

ANNUAL REPORT
2019

İŞ LEASING



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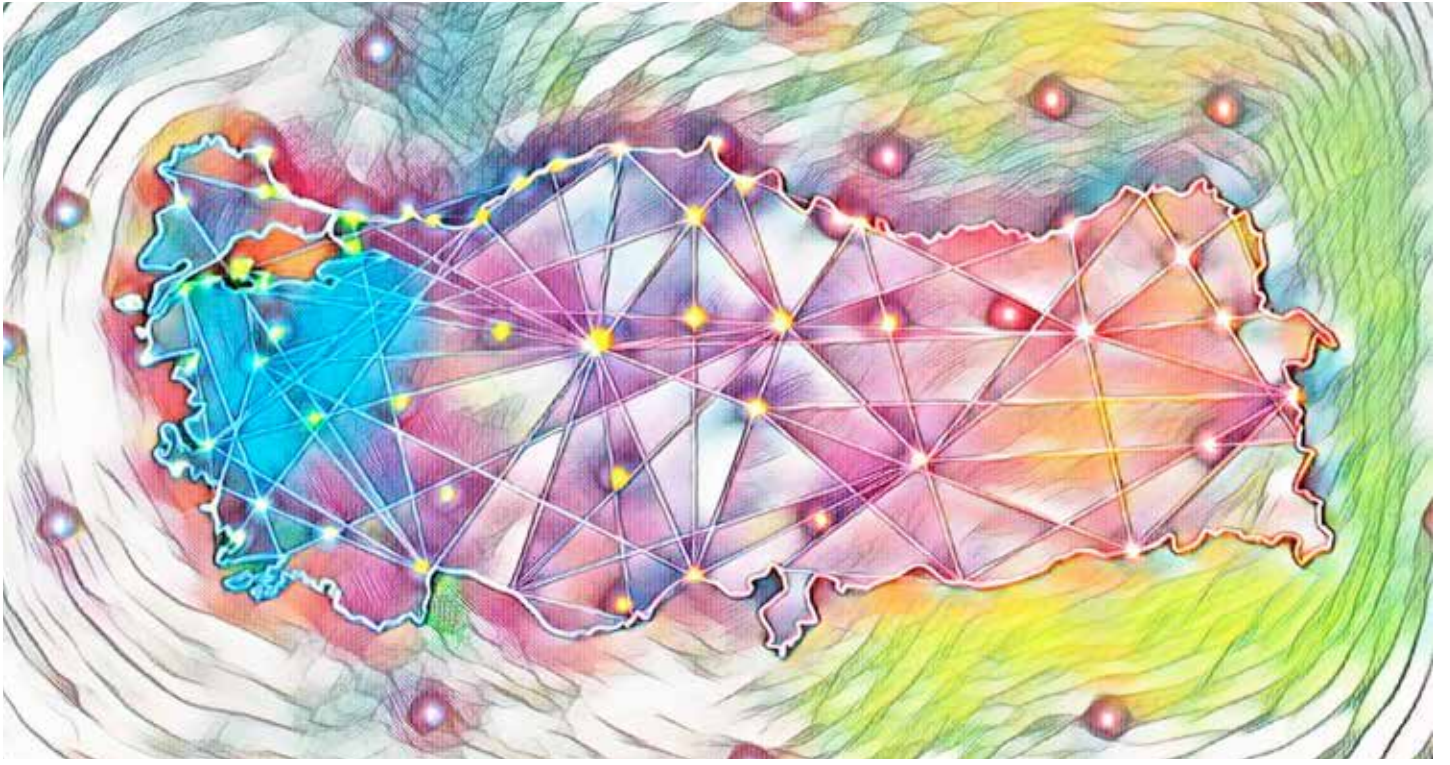
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HIGH CUSTOMER REACH

İŞ LEASING ENJOYS A HIGH CUSTOMER REACH THROUGH ITS 15 BRANCHES LOCATED IN REGIONS AND CITIES GETTING THE HIGHEST SHARE OF GDP AND THROUGH THE EXTENSIVE BRANCH NETWORK OF İŞBANK.

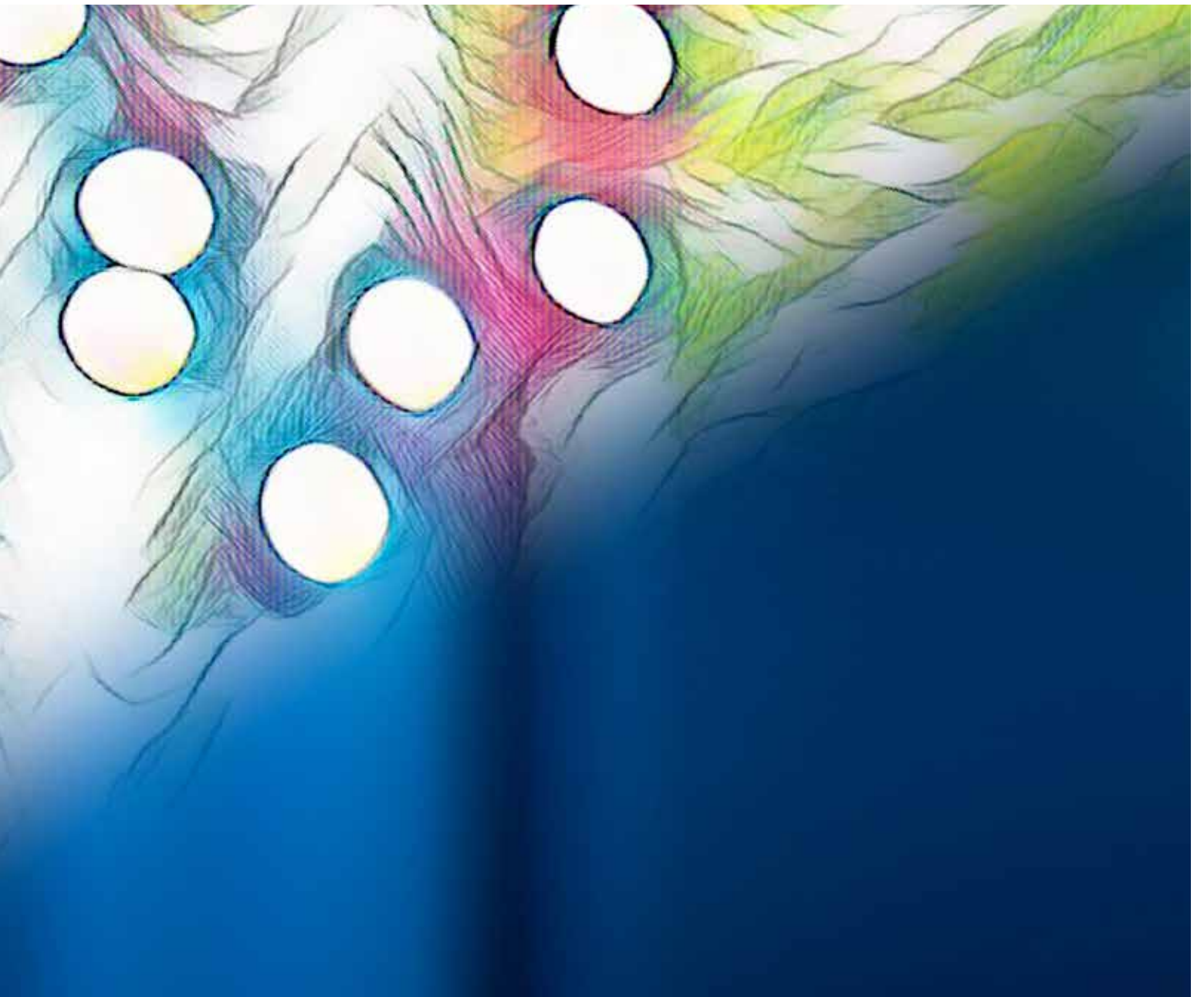
Being one of the first leasing companies established in Turkey, İş Leasing represents a deep-seated experience in the sector.

İş Leasing leads the competition with its pioneering character in the sector, its new product development and solution creation capabilities, lean and effective business processes that make a difference in customer experience, and its swift decision-making mechanisms.

Offering service via its 15 branches located in regions and cities getting the highest share of GDP, İş Leasing boasts one of the greatest number of branches in the sector and thus enjoys a high customer reach through its own branches and the extensive branch network of İşbank.

- Head Office, İstanbul
- Kozyatağı Branch, İstanbul
- Kartal Branch, İstanbul
- Şişli Branch, İstanbul
- Avcılar Branch, İstanbul
- Central Anatolia Branch, Ankara
- Ostim Branch, Ankara
- Aegean Branch, İzmir
- South Anatolia Branch, Gaziantep
- Marmara Branch, Bursa
- Mediterranean Branch, Antalya
- Çukurova Branch, Adana
- Trabzon Branch
- Konya Branch
- Kayseri Branch
- Diyarbakır Branch





"BEST LEASING COMPANY 2019" AWARD FROM THE CAPITAL MAGAZINE

İŞ LEASING CLAIMED THE FIRST SPOT IN THE FINANCIAL LEASING CATEGORY AT THE 2019 EDITION OF THE ANNUAL SURVEY CONDUCTED BY CAPITAL MAGAZINE TO DETERMINE THE TOP COMPANIES IN THEIR SECTORS.

COMPANY PROFILE



41.8%

41.8% OF İŞ LEASING'S SHARES ARE CURRENTLY BEING TRADED ON BORSA İSTANBUL UNDER THE TICKER SYMBOL "ISFIN".

Being one of the first leasing companies established in Turkey, İş Leasing was incorporated in 1988 as a partnership of Türkiye İş Bankası (İşbank) Group with IFC, a member of the World Bank Group, and Société Generale. İşbank acquired all of the shares held by foreign shareholders in 1995, and gave additional momentum to the Company's activities.

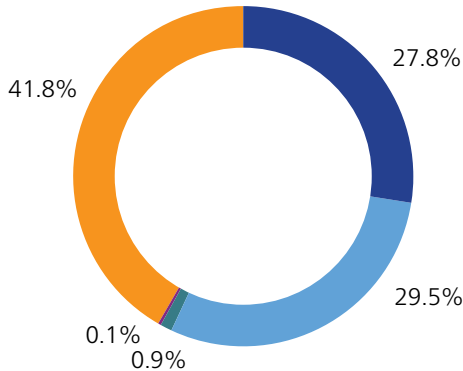
Thanks to İşbank's branch network extending all over Turkey, İş Leasing quickly became one of the leading

companies of the Turkish leasing sector. Part of the Company's shares was offered to the public in 2000.

Representing a deep-seated experience in the sector, continually achieving improvement, and increasing its business volume since its debut, İş Leasing authored a number of major initiatives; the Company steered the sector and contributed significantly to its growth through numerous "first"s including lease syndication, aircraft lease facility, and sale-and-leaseback based on its pioneering and innovative approach.

41.8% of İş Leasing's shares are currently being traded on Borsa İstanbul under the ticker symbol "ISFIN", while the remaining 58.2% is held by İşbank Group, along with full management control over the Company.

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



SHAREHOLDING STRUCTURE (%)

Shareholder

Shareholder	Share (%)
Türkiye İş Bankası A.Ş.	27.8
Türkiye Sınai Kalkınma Bankası A.Ş.	29.5
Trakya Yatırım Holding A.Ş.	0.9
Türkiye Şişe ve Cam Fab. A.Ş.	0.1
Publicly Held	41.8

Total

100.0

İş Leasing has espoused the strategy of ensuring “Sustainable, High-Quality and Profitable Growth” in order to achieve its vision and goals. The Company targets to adhere to the principles spelled out below when implementing its strategy.

PRODUCTS AND SERVICES THAT CATER TO CUSTOMER NEEDS:

- Differentiating service quality through innovative and flexible products
- Intelligent business processes offering fast and effective solutions
- Extensive and efficient service network
- Effective customer relationship management
- Strong channel management strategy

COMPETENT HUMAN RESOURCE:

- Practices that build on competence and productivity
- HR policies focused on employee happiness
- Implementations nurtured with employee feedback and suggestions
- Performance-based objective assessment

WELL-BALANCED RESOURCE AND RISK MANAGEMENT:

- Risk-based capital allocation
- High asset quality and efficient credit risk management
- Extensive and diversified funding structure
- Currency, maturity and interest rate risk management aligned with assets

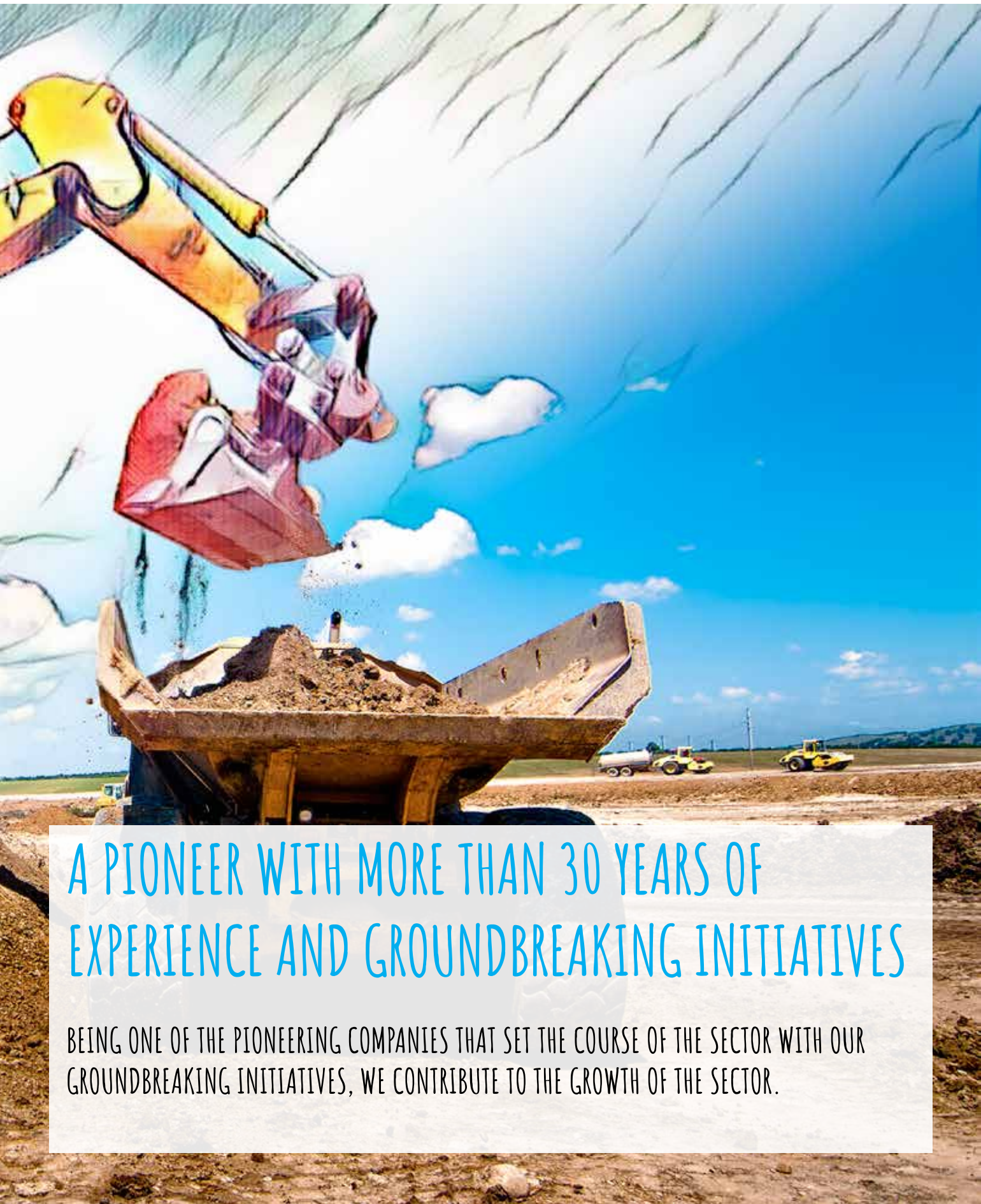
DIGITAL TRANSFORMATION AND TECHNOLOGICAL ADVANCEMENT:

- Infrastructure design integrated with new technologies
- Digital transformation processes
- Technology-driven digital interaction
- Business intelligence creation supporting decision making on the back of advanced data analytics
- Data-driven agile decision-making processes

STRONG

WE ARE ONE OF THE SECTOR'S LEADING COMPANIES WITH OUR ROBUST FINANCIAL STRUCTURE AND FUNDING CAPABILITIES.





A PIONEER WITH MORE THAN 30 YEARS OF EXPERIENCE AND GROUNDBREAKING INITIATIVES

BEING ONE OF THE PIONEERING COMPANIES THAT SET THE COURSE OF THE SECTOR WITH OUR GROUNDBREAKING INITIATIVES, WE CONTRIBUTE TO THE GROWTH OF THE SECTOR.

COMPANY PERFORMANCE



TL 5.1 BILLION
NET LEASING PORTFOLIO
AMOUNTED TO TL 5.1 BILLION
IN 2019.

10.7%
EQUITY
INCREASED BY 10.7% TO
TL 1.3 BILLION.

TL 84 MILLION
NET PROFIT
POSTED TL 84 MILLION IN
CONSOLIDATED NET PROFIT IN
2019.

2019 has been a year of postponed investments and restrained demand as a result of the negative market conditions and growth struggles in our country combined with the slowdown in global economy and economic activity. To a backdrop of contracted demand and deteriorated investment environment, İŞ Leasing embraced a lending approach giving priority to risk-focused policies, and continued to make available financing sources compatible with their investments to the real sector companies and most of all to the SMEs that serve as the engine of our national economy.

In 2019, the Company focused on sustainable growth strategies and achieved performance results in line with its goals thanks to its dynamic balance sheet management:

- With a new transaction volume of USD 356 million and a market share of 13.9%, İŞ Leasing carried its strong position in the sector one step further.
- Net leasing receivables amounted to TL 5.1 billion.
- The Company increased its shareholders' equity by 10.7% to TL 1.3 billion.
- The Company posted a net profit of TL 84 million.

Through advanced techniques implemented for credit risk, effective risk monitoring processes and broad-based portfolio, the Company's non-performing leasing receivables ratio continued to remain significantly below the industry average and stood at 6.6%.

Being one of the industry's leading service providers with its professional human resource which is set apart with its competencies, know-how and high visionary capability, coupled with the robust financial structure, İŞ Leasing displays a consistent and healthy performance on the back of its sustainable and profitable growth strategy.

Powered by its service model that is bolstered with digitalization, efficiency and innovation culture, and that constantly upgrades customer experience, İŞ Leasing has been one of the most preferred companies also in 2019 and increased its market share in terms of the number of customers to 12.2%.

4.7%

TOTAL ASSETS

GREW BY 4.7% AND REACHED TL 9.1 BILLION.

\$ 356 MILLION

TRANSACTION VOLUME

FURTHER BOLSTERED THE COMPANY'S SOLID POSITION IN THE SECTOR.

16.7%

FACTORING RECEIVABLES

ROSE BY 16.7% TO TL 3.2 BILLION.

(TL million)	2019	2018	Change (%)
Total Assets	9,088	8,682	4.7%
Factoring Receivables	3,179	2,725	16.7%
Leasing Receivables, Net	5,107	5,322	-4.0%
Shareholders' Equity	1,274	1,151	10.7%
Net Profit / Loss	84	198	-57.6%
Return on Assets (ROA) %	0.9	2.2	
Return on Equity (ROE) %	7.0	18.6	
Debt to Equity	6.1	6.5	
Cost/Revenue (%)	5.7	17.9	

TOTAL ASSETS (TL MILLION)



LEASING RECEIVABLES, NET (TL MILLION)



SHAREHOLDERS' EQUITY (TL MILLION)





STOCK, ASSESSMENT AND RATING



29 MILLION

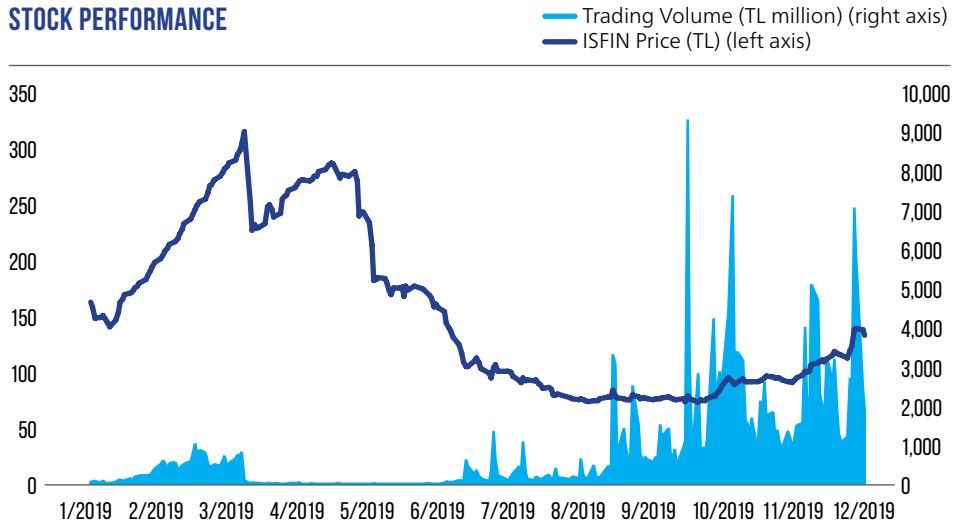
İŞ LEASING REMAINED THE SECTOR'S MOST IMPORTANT BENCHMARK STOCK WITH AN AVERAGE TRADING VOLUME OF 29,190,321 TRANSACTIONS IN 2019.

STOCK PERFORMANCE

While 2019 was tainted by the trade wars between the US and China, Brexit, and geopolitical uncertainties affecting the geography that also covers Turkey, BIST 100 index was up by 25.4 percent in 2019 with the added support of the global markets that presented buyers towards the end of the year, and closed the year at 114,425.

Publicly-held since 2000 and 41,8% of its shares traded on BIST, İş Leasing remained the sector's most important benchmark stock with an average trading volume of 29,190,321 transactions in 2019.

STOCK PERFORMANCE





CORPORATE GOVERNANCE

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

CREDIT RATING

In its rating report dated 12 November 2019, Fitch Ratings announced the local and international currency ratings of İş Leasing as A+(tur) and B+, respectively.

Foreign Currency

Long Term	Short Term	Outlook
B	B	Negative

Turkish Lira

Long Term	Short Term	Outlook
B+	B	Stable

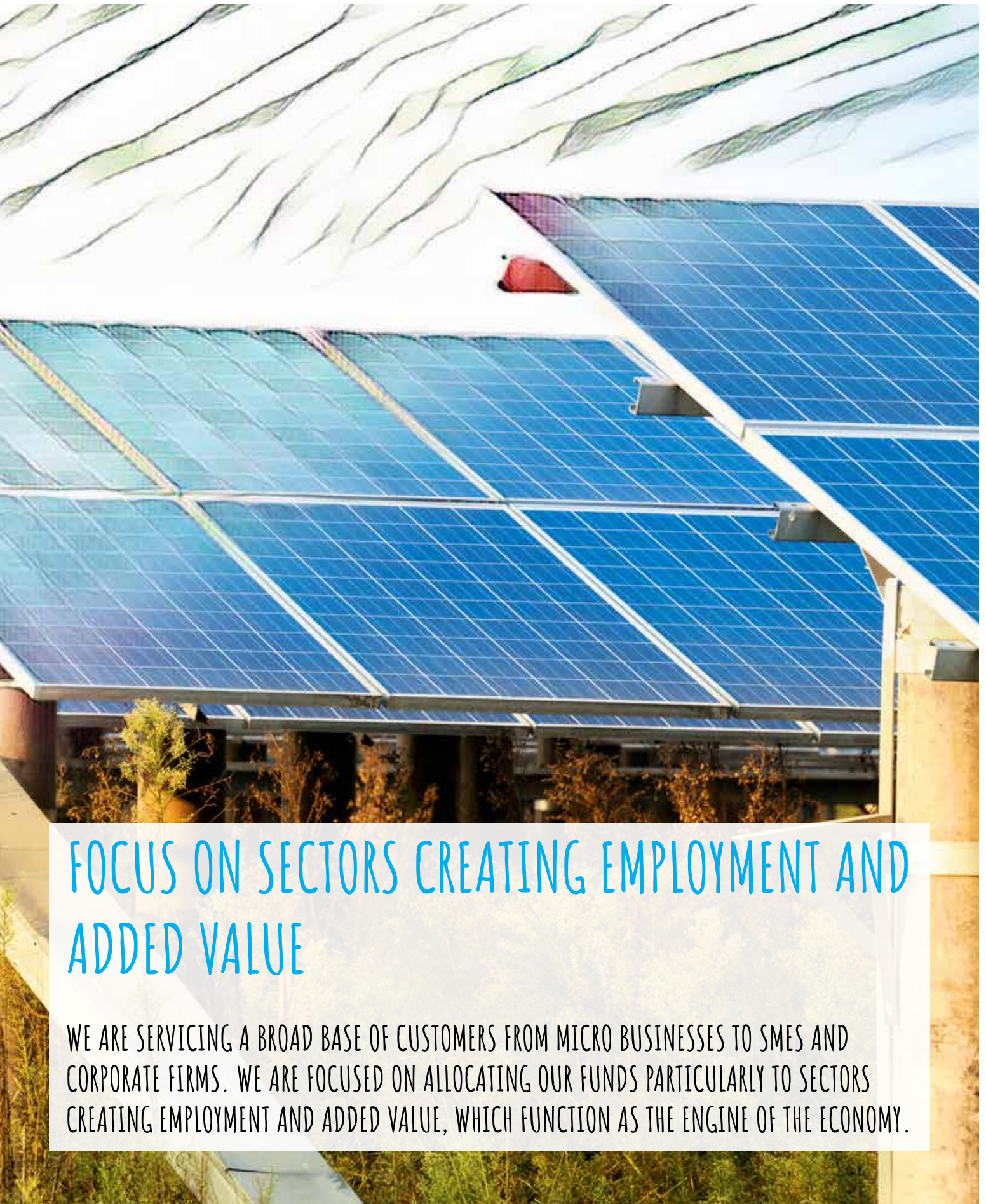
National

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

A+ (TUR)

IN ITS RATING REPORT DATED 12 NOVEMBER 2019, FITCH RATINGS ANNOUNCED THE LOCAL AND INTERNATIONAL CURRENCY RATINGS OF İŞ LEASING AS A+ (TUR) AND B, RESPECTIVELY.





FOCUS ON SECTORS CREATING EMPLOYMENT AND ADDED VALUE

WE ARE SERVICING A BROAD BASE OF CUSTOMERS FROM MICRO BUSINESSES TO SMES AND CORPORATE FIRMS. WE ARE FOCUSED ON ALLOCATING OUR FUNDS PARTICULARLY TO SECTORS CREATING EMPLOYMENT AND ADDED VALUE, WHICH FUNCTION AS THE ENGINE OF THE ECONOMY.

MESSAGE FROM THE CHAIRMAN



REAL SECTOR

FURTHER CONCRETIZING ITS CONTRIBUTION TO THE TURKISH ECONOMY WITH THE SUPPORT IT LENDS TO THE REAL SECTOR, OUR COMPANY CONTINUED TO TAKE PLACE AMONG THE LEADING SERVICE PROVIDERS OF THE LEASING SECTOR WITH THE FINANCING FACILITIES IT MAKES AVAILABLE TO THE SMES.

Dear Stakeholders,

Before presenting for your review and approval the annual report, financial statements and profit distribution proposal, which provide a summary of the 2019 performance and results of İŞ Leasing and which have been prepared in accordance with the Capital Market Law and applicable legislation, I would like to give an overview of the world and national economy, and make a brief assessment of the leasing sector, and the position of İŞ Leasing.

A YEAR OF REGRESSION FOR GLOBAL GROWTH AND TRADE

2019 went down in the history as a year characterized by shrank industrial production volumes, increased protectionist trade policies, expansionary steps of central monetary authorities, Brexit, and global and regional political issues.

While the US had one of its longest lasting growth periods, Eurozone displayed a weaker growth as compared with the previous year. The emergence of political uncertainties in Italy, Spain and

UK during the course of the year, and the Brexit process reflected negatively on the growth tendency in the area. While Japan grew below the projections amid the Asian economies that continued to lose momentum, Chinese economy registered the lowest growth performance of the past three decades.

With the increased weight of global risks in 2019, almost all central banks and primarily the US Federal Reserve (the Fed), which was expected to implement a tight monetary policy throughout the year, turned to expansionary monetary policies. The objective of this move was to restrain the negative effects and expectations stemming from increased downside risks with the increasing liquidity.

Global growth estimate for 2019, which was revised downwards several times by the International Monetary Fund (IMF), stands at 2.9%, which is the lowest level observed after the 2008-2009 period.

Global trade declined in parallel with contracted demand, and the World Trade Organization (WTO) announced its growth estimate for total external trade volume at the lowest of the past decade with 1.2%.

The IMF revised its growth projection for 2020 as 3.3%. The predicted slowdown in growth rates is also backed by some lead indicators such as the Manufacturing Purchasing Managers Index (PMI). Data flowing in the last quarter of 2019 point at contracted activity in major economies including the US, Germany, Japan, Russia, South Korea and the UK. The growth issues of China (IMF 2020 projection 5.8%) and the reduction of the demand it creates play a big part in this stagnation.

Within this general framework, monetary policy tool options of global monetary authorities (low and even negative interest rates and excess liquidity) are increasingly diminishing. The authorities are anticipated to back the current process with enriched fiscal policies and to lend support with public expenditures against the stagnation signals of the economy.

AFTER CONTRACTING FOR THREE QUARTERS, THE TURKISH ECONOMY IS BACK ON GROWTH TRACK.

The Turkish economy spent the period between the second half of 2018 and the first half of 2019 dominated by high-interest and high-inflation and shrank demand as a period of successful rebalancing. While a gradual improvement has been observed throughout the year, after performing on the negative side for three quarters, the economy signaled that it has set out on a positive course with its 0.9 value in the third quarter of 2019.

The funding costs that picked up amid the high-inflationist environment slipped down to early-2018 levels within the scope of the rebalancing process backed also by the global conjuncture. During this recuperation period, it was observed that investment appetite began to revive

slowly and the realization of postponed investment demands gained speed.

While record levels were reached in exports in 2019, the current deficit, which was at its lowest of the past nine years with the effect of contracted demand, improved gradually.

With the growth figures back to positive values, the direction of domestic demand will be critical. In this framework, the course of oil prices will be watched closely with respect to the level of current deficit, as is customary. The funding of current deficit and public borrowings to be undertaken in an effort to support growth will almost be the most important variables regarding the value of the Turkish currency and interest rates.

We believe that 2020 will be another year compelling prudence and close monitoring and controlling of financial risks.

AMID TOUGH CONDITIONS, İŞ LEASING CONSOLIDATED ITS STRONG POSITION IN THE SECTOR.

After remaining flat (in fact, having declined when sale-and-leaseback transactions are excluded) in the three years from 2015 through 2017, the sector ended 2019 with 46.7% contraction YoY in parallel with the weakened demand and investment environment.

Amid the specific market conditions of 2019, İş Leasing adopted a selective and risk-sensitive approach to its credit expansion. Further concretizing its contribution to the Turkish economy with its support to the real sector, our Company continued to take place among the leading service providers of the leasing sector with the financing facilities it makes available to the SMEs.

In line with the projected rate of growth for our country in 2020, we are anticipating the new transaction volume of the leasing sector to gradually acquire an uptrend upon revival of postponed investments.

Maintaining our belief that we will build on and further increase our performance in a relatively more balanced economic and sectoral environment in the year ahead, I would like to thank all our stakeholders who have stood by us with their support and contributions on behalf of the Board of Directors and myself.

Sincerely,

Murat Bilgiç

Chairman of the Board of Directors



HEALTHY GROWTH

UNCOMPROMISING FROM ITS HEALTHY AND SUSTAINABLE GROWTH STRATEGIES, İŞ LEASING MAINTAINS ITS SECTORALLY AND GEOGRAPHICALLY WELL-BALANCED AND BROAD-BASED PORTFOLIO IN 2019.

IN 2019, İŞ LEASING HAS BEEN THE MOST PREFERRED COMPANY IN ITS INDUSTRY.

Slowdown in global economy and economic activity in 2019, coupled with the negative market conditions in our country, suppressed domestic demand and caused significant postponement of investment decisions. The leasing sector was adversely affected by the conjuncture as funding hardships stemming from liquidity crunch were added on top of contracted investment demands; the transaction volume of the overall industry shrank by 46.7% and went down to USD 2.6 billion in 2019.

Uncompromising from its healthy and sustainable growth strategies, İş Leasing maintained its sectorally and geographically well-balanced and broad-based portfolio and financed the investments of a wide customer portfolio constituted mainly by SMEs, based on a prudent and selective financing policy in 2019.

Having generated a transaction volume of USD 356 million in 2019, İş Leasing further strengthened its position in the sector with the 13.9% market share it has captured. The Company reinforced its customer base with its smart business processes delivering fast and effective solutions and its distinctive service quality, and increased its market share in terms of the number of customers to 12.2%.

Our Company's financial lease receivables in the amount of TL 5.1 billion are made up of loans extended for heavy-duty and construction machinery by 15.3%, and other machinery and equipment by 24%. The total share of 39.3% held by machinery and equipment is followed by receivables on real estate with 26.7%.

Shareholders' equity of our Company grew by 10.7% to TL 1.3 billion in 2019, while consolidated net income has been realized as TL 84 million. Through effective credit risk management, and technology-driven advanced techniques implemented, İş Leasing's non-performing leasing receivables ratio continued to remain significantly below the industry average and stood at 6.3%.

In 2019, having issued bonds and private sector bills worth TL 3.4 billion within its bond issuance limit of TL 4.6 billion approved by the Capital Markets Board of Turkey (CMB), İş Leasing diversified its funding sources by securing new financing in the amount of USD 388 million from prestigious credit agencies in Turkey and abroad thanks to its credibility in the national and global arena.

İŞ LEASING FURTHER CONSOLIDATED ITS PIONEERING STANCE IN RENEWABLE ENERGY FINANCE.

Continuing to consolidate its pioneering stance in the sector with respect to renewable energy finance, İş Leasing kept funding the installation of solar power plants in 2019. Entering into collaboration agreements and developing projects with experienced companies engaged in this area, İş Leasing offers payment options that are aligned with the companies' cash flows through leasing.

INVESTMENT IN THE DIGITAL SHAPES OUR FUTURE.

Offering service via its 15 branches located in regions and cities getting the highest share of GDP, İş Leasing boasts one of the greatest number of branches in the sector and thus enjoys a high customer reach through its own branches and the extensive branch network of İşbank. Acting with the strategy of increasing its presence on digital platforms rather than pursuing organic expansion, our Company carries out digital transformation projects targeting improvement of business processes with the goal of enhancing operational efficiency and delivering a better customer experience. İş Leasing intends to finalize its digitalization projects substantially in the near future, and we will press ahead with our investments aimed at attaining higher efficiency.

IN 2020...

In 2020, the positive impact economic rebalancing and recovery process has on the markets and new investments is anticipated to become more pronounced. In the leasing industry where competition mainly takes place in SME financing, commercial and corporate companies of higher scale are kept under close watch along with the SMEs, with the target of getting a higher share from the investments of these companies.

In the period ahead, our main areas of focus with respect to new customer acquisition will be companies that invest with a focus on exports and the renewable energy sector, particularly the financing of solar power plants.

Despite anticipated intensified competition and relative contraction in interest rate margins, we are expecting İş Leasing to substantially preserve its new transaction volume market share gains in the last three years by increasing collaborations with vendors, the synergy captured with İşbank branches, and the activities in direct marketing channels.

We are determined to support our profitable growth, and take it further, through new initiatives in 2020. While our high-quality balance sheet structure will remain as a focal point we will strictly maintain, we will continue to manage the leverage that our shareholders' equity and our solid and diversified funding base present us with by adopting the correct and risk-averse approach.

Sincerely,

Mehmet Karakılıç
CEO and Member of the Board of Directors



FINANCIAL LEASING SECTOR



TL 48.7 BILLION
LEASING RECEIVABLES OF THE
OVERALL SECTOR DECLINED TO TL
48.7 BILLION IN 2019.

While the Turkish economy contracted for three quarters from the last quarter of 2018, investments were postponed in the economic environment that worsened due to the conjuncture and volatilities. The transaction volume of the leasing sector which depends mainly on investment goods expenditures was negatively affected by the conjuncture as the funding issues stemming from liquidity crunch increased, and the downsizing that began in 2018 in the industry persisted in 2019.

While the industry registered the lowest transaction volume of the past decade, leasing receivables dramatically declined in connection therewith. Total transaction volume of the sector diminished by 46.7% to USD 2.6 billion. The transaction volume of the leasing sector, which had enlarged in TL terms but downsized in USD terms in 2018, shrank both in TL and USD terms in 2019.

Due to the lower transaction volume, net leasing receivables and total assets of the leasing sector kept waning. In 2019, the financial lease receivables and total assets of the industry amounted to TL 48.7 billion and TL 58.2 billion, respectively. Registering TL 10.4 billion in shareholders' equity in 2019, the industry's net profit for the period was TL 1.1 billion.

When we look at the distribution of investments in the financial leasing sector, real estate take the first place with a share of 23.9%, while other machinery and equipment and heavy duty and construction machinery take the second and third places with respective shares of 20.3% and 12.4%. Following these sectors are textile machinery with 9.5% and metal processing with 10.1% shares.



In Turkey, the ratio of financing of private sector fixed capital investments through leasing is a low 4.5%-5.5%, which further slipped down to 2.5% in 2019. This ratio is 22% in USA, 31% in UK, 17% in Germany and 14% in France. The leasing sector is directly linked to growth rates and investments in our country. It has the potential to grow with possible improvements in the regulatory framework for certain commodity groups and sectors, and with the inclusion of end users in its target group.

The sector is anticipated to show moderate growth in the year ahead in parallel with the recovery in growth level, significantly low base effect, declined funding costs and revived demand for equipment for companies' postponed investments.

Targeting export-oriented companies in conjunction with the potential betterment in the investment environment, the sector anticipates growth in renewable energy, mining, automotive, textile, chemicals and plastics industries. In the light of all these projections, it is considered that the leasing sector will get the opportunity to grow as compared with 2019 through gradually increasing access to long-term funds and expanding customer base in 2020.

TL 58.2 BILLION

TOTAL ASSETS OF THE OVERALL SECTOR DWINDLED TO TL 58.2 BILLION.

TOTAL ASSETS (TL BILLION)



LEASING RECEIVABLES, NET (TL BILLION)



NET PROFIT (TL BILLION)





İŞ LEASING IN THE SECTOR



13.9%

IN 2019, İŞ LEASING INCREASED ITS TRANSACTION VOLUME MARKET SHARE TO 13.9%.

12.2%

İŞ LEASING INCREASED ITS MARKET SHARE IN THE NUMBER OF CUSTOMERS TO 12.2% IN 2019.

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

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

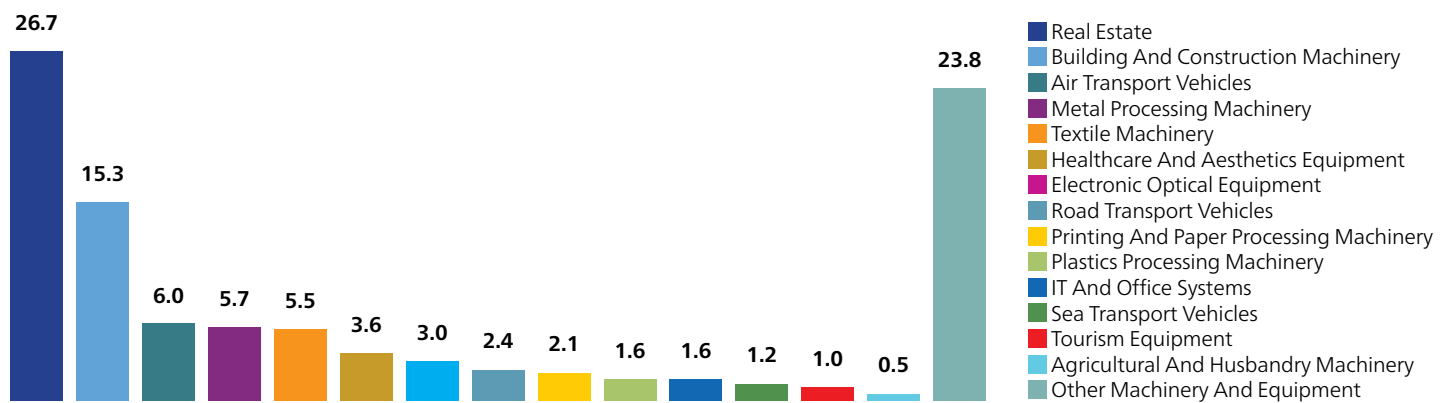
In 2019 that saw continued contraction in the leasing industry, İş Leasing succeeded in increasing its new transactions market share to 13.9% and its market share in terms of the number of customers to 12.2%. Its 15 branches scattered across Turkey, long-term business partnership approach that relies on efficiency and trust, and its technological infrastructure are important factors that drive the Company forward.

Its solid funding structure enables İş Leasing to extend financing support of any scale to investments in diverse sectors. With its business intensified mostly in real estate, machinery and equipment, and heavy-duty and construction business, İş Leasing continuously builds on the productive collaborations it establishes with vendors. An active player in funding energy projects as well, the Company will continue to make its name frequently mentioned also in the period ahead with its financing product developed for the installation of solar power plants in 2019.

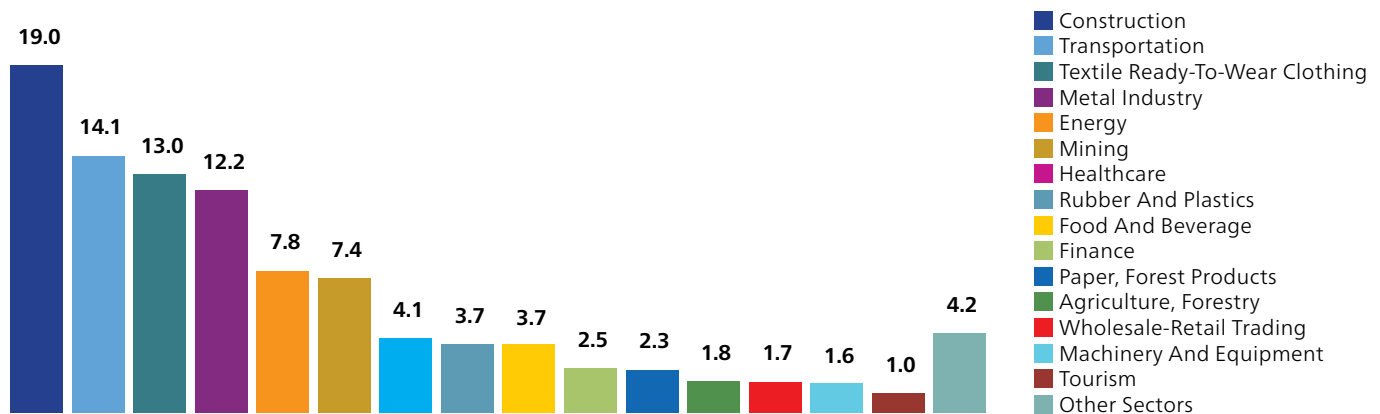
İş Leasing keeps expanding its customer base and strengthening its market position on the back of its approach to service, which reflects its experience and vision, is built upon its state-of-the-art technological infrastructure that can rapidly adapt to change and its competent human resource.



2019 EQUIPMENT DISTRIBUTION (%)



2019 SECTORAL DISTRIBUTION (%)







SUPERIOR SERVICE TO CUSTOMERS ON THE BACK OF INNOVATIVE APPROACH AND ROBUST FUNDING STRUCTURE

WE ARE PRODUCING NEED-BASED, CUSTOM-TAILORED SOLUTIONS WITH OUR INNOVATIVE APPROACH THAT IS NURTURED BY OUR KNOWLEDGE. DRAWING ON OUR ROBUST FUNDING STRUCTURE, WE ARE OFFERING FINANCING FACILITIES THAT ARE ALIGNED WITH OUR CUSTOMERS' FINANCIAL STRUCTURES AND CASH FLOWS.



COMPETITIVE

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

SERVICES

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

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

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

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

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

İş Leasing achieved a successful performance in 2019 with its service model based on fast, accurate and efficient processes and focused business strategies. In addition, the Company kept contributing to the sector and the economy by carrying further its identity as the preferred service provider.

PORTFOLIO

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

Distributing its risk exposure across various sectors that it finances, the Company is noted for its balanced portfolio characterized by diverse sectors and expansive geographical distribution, and in turn, for its NPL ratio that is below the sector's average. Reinforcing and expanding its customer base with distinctive customer experience, İş Leasing increased its market share to 12.2% on the basis of number of customers.



İŞ FAKTORİNG

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

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

In 2019, İş Faktoring posted TL 3.2 billion in factoring receivables, TL 10.8 billion in turnover, and TL 3.3 billion in total assets. As a result of the 2019 review by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., İş Faktoring was granted a (national) short-term rating of (TR) A1+ and long-term rating of (TR) "AA" on 07 May 2019. Both short- and long-ratings were assigned a "stable" outlook.

TL 10.8 BILLION

İŞ FAKTORİNG POSTED TL 10.8 BILLION IN TURNOVER BY THE END OF 2019.

FACTORING RECEIVABLES, NET (TL MILLION)





SPEED AND QUALITY

İŞ LEASING CONTINUED IN 2019 TO UPGRADE ITS TECHNOLOGY TO SECURE PRODUCTIVE GROWTH THROUGH INCREASED SPEED AND ENHANCED QUALITY OF ITS PRODUCTS AND SERVICES.

INFORMATION TECHNOLOGY

İş Leasing sustains its financing support uninterruptedly to the manufacturing industry, making use of the latest novelties in information technology, and continued in 2019 to upgrade its technology to secure productive growth through increased speed and enhanced quality of its products and services.

Aiming to improve the entire portfolio of services offered to customers in line with technological changes and business requirements, İş Leasing places great emphasis on technology upgrade in a number of aspects that include increasing the data processing speed, improving business processes and modes of doing business, and enhancing its capacity to found strategic decisions on flexible and precise measurements. In line with this strategy, regular development projects

are being carried out in many areas every year while technological developments are being monitored and additional investments are made as needed.

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

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



HUMAN RESOURCES AND TRAINING

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

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

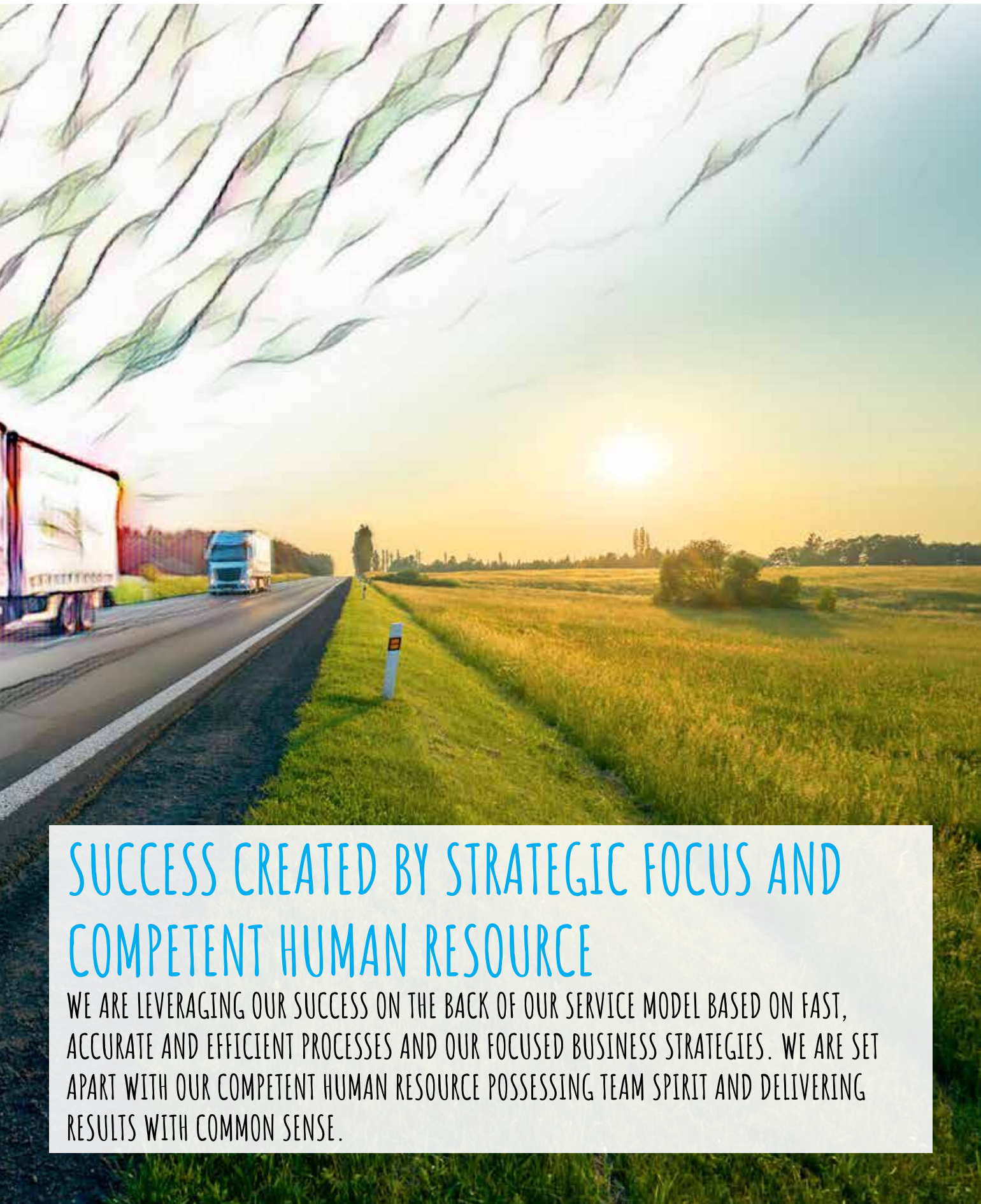
Training activities at İş Leasing are organized in view of business plans, need analyses and performance outputs, and in a way to promote technical and competence development for all employees.

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

PREFERRED

THE HR MISSION IS DEFINED AS BEING THE MOST PREFERRED COMPANY BY EMPLOYEES IN THE LEASING SECTOR AND TO RENDER EMPLOYEE SATISFACTION CONTINUOUS.





SUCCESS CREATED BY STRATEGIC FOCUS AND COMPETENT HUMAN RESOURCE

WE ARE LEVERAGING OUR SUCCESS ON THE BACK OF OUR SERVICE MODEL BASED ON FAST, ACCURATE AND EFFICIENT PROCESSES AND OUR FOCUSED BUSINESS STRATEGIES. WE ARE SET APART WITH OUR COMPETENT HUMAN RESOURCE POSSESSING TEAM SPIRIT AND DELIVERING RESULTS WITH COMMON SENSE.

BOARD OF DIRECTORS



MURAT BİLGİÇ
Chairman

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



MURAT VULKAN
Member

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



MEHMET KARAKILIÇ
General Manager / Member

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



AYŞE BOTAN BERKER
Independent Member

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



PROF. DR. SELİM YAZICI
Independent Member

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



O. TUFAN KURBANOĞLU
Member

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

BOARD OF DIRECTORS



ÖMER FARUK CENGİZ
Member

Born in 1970, Ömer Faruk Cengiz graduated from the Public Administration Department of Faculty of Political Science at Ankara University. After joining İşbank as an assistant credit specialist at Konya Branch of İşbank in 1999, Mr. Cengiz then functioned as credit specialist at Büşan/Konya Branch from 2004 until 2007 when he was appointed as assistant regional director at Commercial Banking Sales Division of Kayseri Regional Directorate. He worked as the manager of Kahramanmaraş Branch (2009-2011), Gaziantep District Sales Director (2011-2013), manager of Konya Commercial Branch (2013-2017) and head of SME Banking Sales Division (2017-2019). He currently serves as the head of Commercial Banking Product Division.



HASAN HEPKAYA
Member

Born in 1981, Mr. Hepkaya is graduated from Hacettepe University, Faculty of Economics and Administrative Sciences Department of Business Administration. Having started his career at Garanti Leasing in 2003, he then worked in various positions in the Corporate Marketing and Project Finance departments of Türkiye Sınai Kalkınma Bankası A.Ş. between 2005 and 2014, before serving as manager in Project Finance and Corporate Marketing departments between 2014-2018. Mr. Hepkaya was appointed as Executive Vice President responsible from Corporate Banking, Project Finance and Corporate Communications departments on 1 April 2019 and is still continuing to serve as a member of İş Leasing's Board of Directors.



MURAT DEMİRCİOĞLU
Member

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



MEHMET CELAYİR
Member

Born in 1970 in Bingöl, Mehmet Celayir graduated from İstanbul University with a B.A. degree in International Relations at İstanbul University in 1992. His banking career started in 1996 at İşbank by joining Elazığ Branch team. After working at various junior and managerial positions at İşbank Mr. Celayir was promoted to the post of Diyarbakır Regional Director of the SME Loans Underwriting Division. In 2013, he was assigned as the Manager of Mersin Commercial Branch until he became the Division Head of the Commercial Banking Sales Division at the Headquarters in 2017.



DORUK YURTKURAN
Member

Born in 1980, Mr. Doruk Yurtkuran graduated from the Middle East Technical University, Department of Business Administration in 2002. Starting his job career as an inspector in İşbank in 2003, Mr. Yurtkuran is appointed as Vice Manager to the Bank's Subsidiaries Division in 2012. He is working as Vice Manager in Subsidiaries Division of İşbank. In addition, Mr. Yurtkuran is also serving as a member of Board of Directors of JSC Isbank Georgia, İş Faktoring A.Ş. and Topkapı Yatırım Holding A.Ş. as well.

SENIOR MANAGEMENT



Şahin Emre

Assistant General Manager
Sales, Marketing, Information
Technologies

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



Sibel Doğan

Assistant General Manager
Credits, Risk Follow-up, Legal

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



Neslihan Oruç

Assistant General Manager
Financial Management, Purchasing,
Operation, Human Resources

Born in 1975, Ms. Neslihan Oruç graduated from the Department of Economics and holds a master's degree in finance and accounting. She started her career at Almar Tarımsal A.Ş. in 1993, and later worked for Çanakkale Seramik, Ford Otosan, and Vakıf Leasing. Ms. Oruç joined İş Leasing in 2001, where she served as a manager in Financial Management from 2002. She holds a Capital Markets Advanced Level License and Corporate Governance Rating License, as well as a Certified Public Accountant License. Ms. Oruç has been appointed as Assistant General Manager effective 01 October 2019.



Esmâ Toker
Sales Manager



Altan İyigün
Marketing Manager



Timuçin Ülkeok
Operations Manager



Arzu Kaya Topaloğlu
Purchasing Manager



Serkan Sırak
2nd Credits Manager



Abdurbari Kara
1st Credits Manager



Onur Tufan
Risk Monitoring Manager



Nuran Güneş Bozkurt
Legal Counselor



Seyithan Ayzazoğluyüksel
Law Affairs Manager

SENIOR MANAGEMENT



Muzaffer Eralp Ersoy
Treasury and Financial Institutions Manager



Aslı Abacı
Human Resources Manager



Sarmen Hazaros Çakır
Information Technologies Manager



Mehmet Erol Dursun
Head of Internal Audit

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



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

1) Opinion

We have audited the annual report of İş Finansal Kiralama Anonim Şirketi and its subsidiary ("the Group") for the period of 1/1/2019 - 31/12/2019.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated January 31, 2020 on the full set consolidated financial statements of the Group for the period of 1/1/2019-31/12/2019.

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

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

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

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

c) The annual report also includes the matters below:

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

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

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

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

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

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



March 2, 2020
İstanbul, Türkiye

CORPORATE GOVERNANCE PRACTICES

BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

In 2019, with its transaction volume of 356 million USD, and its market share of 13.9%, İŞ Leasing maintained its strong positioning in the sector. Having decreased its leasing portfolio by 4% over the past year, the Company further increased its shareholder's equity by 10,7% to 1.3 billion TL. With a net profit of 84 million TL in 2019, the Company recorded a return on equity of 7%. As a result of developed techniques applied and care and due diligence shown in credit risk management, the Company's non-performing debts ratio of leasing receivables continued to remain far below the sector average, and was recorded as 6.3%.

Its bond issuance limit of TL 4.6 billion approved by the Capital Markets Board of Turkey (CMB) and having issued bonds and private sector bills worth TL 3.4 billion in total during the year, İŞ Leasing diversified its funding sources by securing new financing in the aggregate amount of USD 388 million from prestigious credit agencies in Turkey and abroad.

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

As of the end of 2019, capital of the Company is 695.3 million TL, and we have no finding showing, and are not of the opinion, that the capital of the Company is actually depleted or the Company is deeply in debt.

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

In 2019, the Company has recorded operating results in tandem with its strategic goals thanks to its dynamic balance sheet management and by focusing on sustainable growth strategies.

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

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

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

Information on donations and grants made during the year:

Donations and grants made by the Company in 2019 are 200 TL.

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

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

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

None.

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

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

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

None.

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

During 2019 accounting period, the Company has been subject to a limited independent audit as of 30.06.2019, and to an independent audit as of 31.12.2019 by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Muşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by DRT Yeminli Mali Muşavirlik A.Ş.

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

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

"Conclusion" section of the Affiliation Report:

During 2019 activity year, within the frame of the relevant provisions of the Turkish Commercial Code, our Company is affiliated to the group of companies of T. İş Bankası A.Ş. Pursuant to article 199 of the Turkish Commercial Code, our Company's Board of Directors has incorporated the following statement in its affiliation report issued about its relations with its parent company and with affiliates of its parent company:

"With respect to all transactions performed by the Company and its parent company and the affiliates thereof during the activity year of 01.01.2019 - 31.12.2019, to the best of its knowledge, all legal transactions and actions performed in favor of the parent company or any affiliate thereof under direction of parent company, and all measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in 2019 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2019 within the knowledge of the Company."

CHANGES WITHIN THE REPORT PERIOD

Increase in the Share Capital

None.

Annual General Assembly Held within the Period

The Company's 2018 Annual General Assembly has been held at the address of İş Kuleleri, 34330, İş Bankası Oditoryum Binası, 4. Levent – İstanbul on 25 March 2019. Ordinary General Assembly Meeting of 2018 was held with the presence of the shareholders representing 600,000,000 Group A and 41,821,944,863 Group B shares from 69,530,264,500 shares corresponding to the Company's total equity of TL 695,302,645. In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

Profit Distribution

Based on the Board of Directors decision no. 2636 dated 20 February 2019, it has been decided that, according to the Profit Distribution Table submitted to, and approved by, the General Assembly of Shareholders, that TL 154,103 thousand, which is the net distributable profit for the period which is calculated as TL 197,537 thousand that is the net profit for the period arising according to the CMB legislation and forming the basis of profit distribution less prior year losses in the amount of TL 40,085 thousand less 3,349 thousand TL first legal reserves set aside as first legal reserves and calculated according to the TL 82,524 thousand profit that descends in the Company's legal records, be retained and set aside as extraordinary reserves. It has also been decided that deferred tax expenses in the amount of TL 4,091 thousand included in the net profit for the period according to the Company's legal records be set off from the deferred tax provisions, which consists of the Company's deferred tax income from prior years and which were retained, and be transferred to extraordinary reserves.

Changes in Articles of Association

During the period from 01 January 2019 and 31 December 2019, "Article 4 – Capital and Type of Shares" of the Company's Articles of Association has been modified based on the CMB permission no. 29833736-110.03.03-E.2795 dated 20 February 2019 and the T.R. Ministry of Trade, Directorate General of Domestic Trade permission no. 50035491-431.02-E-00042542432 dated 13 March 2019; the modified text has been approved at the 2018 Ordinary General Assembly Meeting and the amendment to the Articles of Association has been registered on 19 April 2019.

COMPANY RISK POLICIES

Credit Risk

Overall Principles Regarding the Credit Risk Management Process:

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

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

Market Risk

Overall Principles Regarding the Market Risk Management Process:

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

COMPANY RISK POLICIES

Liquidity Risk

Overall Principles Regarding the Liquidity Risk Management Process:

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

Operational Risk

Overall Principles Regarding the Operational Risk Management Process:

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

PROFIT DISTRIBUTION POLICY

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

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

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

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

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

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

DISCLOSURE POLICY

General Framework of the Disclosure Policy

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

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

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

Authorization and Responsibility

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

The Investor Relations Unit

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

Means and Methods in Disclosing Information to the Public

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

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

- Financial statements prepared according to International Accounting Standards are also sent quarterly to the Association of Financial Institutions.
- Unconsolidated financial statements prepared according to International Accounting Standards and related information are also sent quarterly to Banking Regulation and Supervision Agency (BRSA), which are published as aggregated (Total Industry) on the BRSA website.
- Information on special circumstances required in the Capital Market Board (CMB) legislation is sent to the Public Disclosure Platform (PDP) within the required time limits. As a company policy, the disclosures of special circumstances are signed by the Assistant General Manager responsible from finance and the Accounting Manager; however should these be not in the office, they are being signed by responsible to be determined by the General Manager and submitted to the PDP. Disclosures of special circumstances are submitted to electronically reported under PDP system. Within 1 business day after the information is disclosed to the public, disclosures of special circumstances are published on our website and are accessible for further 5 years.
- Appropriate announcements are sent to the Commercial Registry Gazette and to daily newspapers in the event of changes to the articles of association, of meetings of the General Assembly, or capital increases.
- Our regular general assembly meetings are held within legal time frames every year and all activities performed to ensure the participation of shareholders to the general assembly are documented. The information regarding general assembly meetings is provided under our website www.isleasing.com.tr, to facilitate direct access of all shareholders. Starting from the date of invitation for general assembly, the annual report, financial statements and notes, profit distribution proposal, information memorandum prepared on relevant items of agenda of the general assembly, other relevant documents regarding agenda items, current articles of association, proposal on amendments of articles of association with explanation are provided for the scrutiny of our shareholders at our headquarters.
- Quarterly Operations Reports are prepared in accordance with Capital Market Board (CMB) legislation and corporate governance principles and upon approval of Board of Directors, submitted to PDP and published at our website. Company Annual Report, prepared every year prior to the General Assembly in both Turkish and English in a manner to include any relevant information and explanations is made available to shareholders and published on our website at (www.isleasing.com.tr).
- It is not planned to hold regular discussions and meetings with the press. When it appears necessary or in order to respond to requests from members of the press, certain announcements are made in the written and visual media. Announcements to written and visual media and data distribution institutions may be made by the Chairman of the Board of Directors, the General Manager or his deputy and other persons designated by those authorities.
- In the Communiqué on Material Events Subject to Disclosure, the future-oriented assessments are defined as "assessments which contain future plans and predictions considered as insider information, or which give an idea to investors about the issuer's future activities, and financial situation and performance". Where the future-oriented assessments are intended to be made public through press and media or other means of communication, the same information is further announced through PDP (Public Disclosure Platform) concurrently. In the case of a material change in the future-oriented assessments already made public, the public is separately informed thereabout. Future-oriented prospects are made public with a prior written approval of the General Manager or the Deputy General Manager authorized by the Board of Directors of our Company.

DISCLOSURE POLICY

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

Other Disclosures

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

Corporate Website of İŞ Finansal Kiralama A.Ş. (www.isleasing.com.tr)

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

Monitoring News and Rumors About the Company

In order to follow-up the news and rumors about our company appearing on press-publication organs or web sites, the services of a company specialized in media monitoring services are being utilized. All news appearing about our company is sent by the service provider to our company on a daily basis.

In the event that news or rumors appear on written and visual media which are of significance to affect stakeholders investment decisions or the value of capital market instruments, are not originated by representative authorized persons of the Company, have a different content than the information previously made public through disclosure documents; an immediate disclosure is made to the public as to the validity and completeness of such information. In the event the information necessitates declaration of special circumstances, then the disclosure is made in the form of disclosure of special circumstances.

Deferring Disclosure of Internal Information

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

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

Criteria in Determining Persons with Administrative Responsibility

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

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

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

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

Confidentiality of Information to be Disclosed to the Public

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

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

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

COMPANY ETHICAL PRINCIPLES

I. GENERAL PROVISIONS:

ARTICLE 1. PURPOSE AND SCOPE:

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

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

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

ARTICLE 2. GROUNDS:

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

ARTICLE 3. GENERAL PRINCIPLES:

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

A) HONESTY:

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

B) NEUTRALITY:

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

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

C) RELIABILITY:

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

D) TRANSPARENCY:

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

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

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

F) PREVENTION OF LAUNDERING OF CRIME REVENUES:

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

G) INSIDER TRADING:

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

II. RELATIONS OF COMPANY WITH PUBLIC ENTITIES AND ADMINISTRATIONS:

ARTICLE 4. RELATIONS WITH PUBLIC ENTITIES AND ADMINISTRATIONS:

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

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

III. RELATIONS WITH MEMBERS OF THE ASSOCIATION:

ARTICLE 5. EXCHANGE OF INFORMATION:

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

ARTICLE 6. PERSONNEL MOVEMENTS:

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

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

ARTICLE 7. COMPETITION:

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

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

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

COMPANY ETHICAL PRINCIPLES

ARTICLE 8. ADVERTISEMENTS AND PROMOTIONS:

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

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

IV. RELATIONS OF COMPANY WITH ITS CUSTOMERS:

ARTICLE 9. INFORMATION OF CUSTOMERS:

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

ARTICLE 10. CUSTOMER SECRETS:

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

ARTICLE 11. SERVICE QUALITY:

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

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

ARTICLE 12. CUSTOMER COMPLAINTS:

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

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

ARTICLE 13. SECURITY:

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

V. RELATIONS WITH EMPLOYEES:

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

ARTICLE 14. GENERAL QUALIFICATIONS OF EMPLOYEES:

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

ARTICLE 15. RECRUITMENT AND CAREER DEVELOPMENT:

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

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

ARTICLE 16. REPRESENTATION PRINCIPLES AND WORK ENVIRONMENT:

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

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

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

ARTICLE 17. WORKING HOURS:

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

ARTICLE 18. RIGHTS OF EMPLOYEES:

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

ARTICLE 19. RELATIONS OF EMPLOYEES WITH CUSTOMERS:

The Company issues internal regulations precluding its Employees from:

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

VI. PROFESSIONAL RULES AND ETHICAL PRINCIPLES TO BE ABIDED BY COMPANY EMPLOYEES:**ARTICLE 20. PROFESSIONAL RULES AND ETHICAL PRINCIPLES TO BE ABIDED BY EMPLOYEES:**

The Employees are obliged:

- a) to comply with the current applicable laws and regulations in the course of performance of their job duties; and
- b) to keep their customers informed about benefits and risks of products and services offered to them; and
- c) to provide unbiased and fair services to customers receiving the same services; and

COMPANY ETHICAL PRINCIPLES

- d) not to disclose any secrets of the Company and its customers, which come to their knowledge in the course of performance of their job duties, to third parties other than the authorities legally and clearly authorized to request them; and
- e) not to cause any loss of reputation of the Company in their works and behaviors; and
- f) not to engage in activities which may lead to their identification as a "Commercial Enterprise" or as an "Artisan or Tradesman"; and
- g) not to act contrary to justice, integrity, honesty, reliability and social responsibility principles; and
- h) to enter into cooperation and to establish respectful and attentive communication with other employees in tandem with joint purposes and motives in performing their job duties and obligations; and
- i) not to use the assets and resources of the Company inefficiently and for non-intended purposes; and
- j) not to derive personal benefits from their own business relations or from opportunities of customers by using their personal positions; and
- k) to immediately refuse offers made to them for provision of benefits, and to report such offers to official authorities and their superiors; and
- l) to direct potential customers first of all to the Company; and
- m) not to enter into non-ethical relations with customers such as debt/credit and surety relations; and
- n) not to accept gifts from existing or potential customers other than common usage and practices; and
- o) to assume responsibility and accountability with respect to their duties in the course of performance of services; and
- p) not to ruin the reputation of the Company and other financial institutions and not to engage in defamatory or humiliating acts towards business partners, shareholders, employees and customers by using their own identity or by concealing their identity or by using misleading identities in media and social media environments, profile accounts or other communications; and
- q) not to take acts binding on the Company, and not to give deceptive and untrue statements by overriding their authority in performance of their job duties.

ARTICLE 21. DEVELOPMENT OF ETHICAL PRINCIPLES OF COMPANIES:

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

VII. RELATIONS OF COMPANY WITH THE ASSOCIATION:

ARTICLE 22. RELATIONS WITH THE ASSOCIATION:

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

The Company will not make public:

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

VIII. RELATIONS OF COMPANY WITH ITS SHAREHOLDERS:

ARTICLE 23. RELATIONS WITH SHAREHOLDERS:

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

IX. OTHER PROVISIONS:

ARTICLE 24. COMPLIANCE WITH LAWS AND LEGAL ACTIONS:

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

ARTICLE 25. PUBLIC DISCLOSURE:

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

ARTICLE 26. CONFIDENTIALITY:

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

ARTICLE 27. DETECTION OF BREACHES, AND SANCTION:

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

ARTICLE 28. EFFECTIVE DATE:

These Ethical Principles have entered into force as of 30.06.2015.

CORPORATE GOVERNANCE PRINCIPLES DECLARATION

İstanbul, 27 February 2020

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

CORPORATE GOVERNANCE PRINCIPLES DECLARATION

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

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

It is targeted to achieve maximum compliance with these principles in the protection of our shareholders' rights, public disclosures, ensuring transparency, and decisions and transactions concerning stakeholders and the Board of Directors. To this end, activities for ensuring compliance with corporate governance principles are carried on under the supervision of our Committee. Within this framework, Corporate Governance Principles Compliance Report and Corporate Governance Information Form for 2019 fiscal year, which incorporates the aspects of those principles that can and cannot be implemented, has been prepared in line with our Company's priorities in this respect, and attached hereto.

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

Sincerely,

İş Finansal Kiralama A.Ş.
Corporate Governance Committee

Neslihan Oruç
Member

Doruk Yurtkuran
Member

Ömer Faruk Cengiz
Member

Prof. Dr. Selim Yazıcı
Chairman

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

Information explaining reporting through templates is presented below.

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

PART II - SHAREHOLDERS

1. Investor Relations Unit

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

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

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

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

- Ensure that the records in relation to shareholders are kept in a healthy, secure and up-to-date manner,
- Respond to shareholders' written inquiries about the Company, save for those that are not publicly disclosed, are confidential and/or trade secrets,
- Ensure that General Assembly Meetings are convened in accordance with the applicable legislation, the Company's Articles of Association and other internal regulations; prepare the documents that may be useful to shareholders; ensure that the records of voting results are kept and reports covering the results are sent to shareholders,
- Oversee and monitor any and all matters related to public disclosure under the legislation and the Company's Information Policy,
- Prepare informative reports for investors; organize presentations and meetings as and when necessary.

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2. Exercise of Shareholders' Right to Information

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

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

Pursuant to legislation, minority shareholders are entitled to request appointment of a special auditor from the General Assembly of Shareholders for inspecting some specific events. The Company's shareholders did not request appointment of a special auditor from the General Assembly during 2019. Nevertheless, the request for appointment of a special auditor has not been set forth as an individual right in the Company's Articles of Association.

3. General Assembly Meetings

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

During the reporting period, one General Assembly meeting was held, which was the 2018 Ordinary General Assembly Meeting. The said meeting was held both physically and electronically on 25 March 2019. The procedures prior to the General Assembly were handled in accordance with the Corporate Governance Principles, and the decisions concerning the General Assembly have been shared with the public within due time. 2018 Ordinary General Assembly Meeting was convened with a quorum of 61.01% and was not attended by any stakeholders other than shareholders, or by media members.

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

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

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

During the General Assembly meeting held in 2019, information was provided on the donations and aids made during the reporting period under a dedicated agenda item.

4. Voting Rights and Minority Rights

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

There are no cross-shareholding relationships with any company.

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

5. Dividend Right and Profit Distribution Policy

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

Profit for 2018 has been distributed in accordance with the resolution passed in the Ordinary General Assembly Meeting held in 2019.

6. Share Transfer

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

7. Information Policy

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

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

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

8. Company Internet Site (www.isleasing.com.tr) and its Content

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

9. Annual Report

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

PART IV - STAKEHOLDERS

10. Keeping Stakeholders Informed

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

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

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

11. Stakeholder Participation in Management

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

12. Human Resources Policy

The Company's Human Resources Policy is outlined below:

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

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

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

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

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

13. Code of Ethics and Social Responsibility

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

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

PART IV – BOARD OF DIRECTORS

14. Structure and Formation of the Board of Directors

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

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

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

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

INDEPENDENCE STATEMENT

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

- *That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;*
- *That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage up to third degree on the other hand;*
- *That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;*
- *That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;*
- *That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;*
- *That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors; and*
- *That I am deemed a resident of Turkey according to the Income Tax Law; and*
- *That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;*
- *therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.*

Name & Surname: Dr. A. Botan Berker

Date: 25.03.2019

Signature:



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

INDEPENDENCE STATEMENT

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

- *That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;*
- *That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage up to third degree on the other hand;*
- *That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;*
- *That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;*
- *That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;*
- *That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors;*
- *That I am deemed a resident of Turkey according to the Income Tax Law;*
- *That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;*
- *therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.*

Name & Surname: Prof. Dr. Selim Yazıcı

Date: 25.03.2019

Signature



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

First & Last Name	Entity	Position
Murat Bilgiç	Türkiye İş Bankası A.Ş. / Group company	Deputy Chief Executive
	JSC Isbank / Group company	Chairman of the Board of Directors
	JSC Isbank Georgia/ Group company	Chairman of the Board of Directors
	LYY Telekomünikasyon A.Ş. / Out Group	Member of the Board of Directors
Mehmet Karakılıç	Association of Financial Institutions / Out Group	Member of the Board of Directors
A. Botan Berker	Merit Risk Yönetimi ve Danışmanlık Ltd. / Out-Group	Executive Partner
Selim Yazıcı	İş Girişim Sermayesi A.Ş. / Group company	Independent Member of the Board of Directors
O. Tufan Kurbanoğlu	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial and Corporate Loans Monitoring and Recovery Division
Hasan Hepkaya	Türkiye Sınai Kalkınma Bankası A.Ş. / Group company	Deputy Chief Executive
Murat Demircioğlu	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial Loans Underwriting Division
	İşbank AG / Group company	Member of the Board of Directors
Mehmet Celayir	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial Banking Sales Division
Ömer Faruk Cengiz	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial Banking Products Division
	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Member of the Board of Directors
Doruk Yurtkuran	Türkiye İş Bankası A.Ş. / Group company	Assistant Manager, Subsidiaries Division
	JSC Isbank / Group company	Member of the Board of Directors
	İş Faktoring A.Ş. / Group company	Member of the Board of Directors
	Topkapı Yatırım Holding A.Ş. / Group company	Member of the Board of Directors

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

15. Operating Principles of the Board of Directors

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

During 2019, four Board meetings took place; one members could not attend the meetings held in March and June, two members could not attend the meeting held in September and full attendance was secured in the meetings held in December. All decisions in the meetings were passed unanimously. The Board of Directors passed 88 decisions, either during the meetings or based on the examination of relevant files.

The questions posed and assessments made by the members, and grounds for dissenting votes, if applicable, are entered into the meeting minutes. No members cast dissenting votes in any of the meetings held in 2019.

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

During 2019, all related party transactions and transaction basics were laid down for the approval of the Board of Directors. All related decisions were passed unanimously, and there were no related party transactions or transactions of a material nature which had to be submitted to the General Assembly for approval by reason of withdrawal of consent by independent members in 2019. There are no decisions referred to the General Assembly by reason of related party or material transactions.

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

Audit Committee

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

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

Duties and Operating Principles of the Audit Committee

Article 1 Purpose and Scope

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

Article 2 Justification

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

Article 3 Establishment of the Audit Committee

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

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

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

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

Article 4 Duties and Responsibilities of the Audit Committee

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

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

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

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

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

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

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

Article 5 The Audit Committee's Operation Principles and Procedures

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

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

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

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

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

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

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

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

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

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

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

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

Article 6 Validity

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

Relevant Decisions of the Board of Directors

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

During 2019, the Audit Committee met 4 times and passed 18 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- 2019 audit plan and 2019 Internal Control and Risk Management Activity Plan developed by the Company have been discussed and approved.
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Upon getting the opinions of the responsible Company managers, it has been established that the consolidated financial statements and their notes, and annual reports have been prepared accurately and in accordance with the applicable legislation and generally accepted principles and norms, and they have been presented for approval to the Board of Directors for subsequent disclosure.
- It has been established that the Committee did not determine any negative findings with respect to the entry of the Company's commercial transactions into accounting records, to the operation and efficiency of the internal control system, and fulfillment of tax and legal obligations during the reporting period, and that all are in order.
- Findings, opinions and suggestions that resulted from the audit activities carried out by Internal Audit and Internal Control units were first shared with, and evaluated by, those who conducted the relevant activities, and it was ensured that necessary complementary and preventive actions were taken.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Internal control, file audit and department/unit audit reports drawn up during the reporting period by Internal Audit and Internal Control units have been examined, and presented for the approval of the Board of Directors.

Corporate Governance Committee

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

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

Duties and Operating Principles of the Corporate Governance Committee

Article 1 Purpose and Scope

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

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

Article 2 Justification

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

Article 3 Establishment of the Corporate Governance Communiqué

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

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

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

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

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

Article 4 Duties and Responsibilities of the Corporate Governance Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

Article 6 Validity

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

Relevant Decisions of the Board of Directors

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

During 2019, the Corporate Governance Committee met 9 times and passed 6 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

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

Early Detection of Risk Committee

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

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

Duties and Operating Principles of the Early Detection of Risk Committee

Article 1 Purpose and Scope

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

Article 2 Justification

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

Article 3 Establishment of the Early Detection of Risk Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Article 6 Validity

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

Relevant Board Decisions

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

During 2019, the Corporate Governance Committee met 4 times and passed 14 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Periodic risk reports prepared by the Risk Management Unit has been evaluated by the Committee; it has been established that the risks specified in the reports remain within the limits set by the Board of Directors for individual risks to be carried and for total risk exposure. The reports have been presented for the information of the Board of Directors.
- Risk management systems have been reviewed, necessary activities were carried out to update the risk management strategy and policies to be pursued by the Company for taking necessary action and managing the risks, and the same have been presented for the information of the Board of Directors.

17. Risk Management and Internal Control Mechanism

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

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

18. Strategic Goals of the Company

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

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

19. Financial Rights

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

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

During 2019, benefits, allowances, resources in cash and in kind, insurance and similar benefits provided to the members of the Board of Directors and the Company's senior executives amounted to TL 5,024 thousand.

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

Corporate Governance Compliance Report

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No such transaction took place in 2019.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Since the Company's Articles of Association do not contain any provisions regarding participation of stakeholders other than shareholders and media in General Shareholders' Meetings, stakeholders other than media, shareholders and employees are not admitted to General Shareholders' Meetings.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.		X				Pursuant to the Articles of Association, each share entitles its holder to one vote. While the shares constituting the Company's capital do not possess any voting privileges, Class (A) shareholders have the privilege of nominating candidates for the seats on the Board of Directors and pursuant to their consent for amendments to the Articles of Association.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The Company's Articles of Association do not grant minority rights to those holding less than one twentieth of the Company's capital.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.		X				The Company's Board of Directors resolved to retain earnings and to allocate them to extraordinary reserves; the dividend distribution proposal will be laid down for approval at the Ordinary General Shareholders' Meeting.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.		X				Since we do not have access to our shareholders' data, the related update is made by the MKK (Central Registry Agency) on KAP (Public Disclosure Platform).
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			Neither the Articles of Association nor any internal regulations contain any provisions on this matter.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.					X	No surveys/consultations were deemed necessary since there are no material decisions that significantly affect stakeholders. Such studies will naturally be carried out in the event that there is such a decision.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				The Company has adopted an employment policy ensuring equal opportunities; however, there is not a succession plan for key managerial positions.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.			X			There is not a trade union associated with our Company. Decisions affecting the employees are notified to them.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.			X			There are no internal regulations on this topic.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.		X				Our Company did not carry out any social responsibility projects in 2019.
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				A "Directors and Officers Liability Insurance" has been obtained for indemnification of potential losses that the Company's Board of Directors members and executives might cause to the Company and/or third parties.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				One woman member serves on the Board of Directors. While the Company does not have a specific policy about the matter, the structure of the Board of Directors is reviewed annually and this point is taken into consideration when identifying nominees.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				There is not an internal regulation governing the Board of Directors meetings, nor is there a written guideline stipulating the provision of documents to Board members prior to the meeting. On the other hand, the Company exercises sensitivity to send the information and documents related to the topics covered in the agenda to the members.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	No such situation occurred to date. In the event that a member who is unable to attend the meeting but provides his/her opinions in writing, the same will naturally be presented for the information of other members.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.			X			There is not a specific internal guideline defining the meeting procedures of the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				While no restrictions are imposed on external commitments of the members of the Board of Directors, the duties assumed by the Board members are shared with the shareholders in General Shareholders' Meetings.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Two independent members serve on the Company's Board of Directors. Since the Corporate Governance Communiqué mandates the presence of independent members on each committee, Board members necessarily serve on more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	During 2019, the committees did not receive any consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.		X				The committee members informed the Board members about the matters discussed and the decisions passed in committee meetings.
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Although the Company's annual and medium-term targets are not publicly disclosed, The Board of Directors conducts financial performance evaluations at certain intervals. The Board of Directors members are not individually assessed.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations, benefits and allowances provided to the Board of Directors members and the Company's executives are disclosed collectively.

Corporate Governance Information Form

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	2
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/820176
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Not provided.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no transactions that are not approved by the majority of independent Board members or by unanimous votes of present Board members in the context of Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There are no related party transactions in the context of Article 9 of the Communiqué on Corporate Governance.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	There are no common and continuous transactions requiring public disclosure in the context of Article 10 of the Communiqué on Corporate Governance.
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/bagis-politikasi/
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/269935
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	The Articles of Association do not contain any stipulations regarding the participation of stakeholders in the General Shareholders' Meeting.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Certain stakeholders such as the representative of the Independent Audit Firm and employees participated as observers in the General Shareholders' Meeting within the knowledge of our Company.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	Yes
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Class (A) shareholders have the privilege to nominate candidates for seats on the Board of Directors and pursuance of their consent for amendments to the Articles of Association. Class (A) shareholders have 600,000,000 votes for each Class (A) share.
The percentage of ownership of the largest shareholder	29.46%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/kar-dagitim-politikasi/
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	At the Ordinary General Shareholders' Meeting convened on 25 March 2019, it was decided to retain earnings and to allocate them to extraordinary reserves. https://www.isleasing.com.tr/Sites/1/upload/files/TOPLANTI_TUTANAGI-726.pdf
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/749621

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
25.03.2019	0	61.01%	0.09%	60.92%	https://www.isleasing.com.tr/yatirimci-iliskileri/genel-kurul	https://www.isleasing.com.tr/yatirimci-iliskileri/genel-kurul	None.	0	https://www.kap.org.tr/tr/Bildirim/749621

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	https://www.isleasing.com.tr/yatirimci-iliskileri/
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	The Shareholding Structure is posted at https://www.isleasing.com.tr/yatirimci-iliskileri/sirket-bilgileri/ortaklik-yapisi/ . Information about Real or Legal Persons Directly or Indirectly Holding 5% or More Shares in the Capital as disclosed by the Central Registry Agency (MKK) is posted at https://www.kap.org.tr/tr/sirket-bilgileri/genel/988-is-finansal-kiralama-a-s
List of languages for which the website is available	Turkish and English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance Practices/ Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Practices/ Number, Structure and Independence of the Board of Directors Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Practices/ Board of Directors / Operating Principles of the Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Corporate Governance Practices/ Brief Annual Report of the Board of Directors
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Corporate Governance Practices/ Brief Annual Report of the Board of Directors
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Corporate Governance Practices/ Brief Annual Report of the Board of Directors
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There are no cross ownership relationships.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	General Assessment/ Human Resources and Training

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/calisanlara-yonelik-tazminat-politikasi/
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Audit Committee- Corporate Governance Committee
The contact detail of the company alert mechanism	Any conduct subject to reporting can be directly communicated by the related stakeholder to the respondents, Internal Audit, Investor Relations Department or the Company's Executive Management. Any such reports are forwarded to the Corporate Governance Committee and the Audit Committee.

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/menfaat-sahipleri-politikasi/
Corporate bodies where employees are actually represented	The Company's Articles of Association do not contain any provisions stipulating the participation of stakeholders in the Company's management. Nonetheless, independent members serve on the Board of Directors to assure that the rights of shareholders and other stakeholders are observed equally within the context of the decisions passed.

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors is authorized to make appointments to key managerial positions.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/etik-ilkeler/ https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/menfaat-sahipleri-politikasi/
Whether the company provides an employee stock ownership program	None.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/etik-ilkeler/
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/etik-ilkeler/
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	None.
Any measures combating any kind of corruption including embezzlement and bribery	Within the framework of international norms and national regulatory framework, the Company espouses it as an important principle to combat the laundering of proceeds of crime, corruption and similar crimes, and takes care to cooperate with other Association-member companies, other related organizations, institutions and authorities. To this end, the Company has internally published an "Anti-Bribery and Anti-Corruption Policy". The Company also takes necessary measures related to this matter and organizes training programs for employees.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4. BOARD OF DIRECTORS -I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	24.12.2019
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Murat Bilgiç (Chairman), Murat Vulkan (Vice Chairman)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	Internal Control and Risk Management Department presented five reports to the Audit Committee, and 12 to the Committee of Early Detection of Risk.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance Practices/ Brief Annual Report of the Board of Directors
Name of the Chairman	Murat Bilgiç
Name of the CEO	Mehmet Karakılıç
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The functions of the Chairman of the Board and the General Manager who is the Chief Executive Officer are fulfilled by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	This information is provided in the section titled "Operating Principles of the Board of Directors" of the Corporate Governance Compliance Report which is incorporated in the annual report.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	1 person, 9.09%

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Murat BİLGİÇ	Non-executive	Not independent director	09.06.2016			No	Yes
Murat VULKAN	Non-executive	Not independent director	28.04.2017			No	Yes
Mehmet KARAKILIÇ	Executive	Not independent director	05.05.2017			No	Yes
Ayşe Botan BERKER	Non-executive	Independent director	23.03.2018	Provided in the Annual Report	Considered	No	Yes
Selim YAZICI	Non-executive	Independent director	23.03.2018	Provided in the Annual Report	Considered	No	Yes
Olgun Tufan KURBANOĞLU	Non-executive	Not independent director	26.03.2014			No	Yes
Ömer Faruk CENGİZ	Non-executive	Not independent director	12.09.2019			No	Yes
Hasan HEPKAYA	Non-executive	Not independent director	10.01.2017			No	Yes
Murat DEMİRCİOĞLU	Non-executive	Not independent director	07.06.2017			No	Yes
Mehmet CELAYİR	Non-executive	Not independent director	25.03.2019			No	Yes
Doruk YURTKURAN	Non-executive	Not independent director	17.08.2018			No	Yes

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	4
Director average attendance rate at board meetings	90.90%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	A specific period of time is not defined. Utmost care is taken to provide the information and documents to our members reasonably in advance of the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	The related information is provided in Article 11 of the Company's Articles of Association which is available on the corporate website, under the tab Investor Relations / Company Information.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance Compliance Report / Number, Structure and Independence of the Board of Directors Committees
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/363138

Composition of Board Committees -I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee		A. Botan BERKER	Yes	Board member
Audit Committee		Selim YAZICI	No	Board member
Corporate Governance Committee		Selim YAZICI	Yes	Board member
Corporate Governance Committee		Ömer Faruk Cengiz	No	Board member
Corporate Governance Committee		Doruk YURTKUTAN	No	Board member
Corporate Governance Committee		Neslihan ORUÇ	No	Not a board member
Committee of Early Detection of Risk		A. Botan BERKER	Yes	Board member
Committee of Early Detection of Risk		Mehmet Celayir	No	Board member
Committee of Early Detection of Risk		Doruk YURTKURAN	No	Board member

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The functions of the Nomination Committee are fulfilled by the Corporate Governance Committee. Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Committee of Early Detection of Risk
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	The functions of the Remuneration Committee are fulfilled by the Corporate Governance Committee. Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Corporate Governance Practices/Brief Annual Report of the Board of Directors
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	https://www.isleasing.com.tr/yatirimci-iliskileri/kurumsal-yonetim/ucretlendirme-politikasi/
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Corporate Governance Practices/Corporate Governance Compliance Report / Financial Rights

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.
Corporate Governance Committee		75%	25%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.
Committee of Early Detection of Risk		100%	33%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.

DECLARATION OF AUDIT COMMITTEE ON INTERNAL CONTROL ENVIRONMENT

İş Finansal Kiralama A.Ş.

Declaration of Audit Committee on Internal Control Environment

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

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

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

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

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

Istanbul, 01 February 2020

President of Audit Committee and Board Member

A. Botan BERKER



Audit Committee and Board Member

Selim YAZICI



GENERAL MEETING AGENDA

AGENDA CONCERNING THE ORDINARY ASSEMBLY MEETING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 24 MARCH 2020

1. Opening and forming of the meeting's Presidential Board;
2. Reading and discussing the Board of Directors' Annual Report, Declaration of Compliance on Corporate Governance Principles and Independent Auditor Report relating to 2019 activities and operations;
3. Reading, discussing and approval of Financial Statements of 2019;
4. Approval of Directors elected as per article 363 of the Turkish Commercial Code and article 9 of the Articles of Association for the seats vacated in the Board of Directors during the period;
5. Release of the Directors;
6. Discussing and deciding the Profit Distribution Proposal of the Board of Directors, determining the Profit Distribution Date;
7. Election of Directors and determination of their term of office, and information of the shareholders about the outside duties and jobs of the Directors and their justification, according to the existing registered Articles of Association;
8. Determination of remunerations payable to the Directors;
9. Giving permission to persons named by the relevant applicable laws for performance of the transactions referred to in articles 395 and 396 of the Turkish Commercial Code;
10. Giving information about the transactions mentioned in article 1.3.6 of the Corporate Governance Principles;
11. Election of Independent Audit Firm.
12. Informing the General Assembly about the donations made in 2019;
13. Determination of the upper limit for donations to be made within the year 2020 pursuant to 5th paragraph of article 19 of the Capital Markets Law;

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

Date of Meeting: 24 March 2020, 14:00 hours

PROFIT DISTRIBUTION PROPOSAL

İŞ FİNANSAL KİRALAMA A.Ş. 2019 Profit Distribution Table (TL thousand)		
1.	Paid in/Issued Share Capital	695,303
2.	General Legal Reserves (According to Statutory Records)	41,069
Information on profit distribution privileges according to Articles of Association		
		As per SPK (*)
3.	Profit for the Period	113,626
4.	Taxes (-)**	29,334
5.	Net Profit for the Period (=)	84,292
6.	Previous Years' Losses (-)	24,537
7.	General Legal Reserve (-)	5,128
8.	NET DISTRIBUTABLE PROFIT (=)	54,627
9.	Donation Made During the Year (+)	-
10.	Net Distributable Profit Determined with the Addition of Donations Made during the Year	54,627
11.	First Dividend to Shareholders	-
	- Cash	-
	- Stocks	-
	- Total	-
12.	Dividends to Holders of Preferred Shares	-
13.	Other Dividend	-
	- To Board of Directors,	-
	- To Employees,	-
	- To Persons other than Shareholders	-
14.	Dividend to Holders of Usufruct Shares	-
15.	Second Dividend to Shareholders	-
16.	General Legal Reserves	-
17.	Statutory Reserves	-
18.	Other Reserves	-
19.	EXTRAORDINARY RESERVES	54,627
20.	Other Sources Planned to be Distributed (*)	97,429

(*) Banking Regulation and Supervision Agency considered that the income amount associated with deferred tax assets cannot qualify as cash or internal funds, and that therefore, the portion of the net profit for the period stemming from the said assets must not be subjected to profit distribution or capital increase. Hence, deferred tax income in the amount of TL 7,029 thousand included in the Company's consolidated net profit for the period is included within TL 54,627 thousand, which is set aside as extraordinary reserves.

(*) Deferred tax expenses in the amount of TL 1,552 thousand included in the net profit for the period according to the Company's legal records in 2019 will be set off from the deferred tax provisions, which consists of the Company's deferred tax income from prior years and which were retained, and will be transferred to extraordinary reserves account.

İŞ FİNANSAL KİRALAMA A.Ş. 2019 DIVIDEND RATIO TABLE

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

BOARD DECISION REGARDING FINANCIAL STATEMENTS

İstanbul, 31 January 2020

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

I submit the subjects regarding the approval and disclosure of the audited consolidated financial statements and notes for the period 01.01.2019 – 31.12.2019 for your approval.



Şahin EMRE
Deputy General Manager

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

Decision Number: 2714 **Decision Date:** 31.01.2020



Murat BİLGİÇ
Chairman



Murat VULKAN
Vice President



Mehmet KARAKILIÇ
Member



A. Botan BERKER
Member



Selim YAZICI
Member



O. Tufan KURBANOĞLU
Member



Hasan HEPKAYA
Member



Murat DEMİRCİOĞLU
Member



Mehmet CELAYİR
Member



Ömer Faruk CENGİZ
Member



Doruk YURTKURAN
Member

AUDIT COMMITTEE DECISION

İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

Decision No: 162

Decision Date : 31.01.2020
Decision No : 2020.162
Meeting Hour : 10:00
Agenda Item No : 1

SUBJECT: Regarding financial statements of the period 01.01.2019 – 31.12.2019

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2019 – 31.12.2019 which have been subject to an independent audit are accurate and that they have been prepared in accordance with the relevant legislation as well as with generally accepted accounting principles and standards. We have also consulted with the executives in charge of the company during our audit. We deem it appropriate to submit the said financial statements and their footnotes to the Board of Directors for approval and public disclosure.

A. Botan BERKER
Chairman of Committee

Selim YAZICI
Member



İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE INTERIM PERIOD ENDED 1 JANUARY - 31 DECEMBER 2019

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

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INDEPENDENT AUDITOR'S REPORT



**Güney Bağımsız Denetim ve
SMMM A.Ş.**
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To the Shareholders of İş Finansal Kiralama A.Ş.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama A.Ş. ("the Company") and its subsidiary (all together referred to as "the Group"), which comprise the consolidated statement of balance sheet as at December 31, 2019 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Accounting of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p> <p>As presented in disclosure 3,8 and 9, the Group recognizes expected credit losses for the financial assets. We considered the impairment of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> - Financial assets in balance sheet and off balance sheet that are subject to expected credit loss calculation is material for the consolidated financial statements - Complex and comprehensive requirements of TFRS 9 - The policies that is established by the Group management to calculate the expected credit losses has the legislation and other required risks - The new, important and complex judgments and estimations in the calculation of expected credit losses and - The complex disclosure requirements of TFRS. 	<ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, and global and local requirements - Evaluating the reasonableness of management’s key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice - Involving Financial risk management specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss - Testing mathematical accuracy of Expected credit loss by using samples. - Evaluating the reasonableness and the accuracy of post-model adjustments.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

1. Auditors’ report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code (“TCC”) 6102 is submitted to the Board of Directors of the Company on January 31, 2020.
2. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”); no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period January 1 – December 31, 2019 are not in compliance with the TCC and provisions of the Company’s articles of association in relation to financial reporting.
3. In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The partner in charge of the audit resulting in this independent auditor’s report is Yaşar Bivas.

Additional paragraph for convenience translation into English of financial statements as of December 31, 2019 and independent auditors’ report originally issued in Turkish

As explained in detail in Note 2.1, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and changes in consolidated financial position and consolidated cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



January 31, 2020
İstanbul, Turkey

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 Opeerational 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
SUB TOTAL		4.193.634	4.892.676	9.086.310	4.009.121	4.671.600	8.680.721
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		-	-	-	-	-	-
TOTAL ASSETS		4.195.623	4.892.676	9.088.299	4.010.060	4.671.600	8.681.660

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.)

LIABILITIES	Notes	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TL	FC	TOTAL	TL	FC	TOTAL
I. FUNDS BORROWED	16	3.217.423	3.953.221	7.170.644	2.067.201	2.838.023	4.905.224
II. FACTORING PAYABLES		-	-	-	-	-	-
III. LEASE PAYABLES	18	383	457	840	-	-	-
IV. SECURITIES ISSUED (Net)	19	369.966		369.966	2.352.041	-	2.352.041
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITY	6	-	10.723	10.723	-	96.521	96.521
VII. PROVISIONS	20	13.844	4.704	18.548	11.088	4.275	15.363
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
VIII. CURRENT PERIOD TAX LIABILITY	21	20.637		20.637	15.489	-	15.489
IX. DEFERRED TAX LIABILITY		-	-	-	-	-	-
X. SUBORDINATED LOANS		-	-	-	-	-	-
XI. OTHER LIABILITY	17	97.570	125.438	223.008	48.163	98.279	146.442
SUB TOTAL		3.719.823	4.094.543	7.814.366	4.493.982	3.037.098	7.531.080
XII. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held For Sale		-	-	-	-	-	-
12.2 Discontinued Operations		-	-	-	-	-	-
XIII. SHAREHOLDER'S EQUITY		1.273.933	-	1.273.933	1.150.580	-	1.150.580
13.1 Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2 Capital Reserves	23	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	23	(588)	-	(588)	(73)	-	(73)
13.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	55.960	-	55.960	16.300	-	16.300
13.5 Profit Reserves	24	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	25	(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	22	65.484	-	65.484	65.568	-	65.568
TOTAL LIABILITIES		4.993.756	9.088.358	9.088.299	5.644.562	3.037.098	8.681.660

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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.	IRREVOCABLE FACTORING TRANSACTIONS		58.645	253.324	311.879	58.178	65.715	123.893
II.	REVOCABLE FACTORING TRANSACTIONS		126.107	80.548	206.655	223.224	47.935	271.159
III.	COLLATERALS RECEIVED	38	37.002.683	56.303.541	93.306.224	33.795.392	52.589.160	86.384.552
IV.	COLLATERALS GIVEN	26	109.903	39.345	149.248	1.680.759	4.397	1.685.156
V.	COMMITMENTS		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.	DERIVATIVE FINANCIAL INSTRUMENTS	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.	ITEMS HELD IN CUSTODY		444.387	122.766	557.153	186.991	123.886	310.877
TOTAL OFF-BALANCE SHEET ITEMS			38.650.313	58.047.907	96.698.220	37.692.056	54.718.770	92.410.826

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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
I.	OPERATING INCOME	29	958.285	1.016.537
	FAKTORİNG INCOME		477.229	530.465
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
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest income from Financing Loans		-	-
1.4	Fees and Commission Income from Financing Loans		-	-
	LEASE INCOME		481.056	486.072
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		-	-
II.	FINANCING EXPENSES (-)	32	(799.155)	(892.708)
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)
III.	GROSS PROFIT/LOSS (I+II)		159.130	123.829
IV.	OPERATING EXPENSES (-)	30	(80.161)	(72.408)
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		-	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		78.969	51.421
VI.	OTHER OPERATING INCOME	31	557.714	484.359
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
VII.	PROVISION EXPENSES (-)	33	(312.295)	(42.184)
7.1	Specific Provisions		-	-
7.2	Expected Credit Losses		(312.295)	(42.184)
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(215.844)	(184.668)

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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 Current Period 01.01-31.12.2019	Audited 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)
IX.	NET OPERATING PROFIT (V+...+VIII)		108.544	308.928
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN/LOSS		-	-
XIII.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		108.544	308.928
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(29.334)	(79.387)
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
XV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		79.210	229.541
XVI.	INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XVII.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XVIII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
	NON-CONTROLLING INTERESTS		5.082	(32.004)
XXI.	NET PROFIT FOR THE PERIOD (XV+XX)		84.292	197.537
	EARNINGS PER SHARE (**)	36	0,12	0,28
	Earnings Per Share from Continued Operations		0,12	0,28
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	36	0,12	0,28
	Earnings Per Share from Continued Operations		0,12	0,28
	Earnings Per Share from Discontinued Operations		-	-

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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 ^(*) 01.01-31.12.2018
I.	CURRENT PERIOD PROFIT/LOSS	79.210	229.541
II.	OTHER COMPREHENSIVE INCOME	44.143	(6.176)
2.1	Items that will not be Reclassified to Profit or Loss	(515)	(131)
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
2.2	Items that may be Reclassified subsequently to Profit or Loss	44.658	(6.585)
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	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	123.353	222.825

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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
Prior Period (01.01 - 31.12.2018) (Unaudited) (*)								
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		-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XI)		695.303			1.938	(73)		
Current Period (01.01 - 31.12.2019) (Unaudited)								
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		-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XI+XII)		695.303			1.938	(588)		

(*) 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 ^(*) 01.01-31.12.2018
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
1.1	Operating Profit Before Changes in Operating Assets And Liabilities	253.288	160.915
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
1.2	Changes in Operating Assets and Liabilities	1.783.687	(952.063)
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
I.	Net Cash Provided from/(Used in) Operating Activities	2.036.976	(791.148)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
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	-	-
II.	Net cash used in investing activities	(4.481)	(21.113)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
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	-	-
III.	Net Cash Used in Financing Activities	(1.883.992)	833.780
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	667	3.164
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	149.170	24.683
VI.	Cash and Cash Equivalents at the Beginning of the Period	4 272.557	247.874
VII.	Cash and Cash Equivalents at the End of the Period	4 421.727	272.557

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
I. DISTRIBUTION OF CURRENT YEAR INCOME			
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)
A.	NET INCOME FOR THE YEAR (1.1-1.2)	84.292	(197.537)
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	NET INCOME AVAILABLE FOR DISTRIBUTION [(a-(1.3+1.4+1.5))]	54.627	154.104
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	-	-
II. DISTRIBUTION OF RESERVES			
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 (-)	-	-
III. EARNINGS PER SHARE			
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 (%)	-	-
IV. DIVIDEND PER SHARE			
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.

GENERAL ASSESSMENT

MANAGEMENT

CORPORATE GOVERNANCE PRACTICES

FINANCIAL STATEMENTS

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.

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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.

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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):

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

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)

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.

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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.

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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.

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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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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.

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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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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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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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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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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.

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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
	2.078	419.650	3.581	268.988

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
			395.035

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
			242.790

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
Cash and cash equivalents	421.727	272.557

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 ^(*)	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	951	-
	951	-
	31 December 2018	
	TL	FC
Debt securities issued by private sector ^(*)	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	859	-
	859	-

^(*) 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
	-	1.388	-	72.110

Derivative Financial Liabilities

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	10.723	-	96.521
	-	10.723	-	96.521

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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
TOTAL						86.279	41.622

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)
Total factoring receivables	3.159.748	2.729.975
Stage 1 (Expected Credit Loss)	(23.486)	(9.412)
Stage 2 (Expected Credit Loss)	(4.674)	(2.875)
Total factoring receivables	3.131.588	2.717.688
Non-performing factoring receivables	227.541	31.016
Specific provisions- Stage 3	(180.388)	(23.827)
Factoring receivables, net	3.178.741	2.724.877

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	(23.486)	(4.674)	(180.388)	(208.548)
Factoring receivables, net	3.056.651	74.937	47.153	3.178.741

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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)
Factoring receivables, net	2.461.823	255.865	7.189	2.724.877

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	(208.548)	(36.114)

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
	3.178.740	2.724.877

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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>

^(*) 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>
Number of Amendments Related to the Extension of the Payment Plan		
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>
The Time Extended via the Amendment on payment Plan		
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>
Number of Amendments Related to the Extension of the Payment Plan		
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>
The Time Extended via the Amendment on payment Plan		
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)
Subtotal	2.041.602	2.966.028	5.007.630
Expected Credit Loss- Stage 1	(1.641)	(19.454)	(21.095)
Expected Credit Loss - Stage 2	(4.141)	(43.256)	(47.397)
Total Financial Lease Receivables	2.035.820	2.903.318	4.939.138
Non- Performing Lease Receivables	346.671	5.628	352.299
Specific provision- Stage 3	(181.811)	(2.952)	(184.763)
Net finance lease receivables	2.200.680	2.905.994	5.106.674

	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)
Subtotal	2.142.157	3.075.940	5.218.097
Expected Credit Loss- Stage 1	(2.943)	(7.724)	(10.667)
Expected Credit Loss - Stage 2	(3.861)	(11.455)	(15.316)
Total Financial Lease Receivables	2.135.352	3.056.761	5.192.113
Non- Performing Lease Receivables	250.803	15.589	266.392
Specific provision- Stage 3	(128.613)	(7.994)	(136.607)
Net finance lease receivables	2.257.542	3.064.356	5.321.898

	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
Internal ratings				
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
Scoring				
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
Expected Loss Provisions and specific provision	(21.095)	(47.397)	(184.763)	(253.255)
Leasing receivables	4.599.735	339.403	167.536	5.106.674

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
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
Scoring				
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
Expected Loss Provisions and specific provision	(10.668)	(15.316)	(136.607)	(162.591)
Leasing receivables	4.714.019	510.649	97.230	5.321.898

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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
Number of Amendments Related to the Extension of the Payment Plan		
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
The Time Extended via the Amendment on payment Plan		
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
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	396.834
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

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

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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)
Finance lease receivables (net)	2.135.017	1.413.773	857.344	443.558	186.727	70.255	5.106.674

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)
Finance lease receivables (net)	2.238.364	1.427.339	881.349	448.271	209.270	117.305	5.321.898

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
Total		5.106.674		722.687

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
Total		5.321.898		752.913

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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
	<u>473.588</u>	<u>560.313</u>

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	<u>65.887</u>	<u>104.178</u>

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
	<u>101.918</u>	<u>50.526</u>

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>352.299</u>	<u>266.392</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>12.490</u>	<u>12.544</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	-
Provision at the end of the period	<u>(253.255)</u>	<u>(162.591)</u>

B. Operating Lease Receivables

	<u>31 December 2019</u>	<u>31 December 2018</u>
Operating Lease Receivables	-	1
	<u>-</u>	<u>1</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>1.007</u>	<u>1.830</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
Total	<u>57.511</u>	<u>84.428</u>
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	1
Total	<u>-</u>	<u>1</u>
<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	-
Total	<u>15.029</u>	<u>21.076</u>
<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
Total	<u>16.386</u>	<u>19.778</u>
<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
Total	<u>417.350</u>	<u>261.687</u>

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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
Total	1.351	71.661
<u>Finance lease liability to related parties</u>		
Türkiye İş Bankası A.Ş.	3.041	-
Total	3.041	-

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
			1.821.802

<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
			712.873

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
			547.252

<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
			448.826

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
			28.401

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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
Total	7.717	3.985
<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
Total	869	689
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	1.216	2.247
Total	1.216	2.247
<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
Total	4.380	5.391
<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
Total	80.927	55.755
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	2.700	3.968
Total	2.700	3.968

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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
Total	4.574	4.995
<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
Total	368	426
<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	-
Total	6.569	7.013
<u>Finance lease expence</u>		
Türkiye İş Bankası A.Ş.	238	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	9	-
	247	-
<u>Mutual funds income</u>		
Türkiye İş Bankası A.Ş.	1.787	197
Total	1.787	197

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
Total	312.894	310.202	842.851	748.218

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
Total	-	-	185.007	184.132

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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
Total	-	28.773

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
	9.643	8.401

(*) 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
Cost								
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)
Closing balance at 31 December 2019	6.860	4.269	1.511	410	1.456	3.294	8.750	26.550
Accumulated depreciation								
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
Closing balance at 31 December 2019	(5.040)	(3.855)	(804)	(52)	(1.456)	(2.721)	(205)	(14.133)
Carrying amounts at 31 December 2019	1.820	414	707	358	-	573	8.545	12.417
Carrying amounts at 1 January 2019	2.820	589	1.357	-	-	-	8.720	13.486

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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
Cost							
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)
Closing balance at 31 December 2018	7.281	4.263	2.138	1.456	-	8.750	23.888
Accumulated depreciation							
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
Closing balance at 31 December 2018	(4.461)	(3.674)	(781)	(1.456)	-	(30)	(10.402)
Carrying amounts at 31 December 2018	2.820	589	1.357	-	-	8.720	13.486
Carrying amounts at 1 January 2018	2.402	463	728	-	-	-	3.593

(*) 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
Cost		
Opening balance at 1 January	8.966	7.215
Additions	935	1.819
Disposals	-	(68)
Closing balance at the end of the period	9.901	8.966
Amortization		
Opening balance at 1 January	(4.694)	(3.441)
Amortization for the period	(1.408)	(1.252)
Disposals	-	(1)
Closing balance at the end of the period	(6.102)	(4.694)
Carrying amounts^(*)	3.799	4.272

(*) 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)
<u>Deferred tax asset</u>	<u>33.071</u>	<u>27.532</u>

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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
Closing balance at at 31 December	<u>33.071</u>	<u>27.532</u>

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	-
	<u>1.989</u>	<u>-</u>	<u>939</u>	<u>-</u>

(*) 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
	<u>70.510</u>	<u>152.567</u>	<u>56.066</u>	<u>83.880</u>

(*) 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
Total short-term borrowings	3.103.126	2.691.915	1.825.553	1.199.095
Long-term borrowings	114.297	1.261.306	241.648	1.638.928
Total long-term borrowings	114.297	1.261.306	241.648	1.638.928
Total borrowings	3.217.423	3.953.221	2.067.201	2.838.023

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 ^(*)	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
TOTAL			5.535.152

Currency ^(*)	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
TOTAL			2.701.070

(*) 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
TOTAL			1.635.492

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
TOTAL			2.204.154

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
	3.217.423	3.953.221	2.067.201	2.838.023

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
	97.569	125.438	48.163	98.279

(*) 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	-
	840	-

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	-
	840	-

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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	-
	369.966	-	2.352.041	-

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
	11.434	10.229

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)
Balance at the end of the year	<u>5.449</u>	<u>4.510</u>

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
Balance at the end of the year	<u>1.447</u>	<u>1.581</u>

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)
Balance at the end of the year	<u>4.538</u>	<u>4.138</u>

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
	<u>7.114</u>	<u>5.134</u>

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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:

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

30 December 2018	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
At the beginning of the year	-	3.753	216	-
Period Expense	-	1.470	237	74
Payments	-	-	(216)	-
Cancellations	-	(400)	-	-
At the end of the period	-	4.823	237	74

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
Total	18.019	61.384

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
Corporate tax payable	20.637	15.489

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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
Corporate tax payable	<u>20.637</u>	<u>15.489</u>

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
Balance at the end of the year	<u>65.484</u>	<u>65.568</u>

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:

Shareholders	(%)	<u>31 December 2019</u>	(%)	<u>31 December 2018</u>
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
TOTAL	<u>100,00</u>	<u>695.303</u>	<u>100,00</u>	<u>695.303</u>

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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
Total	600.000.000	600.000.000

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 ^(*)	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 ^(**)	55.960	16.300
Total	55.372	16.227

^(*) Comprised of bonus shares obtained from associates, subsidiaries and jointly controlled entities

^(**) Other Comprehensive Income or Expenses to be reclassified in profit or Loss consists of the valuation differences arising 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
Total	396.081	214.092

^(*) 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
		848.104
Currency Swap Sales:		
USD	55.700.000	330.869
EUR	74.943.672	498.420
CHF	1.004.850	6.123
		835.412

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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
		1.714.063
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
		1.643.569

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

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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
Net Profit or Loss for the Period	102.557	(23.347)	5.082	84.292
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)
Net Profit or Loss for the Period	82.524	147.017	(32.004)	197.537
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:

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

30. OPERATING EXPENSES

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

	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
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)
	(80.161)	(72.408)

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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>557.714</u>	<u>484.359</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>(799.155)</u>	<u>(892.708)</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>(312.295)</u>	<u>(42.184)</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
Total income tax expense	27,03	<u>29.334</u>	25,70	<u>79.387</u>

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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 ^{(*)(**)}	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

^(*) As at 31 December 2019, the share capital of the Company consists 69.530.264.500 of shares having Kurus 1 nominal price.

^(**) 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 ^(**)	-	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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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>
Financial Assets:		
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
Financial Liabilities:		
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
31 December 2019 (*)							
Banks	3.919	59.473	-	99	26	16	419.650
Finance lease receivables	123.950	446.282	1.068	-	-	-	3.710.836
Factoring receivables ^(*)	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
Total assets (**)	172.566	578.745	1.068	1.797	26	16	4.894.626
Funds borrowed ^(*)	(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)
Total liabilities (**)	(116.106)	(515.373)	-	(1.614)	-	-	(4.129.786)
Balance sheet position	56.460	63.372	1.068	183	26	16	764.840
Off balance sheet position	(55.700)	(67.324)	(1.005)	-	-	-	(784.738)
Net foreign currency position	760	(3.952)	63	183	26	16	(19.898)

^(*) 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.

^(**) 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
Total assets ^(**)	264.730	544.037	1.660	2.082	26	16	4.694.943
Funds borrowed ^(*)	(116.855)	(377.589)	-	(1.286)	-	-	(2.899.424)
Other provisions	(3)	(707)	-	-	-	-	(4.275)
Other Liabilities	(6.277)	(10.650)	-	(159)	-	-	(98.279)
Total liabilities ^(**)	(123.135)	(388.946)	-	(1.445)	-	-	(3.001.978)
Balance sheet position	141.595	155.091	1.660	637	26	16	1.692.965
Off balance sheet position	(134.399)	(152.065)	(1.579)	(400)	-	-	(1.634.794)
Net foreign currency position	7.196	3.026	81	237	26	16	58.171

^(*)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.

^(**) 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 ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2019				
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
3- Net effect of USD (1+ 2)	677	(677)	677	(677)
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
6- Net effect of Euro (4+5)	(3.943)	3.943	(3.943)	3.943
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 (-)				
9- Net effect of other foreign currencies (7+8)	271	(271)	271	(271)
TOTAL (3+6+9)	(2.995)	2.995	(2.995)	2.995

^(*) Includes profit/loss effect.

	Profit/(Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2018				
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
3- Net effect of USD (1+ 2)	5.679	(5.679)	5.679	(5.679)
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
6- Net effect of Euro (4+5)	2.736	(2.736)	2.736	(2.736)
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 (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	591	(591)	591	(591)
TOTAL (3+6+9)	9.006	(9.006)	9.006	(9.006)

^(*) 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>
<u>Fixed rate instruments</u>		
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
<u>Variable rate instruments</u>		
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:

	31 December 2019	31 December
	(%)	2018(%)
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
	100,00	100,00

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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				
31 December 2019								
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	-	-	-	-	-	-	-	-

(¹) Guarantees received are not taken into account in the calculation

(²) Includes collaterals for the assets impaired but not overdue.

(³) 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	-
	93.306.224	8.413.999	86.384.552	8.085.454

(*) 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 Amount	Contractual Cash Flows				
		(I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	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	-	-	-
Total Assets	8.722.382	9.443.712	4.057.983	2.049.227	3.263.071	73.431
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	-
Total Liabilities	7.764.457	8.009.593	4.052.227	2.539.476	1.305.539	112.350

31 December 2018

Contractual Maturities	Carrying Amount	Contractual Cash Flows				
		(I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	272.569	272.592	272.592	-	-	-
Financial Assets at Fair value through profit and Loss	859	859	859	-	-	-
Lease Receivables (*)	5.321.898	6.034.583	798.195	1.761.267	3.352.142	122.979
Factoring Receivables	2.724.877	2.760.862	2.138.114	615.160	7.588	-
Other Lease Receivables	10.963	10.963	10.963	-	-	-
Total Assets	8.331.166	9.079.859	3.220.723	2.376.427	3.359.730	122.979
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	-
Total Liabilities	7.403.706	7.673.786	3.602.481	2.020.032	1.922.031	129.242

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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.

31 December 2019	Contractual					
Contractual Maturities	Carrying Amount	Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
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	-
31 December 2018	Contractual					
Contractual Maturities	Carrying Amount	Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
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
Financial Assets								
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
Financial liabilities								
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

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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
Total financial assets carried at fair value	81.554	2.339	686	84.579
Derivative financial liabilities	-	10.723	-	10.723
Total financial liabilities carried at fair value	-	10.723	-	10.723
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
Total financial assets carried at fair value	36.897	72.969	686	110.552
Derivative financial liabilities	-	96.521	-	96.521
Total financial liabilities carried at fair value	-	96.521	-	96.521

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