5.370
Provision for lawsuit	1.512	1.061
Reserve for employee benefits	1.114	916
Employee bonus accrual	998	910
Unused vacation provision	301	328
Expense accruals	159	128
Prepaid expenses	38	52
Provision for expected loss	15	-
Tax base differences in tangible and intangible assets	(776)	(1.012)
Finance lease adjustment	(1.093)	(911)
Finance lease income accruals	(12.109)	(8.850)
<b>Deferred tax asset</b>	<u>33.071</u>	<u>27.532</u>

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 2018: 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).

Movements in deferred tax assets are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Opening balance at 1 January	27.532	26.563
Deferred tax income/(expense)	5.404	(12.296)
Recognized in other comprehensive income	135	33
Effect of Changes in Accounting Policies	-	13.232
<b>Closing balance at at 31 December</b>	<b><u>33.071</u></b>	<b><u>27.532</u></b>

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

As at 31 December 2019 and 31 December 2018, details of assets held for sale and discontinued operations are as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	TL	FC	TL	FC
Assets held for sale (*)	1.989	-	939	-
	<b><u>1.989</u></b>	<b><u>-</u></b>	<b><u>939</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.

#### 15. OTHER ASSETS

As at 31 December 2019 and 31 December 2018, details of other assets are as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	TL	FC	TL	FC
Advances Given for Lease Transactions (*)	2.372	106.638	4.691	47.571
Leasing Contracts in Progress (*)	39.531	39.822	20.010	30.076
Commissions expense on debt securities issued and funds borrowed	13.158	-	20.493	-
Other Finance Lease Receivables	8.423	5.866	5.104	5.859
Amounts to be invoiced	1.323	109	710	7
Advanced given	23	-	24	-
Deposits given	30	-	40	20
Others	5.650	132	4.994	347
	<b><u>70.510</u></b>	<b><u>152.567</u></b>	<b><u>56.066</u></b>	<b><u>83.880</u></b>

(\*) In accordance with the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated 1 February 2019 and numbered 30673, the balances of 31 December 2018 are classified under "Other Assets".

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#### 16. FUNDS BORROWED

As at 31 December 2019 and 31 December 2018, details of funds borrowed are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Short-term borrowings	3.084.383	2.450.769	1.805.825	895.245
Short-term portion of long-term borrowings	18.743	241.146	19.728	303.850
<b>Total short-term borrowings</b>	<b>3.103.126</b>	<b>2.691.915</b>	<b>1.825.553</b>	<b>1.199.095</b>
Long-term borrowings	114.297	1.261.306	241.648	1.638.928
<b>Total long-term borrowings</b>	<b>114.297</b>	<b>1.261.306</b>	<b>241.648</b>	<b>1.638.928</b>
<b>Total borrowings</b>	<b>3.217.423</b>	<b>3.953.221</b>	<b>2.067.201</b>	<b>2.838.023</b>

As at 31 December 2019 and 31 December 2018, borrowings has no collateral.

As at 31 December 2019 and 31 December 2018, details of short term borrowings based on types of currency are as follows:

Currency <sup>(*)</sup>	Interest rate %	Original Currency Amount	31 December 2019
TL	10,50%-29,40%	3.017.000.000	3.017.000
USD	1,51%-5,01%	72.624.933	431.407
Euro	0,40%-4,03%	299.539.531	1.992.118
GBP	3,29%-4,50%	1.576.377	12.259
Interest accruals			82.368
<b>TOTAL</b>			<b>5.535.152</b>

  

Currency <sup>(*)</sup>	Interest rate %	Original Currency Amount	31 December 2018
TL	17,68%-35,00%	1.780.114.000	1.780.114
USD	2,56%-4,60%	222.698.000	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>

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

As at 31 December 2019 and 31 December 2018, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

Currency	Interest rate %	Original Currency Amount	31 December 2019
TL	12,63% - 26,53%	90.114.252	90.113
USD	3,42% - 5,13%	36.751.221	218.310
Euro	0,80% - 4,84%	199.541.269	1.327.069
<b>TOTAL</b>			<b>1.635.492</b>

  

Currency	Interest rate %	Original Currency Amount	31 December 2018
TL	20,63%-18,54%	261.376	261.376
USD	1,51%-5,68%	115.971.655	610.115
Euro	0,80%-4,84%	231.260.470	1.332.663
<b>TOTAL</b>			<b>2.204.154</b>

As at 31 December 2019 and 31 December 2018, compounded interest rates have been presented.

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### 16. FUNDS BORROWED (Continued)

As 31 December 2019 and 31 December 2018, details of borrowings based on types of interest rate are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Fixed rate	2.194.456	2.108.167	2.005.802	941.512
Variable rate	1.022.967	1.845.054	61.399	1.896.511
	<b>3.217.423</b>	<b>3.953.221</b>	<b>2.067.201</b>	<b>2.838.023</b>

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

As at 31 December 2019, the Group has available credit limit of TL 14.772.424 which has fulfilled all necessary conditions but has not been used. (31 December 2018: TL 13.026.317).

### 17. OTHER LIABILITIES

As at 31 December 2019 and 31 December 2018, details of miscellaneous payables are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Advances received (**)	22.870	41.742	17.228	32.251
Payables to suppliers for lease transactions	60.491	62.087	2.382	32.221
Banking and Insurance Transaction Tax	2.636	-	4.008	-
Social Security Premium Liability	750	-	688	-
Deferred Income	554	-	844	-
Income Tax Liability	723	-	695	-
Other Tax and Liabilities	55	-	35	-
Value Added Tax	36	-	10.505	-
Other(*)	9.454	21.609	11.778	33.807
	<b>97.569</b>	<b>125.438</b>	<b>48.163</b>	<b>98.279</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.

(\*\*) 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.

### 18. LEASE PAYABLES

	31 December 2019	31 December 2018
Lease Payables	840	-
	<b>840</b>	<b>-</b>

As of 31 December 2019 and 31 December 2018, the group's forward-looking debt arising from leasing transactions is as follows:

	31 December 2019	31 December 2018
2020	656	-
2021	184	-
	<b>840</b>	<b>-</b>



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#### 19. DEBT SECURITIES ISSUED

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Bills bonds	362.689	-	2.246.681	-
Interest accruals	7.277	-	105.360	-
	<b>369.966</b>	<b>-</b>	<b>2.352.041</b>	<b>-</b>

As of 31 December 2019, The characteristics of financing bills issued by the group are as follows:

ISIN CODE	Maturity Starting Date	Nominal Value of Capital Market Instrument Sold		Maturity Date	Sale Type	Coupon Period
TRFISFN12016	11.10.2019	161.000		13.01.2020	Nitelikli Yatırımcı	Vade sonu ödemeli
TRFISFN52012	19.11.2019	122.000		15.05.2020	Nitelikli Yatırımcı	Vade sonu ödemeli
TRFISFN52020	27.11.2019	97.000		22.05.2020	Nitelikli Yatırımcı	Vade sonu ödemeli
TRFISFN72010	13.01.2020	175.000		10.07.2020	Nitelikli Yatırımcı	Vade sonu ödemeli

#### 20. PROVISIONS

As at 31 December 2019 and 31 December 2018, reserve for employee benefits are as follows:

	31 December 2019	31 December 2018
Reserve for employee severance indemnity	5.449	4.510
Provision for employee bonus	4.538	4.138
Vacation pay provision	1.447	1.581
	<b>11.434</b>	<b>10.229</b>

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.

IAS 19 - "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As at 30 September 2019 and 30 September 2018, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2019	31 December 2018
Discount rate	4,20%	4,22%
Inflation	7,20%	11,30%
Estimated probability of retirement	100%	100%

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### 20. PROVISIONS (Continued)

For the periods ended 31 December 2019 and 31 December 2018, movements in reserve for employee severance indemnity are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Balance at the beginning of the year	4.510	3.880
Cost of services	732	564
Actuarial Loss	650	560
Cost Of Interest	520	164
Cancellations	21	24
Amounts paid to employee severance indemnity	(984)	(682)
<b>Balance at the end of the year</b>	<b><u>5.449</u></b>	<b><u>4.510</u></b>

The movement of the vacation pay liability for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Balance at the beginning of the year	1.581	1.498
Increase during the period	(134)	83
<b>Balance at the end of the year</b>	<b><u>1.447</u></b>	<b><u>1.581</u></b>

The movement of the provision for employee bonus for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	<u>31 December 2019</u>	<u>30 December 2018</u>
Balance at the beginning of the year	4.138	4.077
Increase during the period	4.538	4.138
Reversals	(1.684)	(1.642)
Payment made during the period	(2.454)	(2.435)
<b>Balance at the end of the year</b>	<b><u>4.538</u></b>	<b><u>4.138</u></b>

As at 31 December 2019 and 31 December 2018, other provisions are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Provision for lawsuits	6.874	4.823
Provision for general administrative expenses	171	237
Expected Credit Loss for Financial Assets	69	74
	<b><u>7.114</u></b>	<b><u>5.134</u></b>

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#### 20. PROVISIONS (Continued)

Movements in other provisions for the periods ended 31 December 2019 and 30 September 2018 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
<b>31 December 2019</b>				
At the beginning of the year	-	4.823	237	74
Period Expense	-	2.393	171	7
Payments	-	-	(237)	-
Cancellations	-	(342)	-	(12)
<b>At the end of the period</b>	<b>-</b>	<b>6.874</b>	<b>171</b>	<b>69</b>
<b>30 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>-</b>	<b>4.823</b>	<b>237</b>	<b>74</b>

#### 21. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Refundable Deferred Tax	12.819	60.237
Refundable VAT	4.323	-
Income taxes withheld	877	1.147
<b>Total</b>	<b>18.019</b>	<b>61.384</b>

As at 31 December 2019 and 31 December 2018, details of current year tax liability are as follows:

	31 December 2019	31 December 2018
Current period corporate tax provision (Note:35)	34.738	67.091
Taxes paid for the current period	(26.920)	(111.839)
Refundable Corporate Tax	12.819	60.237
<b>Corporate tax payable</b>	<b>20.637</b>	<b>15.489</b>

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#### 21. CURRENT PERIOD TAX ASSET AND PAYABLE (Continued)

For the periods ended 31 December 2019 and 30 December 2019, movements of corporate tax payable are as follows:

	<u>31 December 2019</u>	<u>30 December 2018</u>
Corporate tax payable at the beginning of the year	15.489	23.360
Current period tax expense	34.738	67.091
Taxes paid during the year	(42.409)	(134.733)
Prior Period Corporate Tax Provision	-	(466)
Refundable Corporate Tax	12.819	60.237
<b>Corporate tax payable</b>	<b><u>20.637</u></b>	<b><u>15.489</u></b>

#### 22. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring A.Ş. As at 31 December 2019, the non-controlling interests amounting to TL ait 65.484 (31 December 2018: TL 65.568) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 5.082 (31 December 2018: TL 32.004) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Balance at the beginning of the year	65.568	41.088
Fair value changes of marketable securities	4.998	(696)
Effect of Changes in Accounting Policies	-	(6.828)
From the Profit/Loss of the year	(5.082)	32.004
<b>Balance at the end of the year</b>	<b><u>65.484</u></b>	<b><u>65.568</u></b>

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

As at 31 December 2019 nominal capital of the Company is 695.303 TL, the share capital of the Company consists 65.030.264.500 of shares Kurus 1 price.

As at 31 December 2019 and 31 December 2018, shareholders and their ownership percentages are as follows:

<b>Shareholders</b>	<b>(%)</b>	<b><u>31 December 2019</u></b>	<b>(%)</b>	<b><u>31 December 2018</u></b>
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	204.850	28,56	198.578
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	193.253
Trakya Yatırım Holding A.Ş.	0,90	6.258	0,90	6.258
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	531	0,08	531
Publicly traded	41,77	290.411	41,77	296.683
<b>TOTAL</b>	<b><u>100,00</u></b>	<b><u>695.303</u></b>	<b><u>100,00</u></b>	<b><u>695.303</u></b>

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#### 23. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

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 2019</u>	<u>31 December 2018</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 2019</u>	<u>31 December 2018</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>	(588)	(73)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss <sup>(**)</sup>	55.960	16.300
<b>Total</b>	<b>55.372</b>	<b>16.227</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 arisen from the fair value of the financial assets.

#### 24. PROFIT RESERVES

As at 31 December 2019 and 31 December 2018, details of profit reserves are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Legal reserves	51.004	44.321
Extraordinary reserves	345.077	169.771
<b>Total</b>	<b>396.081</b>	<b>214.092</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 24.177 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 31 March 2019 (31 December 2018: TL 28.268).

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 6.683 calculated on legal profit has been transferred to legal reserves by a decision of the Company's Board of Directors.

#### 25. PRIOR YEARS' PROFIT/LOSS

As of 31 December 2019, the group has profit to TL 24.537 for the year (31 December 2018: 40.085).

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#### 26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2019, TL 149.248 of letters of guarantee are given to customs, authorities and banks (31 December 2018: TL 1.685.156).

As at 31 December 2019, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 13.141 (31 December 2018: TL 12.301). The Group has provided a provision amounting to TL 6.874 for litigations (31 December 2018: TL 4.823) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2019, the Group has letter of credit commitments of USD 4.009.298, EUR 4.453.500 (TL 53.434) (31 December 2018: USD 5.098.500, EUR 6.135.250 (TL 63.806)).

As at 31 December 2019 has no factoring commitment. (31 December 2018: None)

As at 31 December 2019, the Group has lease commitments of USD 8.901.950, EUR 40.007.625 and full TL 111.157.327 (TL 430.111) (31 December 2018: USD 2.796.477, EUR 26.014.727, full TL 42.221.796 (TL 213.751)).

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.

As at 31 December 2019 details of derivatives are as follows:

	31 December 2019	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	7.619.271	50.673
TL	797.431.369	797.431
		<b>848.104</b>
Currency Swap Sales:		
USD	55.700.000	330.869
EUR	74.943.672	498.420
CHF	1.004.850	6.123
		<b>835.412</b>

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

As at 31 December 2018 details of derivatives transactions 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>

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

The Group has TL 1.388 of unrealized loss and TL 10.723 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 30 September 2019 (Note 6) (31 December 2018: TL 72.110 unrealized loss and TL 96.521 unrealized income).

As at 31 December 2019, analysis of derivative transactions according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	841.945	6.159	848.104
Currency Swap Sales	829.289	6.123	835.412

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

	Short Term	Long Term	Total
Currency Swap Purchases	1.432.573	281.490	1.714.063
Currency Swap Sales	1.397.378	246.191	1.643.569

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#### 27. 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 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.876.819	3.265.246	(53.766)	9.088.299
Total liabilities	4.849.612	2.964.754	-	7.814.366
Net profit for the year	102.557	(23.347)	5.082	84.292
<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



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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#### 27. SEGMENT REPORTING (Continued)

31 December 2019	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	481.056	477.229	-	958.285
Financial Expenses (-)	(441.373)	(357.782)	-	(799.155)
Gross Profit/Loss	39.683	119.447	-	159.130
Operating Expense (-)	(46.490)	(33.671)	-	(80.161)
Gross Operating Profit/Loss	(6.807)	85.776	-	78.969
Other Operating Income	456.112	101.602	-	557.714
Provisions (-)	(110.001)	(202.294)	-	(312.295)
Other operating Expenses (-)	(200.457)	(15.387)	-	(215.844)
Net Operating Profit/Loss	138.847	(30.303)	-	108.544
Profit or Loss from Continuing Operations before tax	138.847	(30.303)	-	108.544
Provision for Taxes from Continuing Operations (±)	(36.290)	6.956	-	(29.334)
Net Profit or Loss from Continuing Operations	102.557	(23.347)	-	79.210
Non-controlling Interests	-	-	5.082	5.082
<b>Net Profit or Loss for the Period</b>	<b>102.557</b>	<b>(23.347)</b>	<b>5.082</b>	<b>84.292</b>
Fixed Asset Additions	2.323	2.450	-	4.774
Depreciation and Amortisation	(3.399)	(2.624)	-	(6.023)
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	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>(32.004)</b>	<b>197.537</b>
Fixed Asset Additions	24.654	932	-	25.586
Depreciation and Amortisation	(1.928)	(814)	-	(2.742)

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#### 28. EVENTS AFTER THE REPORTING PERIOD

The company's bonds, which are sold to qualified investors outside the stock exchange on 13 January 2020, with a nominal value of TL 175.000, 179 days maturity and 10 July 2020 redemption dated, started to be traded in the debt derivative market.

#### 29. OPERATING INCOME

For the periods ended 31 December 2019 and 30 September 2018, details of operating income are as follows:

	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>
Finance Lease income	480.187	485.383
Operating lease income	869	689
Factoring income	477.229	530.465
	<b>958.285</b>	<b>1.016.537</b>

#### 30. OPERATING EXPENSES

For the periods ended 31 December 2019 and 31 December 2018, operating expenses are as follows:

	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>
Personnel expenses	(51.783)	(46.686)
Depreciation and amortization expenses	(6.023)	(2.742)
Office rent expenses	(4.229)	(5.624)
Information technology expenses	(3.355)	(3.396)
Board of Directors attendance fee	(2.789)	(2.535)
BRSA participation fee	(2.047)	(1.468)
Taxes, duties and charges	(1.882)	(1.305)
Travel and car expenses	(1.551)	(2.531)
Provision for employee severance indemnity	(1.273)	(1.148)
Consultancy expenses	(820)	(663)
Communication expense	(513)	(652)
Advertising expense	(284)	(584)
Representation expense	(224)	(203)
Insurance expense	(200)	(88)
Capital increase expense	(127)	(197)
Other general administrative expenses	(3.061)	(2.586)
	<b>(80.161)</b>	<b>(72.408)</b>

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#### 31. OTHER OPERATING INCOME

For the periods ended 31 December 2019 and 31 December 2018, details of other operating income are as follows:

	<u>01.01.2019 - 31.12.2019</u>	<u>01.01.2018 - 31.12.2018</u>
Foreign exchange gains	291.492	311.780
Income from derivative financial transactions	175.055	108.912
Collections from prior period non-performing receivables and cancellation income	38.172	13.498
Dividend income	8.382	7.117
Interest income	4.380	5.391
Commission income	4.574	4.995
Other	35.660	32.666
	<u><b>557.714</b></u>	<u><b>484.359</b></u>

#### 32. FINANCE EXPENSES

For the periods ended 31 December 2019 and 31 December 2018, details of finance expenses are as follows:

	<u>01.01.2019 - 31.12.2019</u>	<u>01.01.2018 - 31.12.2018</u>
Interest expense on funds borrowed	(467.275)	(538.356)
Interest expense on debt securities issued	(295.902)	(316.173)
Fees and commissions expense	(35.651)	(38.179)
Interest expense related to rents	(327)	-
	<u><b>(799.155)</b></u>	<u><b>(892.708)</b></u>

#### 33. PROVISIONS

For the periods ended 31 December 2019 and 31 December 2018, details of provision for non-performing receivables are as follows:

	<u>01.01.2019 - 31.12.2019</u>	<u>01.01.2018 - 31.12.2018</u>
Expected Credit Loss	(312.295)	(42.184)
	<u><b>(312.295)</b></u>	<u><b>(42.184)</b></u>

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#### 34. OTHER OPERATING EXPENSES

For the periods ended 31 December 2019 and 31 December 2018, details of other operating expenses are as follows:

	<u>01.01.2019 - 31.12.2019</u>	<u>01.01.2018 - 31.12.2018</u>
Losses from derivative financial transactions	(197.634)	(180.459)
Other	(18.210)	(4.209)
	<u>(215.844)</u>	<u>(184.668)</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 loss is at amounting TL 2.127 from measurement difference of such transactions in the Group's financial statements as at 30 September 2019 (31 December 2018: TL 20.134 foreign exchange loss). The difference is expected to be substantially expired at the maturity of transactions.

#### 35. TAXATION

For the periods ended 31 December 2019 and 31 December 2018, details of tax expense are as follows:

	<u>01.01.2019 - 31.12.2019</u>	<u>01.01.2018 - 31.12.2018</u>
Current corporate tax charge	(34.738)	(67.091)
Deferred tax income/(expense)	5.404	(12.296)
	<u>(29.334)</u>	<u>(79.387)</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 2019</u>	%	<u>1 January- 31 December 2018</u>
Net profit for the period		79.210		229.541
Total tax expense		29.334		79.387
Profit before tax		108.544		308.928
Income tax using the Group's tax rate	22,00	23.880	22,00	67.964
Non-deductible expenses	5,51	5.986	0,91	2.817
taxable other income	-	-	-	-
Tax exempt income	(0,89)	(963)	(0,38)	(1.181)
Other	0,40	431	3,17	9.787
<b>Total income tax expense</b>	<b>27,03</b>	<b><u>29.334</u></b>	<b>25,70</b>	<b><u>79.387</u></b>

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### AS AT 31 DECEMBER 2019

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#### 35. TAXATION (Continued)

##### 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 2019, corporate income tax rate is 22% (31 December 2018: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% (31 December 2018: 22%). 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.

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 30 April of the following year (between 1st and 30th 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.

##### Transfer Pricing

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

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

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

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#### 36. 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 2019 and 31 December 2018 are as follows:

	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Weighted average number of outstanding shares <sup>(*)(**)</sup>	69.530.264.500	69.530.264.500
Net profit for the year (TL)	84.292	197.537
Basic earnings per share (full TL)	0,12	0,28

<sup>(\*)</sup> As at 31 December 2019, the share capital of the Company consists 69.530.264.500 of 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 2019</u>	<u>31 December 2018</u>
Number of shares at beginning of the year	69.530.264.500	65.030.264.500
Capital increase <sup>(**)</sup>	-	4.500.000.000
Number of shares at end of the year	<u>69.530.264.500</u>	<u>69.530.264.500</u>

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

None.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 38. 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 2019, the debt/equity ratio is 17% (31 December 2018: 16%). As at 31 December 2019 and 31 December 2018, the leverage ratios are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Funds borrowed	7.170.644	4.905.224
Debt securities issued	369.966	2.352.041
Other liabilities	223.007	146.441
Total liabilities	<u>7.763.617</u>	<u>7.403.707</u>
Cash and Cash Equivalents (-)	(421.728)	(272.569)
Net liabilities	<u>7.341.889</u>	<u>7.131.138</u>
Total shareholders' equity	1.273.934	1.150.580
Shareholders' equity/liabilities	17%	16%

According to the credit rating reports of Fitch issued at 12.11.2019 , credit ratings of the Company are as follows:

##### Foreign Currency

Long term	B
Short term	B
Outlook	Negativ

##### TL

Long term	B+
Short term	B
Outlook	Stable

##### National

Long term	A+(tur)
Outlook	Stable
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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#### 38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (c) Categories of financial instruments

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Financial Assets:</b>		
Cash and Cash Equivalents	421.728	272.569
Financial Assets at Fair Value Through Profit or Loss	951	859
Derivative Financial Assets	1.388	72.110
Finance lease receivables and non-performing receivables, net	5.106.674	5.321.898
Leasing Contracts in Progress	79.353	50.086
Advances Given for Lease Transactions	109.010	52.262
Other Finance Lease Receivables	14.289	10.963
Factoring receivables and non-performing factoring receivables, Net	3.178.740	2.724.877
Financial Assets at Fair Value Through Other Comprehensive Income	86.279	41.622
<b>Financial Liabilities:</b>		
Derivative financial liabilities at fair value	(10.723)	(96.521)
Finance Lease Obligations	(840)	-
Other liabilities	(223.007)	(146.442)
Funds borrowed	(7.170.644)	(4.905.224)
Debt securities issued	(369.966)	(2.352.041)

(\*) 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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#### 38. 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.

As 31 December 2019 and 31 December 2018, details of foreign currency denominated assets and liabilities are as follows:

	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
<b>31 December 2019 (*)</b>							
Banks	3.919	59.473	-	99	26	16	419.650
Finance lease receivables	123.950	446.282	1.068	-	-	-	3.710.836
Factoring receivables <sup>(*)</sup>	33.751	59.826	-	1.698	-	-	611.573
Advances given for lease transactions	10.106	7.008	-	-	-	-	106.638
Leasing contracts in progress	646	5.411	-	-	-	-	39.822
Other receivables from leasing transactions	175	726	-	-	-	-	5.866
Other assets	19	19	-	-	-	-	241
<b>Total assets (**)</b>	<b>172.566</b>	<b>578.745</b>	<b>1.068</b>	<b>1.797</b>	<b>26</b>	<b>16</b>	<b>4.894.626</b>
Funds borrowed <sup>(*)</sup>	(109.900)	(501.324)	-	(1.576)	-	-	(3.999.187)
Lease Obligations	-	(69)	-	-	-	-	(457)
Other provisions	(3)	(705)	-	-	-	-	(4.704)
Other Liabilities	(6.203)	(13.276)	-	(38)	-	-	(125.438)
<b>Total liabilities (**)</b>	<b>(116.106)</b>	<b>(515.373)</b>	<b>-</b>	<b>(1.614)</b>	<b>-</b>	<b>-</b>	<b>(4.129.786)</b>
<b>Balance sheet position</b>	<b>56.460</b>	<b>63.372</b>	<b>1.068</b>	<b>183</b>	<b>26</b>	<b>16</b>	<b>764.840</b>
<b>Off balance sheet position</b>	<b>(55.700)</b>	<b>(67.324)</b>	<b>(1.005)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(784.738)</b>
<b>Net foreign currency position</b>	<b>760</b>	<b>(3.952)</b>	<b>63</b>	<b>183</b>	<b>26</b>	<b>16</b>	<b>(19.898)</b>

<sup>(\*)</sup> As at 31 December 2019, foreign currency indexed borrowings amounting to EUR 6.912 (Total: TL 45.967), foreign currency indexed factoring receivables amounting to USD 562 (Total: TL 3.338) are presented in TL column in the accompanying consolidated statement of financial position.

<sup>(\*\*)</sup> As at 31 December 2019, derivative assets amounting to TL 1.338 and derivative liabilities amounting to TL 10.723 are not included.

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

(f) Currency risk management (Continued)

31 December 2018 (*)	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	AUD 000	TL Equivalent
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 (**)</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)
Other provisions	(3)	(707)	-	-	-	-	(4.275)
Other Liabilities	(6.277)	(10.650)	-	(159)	-	-	(98.279)
<b>Total liabilities (**)</b>	<b>(123.135)</b>	<b>(388.946)</b>	<b>-</b>	<b>(1.445)</b>	<b>-</b>	<b>-</b>	<b>(3.001.978)</b>
<b>Balance sheet position</b>	<b>141.595</b>	<b>155.091</b>	<b>1.660</b>	<b>637</b>	<b>26</b>	<b>16</b>	<b>1.692.965</b>
<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, derivative assets amounting to TL 72.110 and derivative liabilities amounting to TL 96.521 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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#### 38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit/(Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2019</b>				
15% change of the USD against TL				
1- Net USD asset/liability	50.307	(50.307)	50.307	(50.307)
2- Hedged portion of TL against USD risk (-)	(49.630)	49.630	(49.630)	49.630
<b>3- Net effect of USD (1+ 2)</b>	<b>677</b>	<b>(677)</b>	<b>677</b>	<b>(677)</b>
15% change of the Euro against TL				
4- Net Euro asset/liability	63.219	(63.219)	63.219	(63.219)
5- Hedged portion of TL against Euro risk (-)	(67.162)	67.162	(67.162)	67.162
<b>6- Net effect of Euro (4+5)</b>	<b>(3.943)</b>	<b>3.943</b>	<b>(3.943)</b>	<b>3.943</b>
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	271	(271)	271	(271)
8- Hedged portion of TL against other currencies risk (-)				
<b>9- Net effect of other foreign currencies (7+8)</b>	<b>271</b>	<b>(271)</b>	<b>271</b>	<b>(271)</b>
<b>TOTAL (3+6+9)</b>	<b>(2.995)</b>	<b>2.995</b>	<b>(2.995)</b>	<b>2.995</b>

<sup>(\*)</sup> Includes profit/loss effect.

	Profit/(Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2018</b>				
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>

<sup>(\*)</sup> Includes profit/loss effect.

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#### 38. 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 2019 and 31 December 2018, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b><u>Fixed rate instruments</u></b>		
Financial assets:		
Cash and Cash Equivalents	395.035	242.790
Finance lease receivables (*)	5.077.819	5.186.777
Other Finance Lease Receivables	-	10.963
Factoring receivables	2.640.831	2.027.450
Financial liabilities:		
Funds borrowed	4.302.623	2.947.314
Debt securities issued	369.966	2.352.041
<b><u>Variable rate instruments</u></b>		
Financial assets:		
Finance lease receivables (*)	28.855	135.121
Factoring receivables	537.909	697.427
Financial liabilities:		
Borrowings	2.868.021	1.957.910

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

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#### 38. 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 324 (31 December 2018: TL 1.486).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 3.978 (31 December 2018: TL 3.439).

Interest expense on funds borrowed with variable interest rates would be higher at an amount of

TL 27.821 (31 December 2018: TL 18.471).

(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 1.753 (31 December 2018: TL 2.152).

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#### 38. 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:

	<b>31 December 2019</b>	<b>31 December</b>
	<b>(%)</b>	<b>2018(%)</b>
Construction	19,00	24,55
Textile	13,00	10,49
Transportation	14,07	7,80
Metal industry	12,15	10,93
Energy	7,77	-
Mining	7,36	6,47
Healthcare	4,11	4,54
Chemical and plastic	3,73	5,74
Food and beverage	3,65	3,67
Finance	2,50	2,51
Forestry products and paper	2,33	2,39
Retail and wholesale	1,68	2,82
Agriculture and forestry	1,76	2,05
Machinery and equipment	1,57	1,96
Tourism	1,03	1,47
Other	4,29	12,61
	<b>100,00</b>	<b>100,00</b>

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

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

(i) Credit risk management (Continued)

As at 31 December 2019, 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					
	Related party	Third party	Related party	Third party				
<b>31 December 2019</b>								
Exposure to maximum credit risk as at reporting date	57.511	5.049.163	15.029	3.163.711	951	2.396.137	86.279	3.159.747
- The portion of maximum risk covered by guarantee	-	486.079	-	471.747	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	57.511	4.403.382	15.029	2.936.096	951	2.396.137	86.279	3.159.747
- The portion covered by guarantee	-	371.670	-	471.731	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	58	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	546.737	-	16	-	-	-	-
- The portion covered by guarantee	-	101.918	-	16	-	-	-	-
D. Net carrying value of impaired assets	-	99.044	-	227.541	-	-	-	-
- Overdue (gross book value)	-	337.776	-	227.541	-	-	-	-
- Impairment (-)	-	(246.469)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	12.491	-	-	-	-	-	-
- Not past due (gross book value)	-	14.523	-	-	-	-	-	-
- Impairment (-)	-	(6.786)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

(<sup>1</sup>) Guarantees received are not taken into account in the calculation

(<sup>2</sup>) Includes collaterals for the assets impaired but not overdue.

(<sup>3</sup>) Equity securities are not included in the table as they don't have market risk.

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#### 38. 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	5.237.470	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	4.169.885	21.076	2.675.517	272.569	859	41.622	72.110
- The portion covered by guarantee	-	509.787	-	201.067	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	746	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	937.801	-	20.349	-	-	-	-
- The portion covered by guarantee	-	50.526	-	4.679	-	-	-	-
D. Net carrying value of impaired assets	-	129.785	-	7.189	-	-	-	-
- Overdue (gross book value)	-	233.384	-	31.016	-	-	-	-
- Impairment (-)	-	(135.330)	-	(23.827)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	12.545	-	-	-	-	-	-
- Not past due (gross book value)	-	33.008	-	-	-	-	-	-
- Impairment (-)	-	(1.277)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

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

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



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#### 38. 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 2019		31 December 2018	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	76.954.532	7.245.118	73.546.054	7.196.698
Collaterals of factoring transaction	10.470.687	396.934	8.772.559	189.749
Mortgage	3.398.634	316.061	1.132.352	290.123
Guaranties of factoring transaction	647.199	-	1.293.956	-
Pledged accounts	860.446	200.881	744.055	61.540
Pledged shares	278.520	75.049	172.996	74.329
Pledged commercial	210.000	33.502	215.000	51.369
Sureties of credit guarantee fund	184.930	123.518	165.380	140.457
Pledged vehicles	122.870	97.065	153.208	48.612
Guarantors	61.991	12	60.391	130
Share certificates	30.420	-	1.735	-
Pledged movable	31.096	7.047	30.800	19.983
Commercial receivable insurance	-	-	32.140	-
Letters of guarantee	21.190	3.750	31.810	8.023
Ship mortgage	14.851	-	13.152	-
Cash blockages	5.773	-	7.275	-
Collaterals given by vendors	8.519	1.625	7.442	3.085
Funds bonds as collateral	2.450	328	2.450	1.356
Collaterals of leasing transaction	1.317	-	1.295	-
Pledged machines	799	-	502	-
	<b>93.306.224</b>	<b>8.413.999</b>	<b>86.384.552</b>	<b>8.085.454</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.

##### (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.

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

(j) Liquidity risk table

31 December 2019

Contractual Maturities	Carrying	Contractual	Less than	3-12	1-5	More than
	Amount	Cash Flows (I+II+III+IV)				
Non-derivative Financial Assets:						
Banks	421.728	421.730	413.932	7.798	-	-
Financial Assets at Fair value through profit and Loss	951	951	951	-	-	-
Lease Receivables (*)	5.106.674	5.774.318	781.267	1.659.673	3.259.947	73.431
Factoring Receivables	3.178.740	3.232.424	2.847.544	381.756	3.124	-
Other Lease Receivables	14.289	14.289	14.289	-	-	-
<b>Total Assets</b>	<b>8.722.382</b>	<b>9.443.712</b>	<b>4.057.983</b>	<b>2.049.227</b>	<b>3.263.071</b>	<b>73.431</b>
Non-derivative Financial Liabilities:						
Funds Borrowed	7.170.644	7.405.712	3.671.981	2.317.978	1.303.403	112.350
Debt Securities Issued	369.966	380.000	161.000	219.000	-	-
Lease Obligations	840	873	333	350	190	-
Other Liabilities	223.007	223.008	218.913	2.148	1.946	-
<b>Total Liabilities</b>	<b>7.764.457</b>	<b>8.009.593</b>	<b>4.052.227</b>	<b>2.539.476</b>	<b>1.305.539</b>	<b>112.350</b>

31 December 2018

Contractual Maturities	Carrying	Contractual	Less than	3-12	1-5	More than
	Amount	Cash Flows (I+II+III+IV)				
Non-derivative Financial Assets:						
Banks	272.569	272.592	272.592	-	-	-
Financial Assets at Fair value through profit and Loss	859	859	859	-	-	-
Lease Receivables (*)	5.321.898	6.034.583	798.195	1.761.267	3.352.142	122.979
Factoring Receivables	2.724.877	2.760.862	2.138.114	615.160	7.588	-
Other Lease Receivables	10.963	10.963	10.963	-	-	-
<b>Total Assets</b>	<b>8.331.166</b>	<b>9.079.859</b>	<b>3.220.723</b>	<b>2.376.427</b>	<b>3.359.730</b>	<b>122.979</b>
Non-derivative Financial Liabilities:						
Funds Borrowed	4.905.224	5.098.255	2.063.431	988.221	1.917.361	129.242
Debt Securities Issued	2.352.041	2.429.089	1.398.580	1.030.509	-	-
Other Liabilities	146.441	146.442	140.470	1.302	4.670	-
<b>Total Liabilities</b>	<b>7.403.706</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>

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

(j) Liquidity risk table (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2019 and 31 December 2018.

<b>31 December 2019</b>	<b>Contractual</b>					
<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>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>
Cash inflows from derivatives	12.692	848.104	347.293	494.652	6.159	-
Cash outflows from derivatives	-	835.412	348.402	480.887	6.123	-
<b>31 December 2018</b>	<b>Contractual</b>					
<b>Contractual Maturities</b>	<b>Carrying Amount</b>	<b>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>
Cash inflows from derivatives	70.496	1.714.063	1.355.041	77.533	281.490	-
Cash outflows from derivatives	-	1.643.568	1.325.184	72.193	246.191	-

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

##### (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.

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

31 December 2019	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	-	421.728	-	-	-	421.728	421.728	4
Financial Assets at Fair Value Through Profit or Loss	951	-	-	-	-	951	951	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	86.279	-	86.279	86.279	7
Derivative financial assets	1.388	-	-	-	-	1.388	1.388	6
Finance lease receivables and non-performing lease receivables	-	-	5.106.674	-	-	5.106.674	5.475.785	9
Factoring receivables and non-performing factoring receivables	-	-	3.178.740	-	-	3.178.740	3.178.740	8
<b>Financial liabilities</b>								
Derivative financial Liabilities	10.723	-	-	-	-	10.723	10.723	6
Other liabilities	-	-	-	-	223.007	223.007	223.007	17
Lease Payables	-	-	-	-	840	840	840	18
Funds borrowed	-	-	-	-	7.170.644	7.170.644	7.230.270	16
Debt securities issued	-	-	-	-	369.966	369.966	374.312	19

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

(k) Fair value of financial instruments (Continued)

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
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	272.569	-	-	-	272.569	272.569	4
Financial Assets at Fair Value Through Profit or Loss	859	-	-	-	-	859	859	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	41.622	-	41.622	41.622	7
Derivative financial assets	72.110	-	-	-	-	72.110	72.110	6
Finance lease receivables and non-performing lease receivables	-	-	5.321.898	-	-	5.321.898	5.057.218	9
Factoring receivables and non-performing factoring receivables	-	-	2.724.877	-	-	2.724.877	2.724.877	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	96.521	-	-	-	-	96.521	96.521	6
Other liabilities	-	-	-	-	146.442	146.442	146.442	17
Lease Payables	-	-	-	-	-	-	-	18
Funds borrowed	-	-	-	-	4.905.224	4.905.224	4.827.492	16
Debt securities issued	-	-	-	-	2.352.041	2.352.041	2.415.513	19

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2019

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

#### 38. 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).

31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	951	-	951
Derivative financial assets	-	1.388	-	1.388
Financial Assets at Fair Value Through Other Comprehensive Income	81.554	-	686	81.554
<b>Total financial assets carried at fair value</b>	<b>81.554</b>	<b>2.339</b>	<b>686</b>	<b>84.579</b>
Derivative financial liabilities	-	10.723	-	10.723
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>10.723</b>	<b>-</b>	<b>10.723</b>
31 December 2018	Level 1	Level 2	Level 3	Total
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>