



2017 ANNUAL REPORT

İS Tİ Z E Tİ M E S

GENERAL ASSESSMENT

- 4 COMPANY PROFILE
- 5 STRATEGIC PRINCIPLES
- 6 COMPANY PERFORMANCE
- 7 FINANCIAL INDICATORS
- 8 STOCK, ASSESSMENT AND RATING
- 10 MESSAGE FROM THE CHAIRMAN
- 12 MESSAGE FROM THE GENERAL MANAGER
- 14 FINANCIAL LEASING SECTOR
- 16 İŞ LEASING IN THE SECTOR
- 18 2017 ACTIVITIES

MANAGEMENT

- 22 BOARD OF DIRECTORS
- 26 SENIOR MANAGEMENT

- 29 INDEPENDENT AUDITOR'S REPORT
RELATED TO ANNUAL REPORT

CORPORATE GOVERNANCE PRACTICES

- 32 BRIEF ANNUAL REPORT OF THE BOARD
OF DIRECTORS
- 35 CHANGES WITHIN THE REPORT PERIOD
- 36 COMPANY RISK POLICIES
- 38 PROFIT DISTRIBUTION POLICY
- 39 DISCLOSURE POLICY
- 43 COMPANY ETHICAL PRINCIPLES
- 50 CORPORATE GOVERNANCE PRINCIPLES
DECLARATION
- 51 CORPORATE GOVERNANCE PRINCIPLES
COMPLIANCE REPORT
- 68 DECLARATION OF INTERNAL CONTROL
ENVIRONMENT
- 69 GENERAL MEETING AGENDA
- 70 PROFIT DISTRIBUTION PROPOSAL
- 71 BOARD DECISION REGARDING
FINANCIAL STATEMENTS
- 72 AUDIT COMMITTEE DECISION

FINANCIAL STATEMENTS

- 74 INDEPENDENT AUDITOR'S REPORT
- 78 CONSOLIDATED FINANCIAL STATEMENTS
AND NOTES

- 164 DIRECTORY

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



İŞ LEASING



DRAWING ON ITS 30 YEARS OF EXPERIENCE IN THE SECTOR, ROBUST FINANCIAL STRUCTURE AND FUNDING CAPABILITY, İŞ LEASING SERVICES A BROAD BASE OF CUSTOMERS FROM MICRO BUSINESSES TO SMES AND CORPORATE FIRMS.



**BEING ONE OF THE
FIRST LEASING
COMPANIES
ESTABLISHED IN
TURKEY, İŞ LEASING
REPRESENTS DEEP-
SEATED EXPERIENCE
IN THE SECTOR.**

INNOVATIVE APPROACH

WITH ITS PIONEERING AND INNOVATIVE APPROACH, İŞ LEASING HAS ALWAYS STEERED THE SECTOR AND CONTRIBUTED SIGNIFICANTLY TO ITS GROWTH THROUGH A NUMBER OF “FIRST”S INCLUDING LEASE SYNDICATION, AIRCRAFT LEASE FACILITY, AND SALE-AND-LEASEBACK.

COMPANY PROFILE



42.7%

42.7% OF İŞ LEASING'S
SHARES ARE CURRENTLY
BEING TRADED ON BORSA
İSTANBUL UNDER THE
TICKER SYMBOL "ISFIN".

Shareholding Structure

Shareholder	Share (%)
Türkiye İş Bankası A.Ş.	27.79
Türkiye Sınai Kalkınma Bankası A.Ş.	28.56
Trakya Yatırım Holding A.Ş.	0.90
Türkiye Şişe ve Cam Fab. A.Ş.	0.08
Publicly Held	42.67

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

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

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

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

42.7% of İş Leasing's shares are currently being traded on Borsa İstanbul under the ticker symbol "ISFIN", while the remaining 57.3% is held by İşbank Group, along with full management control over the Company.

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

STRATEGIC PRINCIPLES

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

Differentiating products and services that cater to customer needs

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

Continuity of privileged service through investments into technology

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

Focus on competent human resource

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

Sustainable growth and profitability

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

Efficient resource management

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

EFFICIENT

COMPANY PERFORMANCE

8.9%

MARKET SHARE

WITH 8.9% MARKET SHARE ACHIEVED IN 2017, İŞ LEASING MAINTAINED ITS STRONG POSITION IN THE INDUSTRY.

17.5%

GROWTH IN LEASING PORTFOLIO

THE LEASING PORTFOLIO OF İŞ LEASING GREW BY 17.5% ANNUALLY AND REACHED TL 4.7 BILLION.

17.4%

INCREASE IN SHAREHOLDERS' EQUITY

THE COMPANY'S SHAREHOLDERS' EQUITY WENT UP BY 17.4% TO TL 974.7 MILLION.

In 2017, the Company achieved business results in line with its strategic goals thanks to its solid shareholders' equity, dynamic balance sheet management and policies focused on sustainable growth strategies.

The Company preserved its strong position in the industry with 8.9% market share in leasing receivables secured through a transaction volume of USD 600.5 million in 2017.

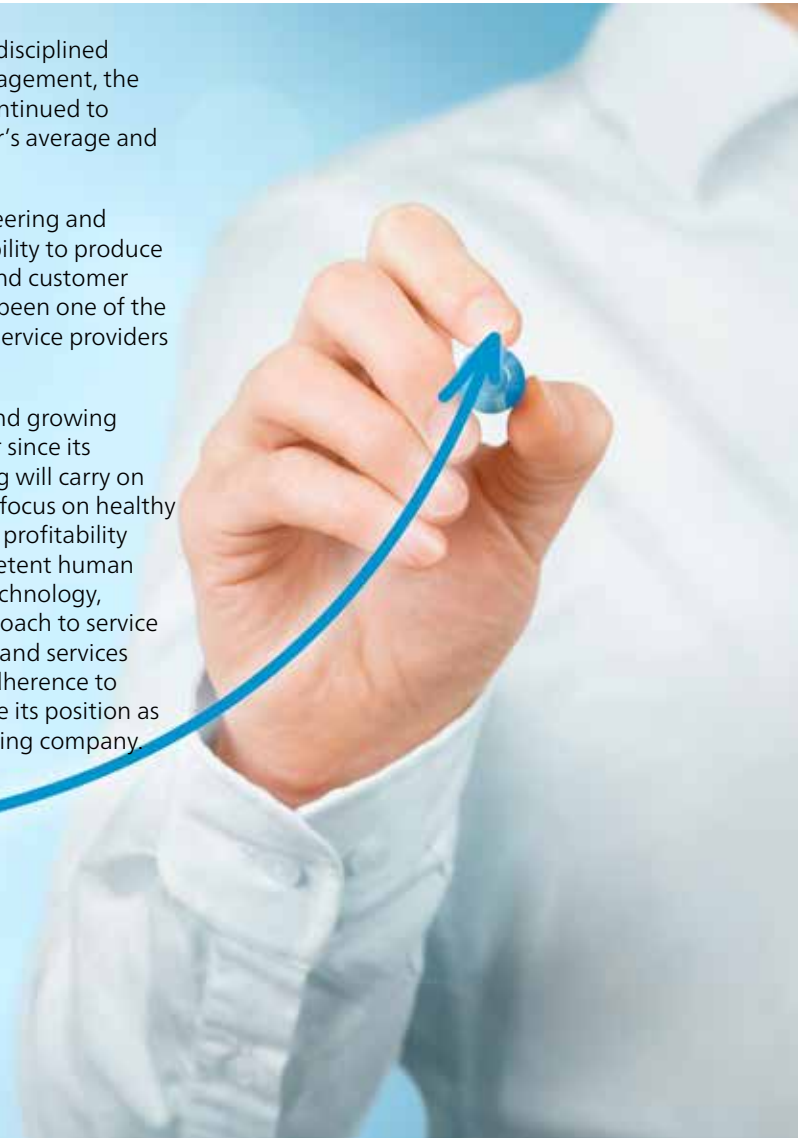
Continuing to grow with the same speed and to extend the necessary financing support to the manufacturing industry, the Company's leasing portfolio expanded by 17.5% year-over-year and rose to TL 4.7 billion, whereas its total assets enlarged by 24.1% to reach TL 9.3 billion.

Having posted TL 112.9 million in net profit, up 9% on an annual basis, the Company's shareholders' equity climbed to TL 974.7 million, up 17.4%, and its RoE was registered as 12.5%.

Thanks to efficient and disciplined approach to credit management, the Company's NPL ratio continued to remain below the sector's average and stood at 4.6%.

İş Leasing, with its pioneering and innovative approach, ability to produce customized solutions, and customer experience pledge, has been one of the most preferred leasing service providers also in 2017.

Constantly improving and growing its business volume ever since its establishment, İş Leasing will carry on with its activities with a focus on healthy growth and sustainable profitability on the back of its competent human resource, unmatched technology, customer-oriented approach to service and innovative product and services developed with strict adherence to quality, and will preserve its position as the sector's leading leasing company.



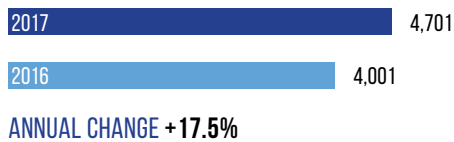


FINANCIAL INDICATORS

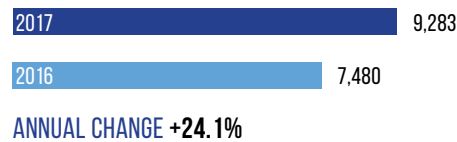
İŞ LEASING'S ROE IN 2017 WAS 12.5%.

(TL THOUSAND)	2017	2016	Change (%)
Total Assets	9,282,695	7,479,986	24.1
Factoring Receivables, Net	4,207,336	2,985,556	40.9
Leasing Receivables, Net	4,701,101	4,000,900	17.5
Shareholders' Equity	974,668	830,203	17.4
Net Profit/Loss	112,948	103,657	9.0
Return on Assets (RoA) (%)	1.3	1.6	
Return on Equity (RoE) (%)	12.5	13.2	
Debt / Equity	8.5	8.0	
Cost / Revenue (%)	66	38	

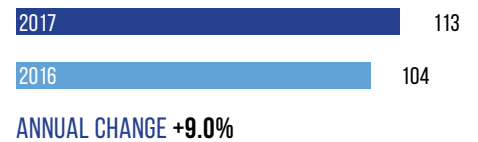
LEASING PORTFOLIO (MILLION TL)



TOTAL ASSETS (MILLION TL)



NET PROFIT (MILLION TL)



STOCK, ASSESSMENT AND RATING



Stock Performance

During 2017 vulnerability persisted in global markets, rates of indebtedness picked up and interest rates constantly increased in many countries, and rises and falls dominated all areas from politics to social structure, from economy to financial markets in Turkey as well as around the globe despite higher rate of growth. To this backdrop, İş Leasing

carried out its activities along sustainable and healthy growth axis, and continued to take place among the sector's leading companies with its products and services.

Publicly-held since 2000 and 42.7% of its shares traded on BIST, İş Leasing remained the sector's most important benchmark stock with an average trading volume of 881,238 transactions in 2017.

881.238
TRANSACTIONS
AVERAGE TRADING
VOLUME

PUBLICLY-HELD SINCE 2000, İŞ LEASING REMAINED THE SECTOR'S MOST IMPORTANT BENCHMARK STOCK WITH AN AVERAGE TRADING VOLUME OF 881,238 TRANSACTIONS IN 2017.





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 and accountability, and targeting best corporate governance models.

Credit Rating

In its rating report dated 19 February 2018, Fitch Ratings announced the local and international currency ratings of İş Leasing as AA+ and BB+, respectively.

Foreign Currency

Long Term	Short Term	Outlook
BB+	B	Stable

Turkish Lira

Long Term	Short Term	Outlook
BB+	B	Stable

National

Long Term	Support Rating	Outlook
AA+	3	Stable



TARGETING BEST CORPORATE GOVERNANCE MODELS, İŞ LEASING CONTINUALLY FURTHERS ITS PRACTICES,

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

Before presenting for your approval the annual report, financial statements and net profit distribution proposal, which provide a summary of the 2017 performance of İş Leasing and which have been drawn up 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.

After the major central banks in the world led by the Fed and the European Central Bank introduced monetary policies seeking to revive economic activity, their turnabout in expansionary monetary policies and normalization steps became evident in 2017. The rising growth performance primarily in the US and in the EU produced an above-expectations global growth, in spite of transformed monetary policies, geopolitical risks tainting various regions of the world, and the complications in the political arena. The fact that the economic revival experienced in 2017 was driven both by developed and emerging countries shows that a threshold has been crossed in terms of global balances.



Murat Bilgiç
Chairman of the Board of Directors

PI

POSSESSING A STRONG PREDICTION CAPABILITY AND MARKET PERCEPTION, İŞ LEASING SUSTAINS ITS PIONEERING ROLE IN THE SECTOR WITH ITS PROACTIVE MARKETING AND SALES POLICIES AND EFFICIENT CREDIT AND RISK MANAGEMENT.

7.4%

THE TURKISH ECONOMY DISPLAYED A SOLID PERFORMANCE IN 2017, AND GREW 7.4% IN THE FIRST THREE QUARTERS OF THE YEAR.

It is predicted that capital flows to emerging countries, which gained momentum in 2017, could continue provided that interest rates remain low, and that the recovery in global economy, led by emerging economies, would carry on in the coming period despite China's relatively decelerated performance.

The Turkish economy displayed a solid performance in 2017, stimulated also by the incentives that supported economic activity and by the Credit Guarantee Fund (KGF) scheme in particular, and grew 7.4% in the first three quarters of the year. Growth rate for the full year is also estimated around 7%. In spite of the growth performance, investment decisions were postponed because of increased risk premium as a result of ongoing chaos and conflicts in the Middle East. Loss of value the Turkish currency suffered against the developed countries' currencies in 2017 reflected negatively on the private sector's investment appetite and our sector's business volume.

Following the contraction in 2016, the leasing sector adopted a flat course in 2017 and registered a transaction volume of USD 6.2 billion with a performance close to that of the previous year.

Throughout the year, development continued in the construction industry, one of the engines of the leasing sector, and growth in the first three quarters closed in on 10%. Rather propelled by consumption outlays, economic growth began receiving contribution from machinery and equipment investments from the third quarter of the year, instilling hope in the sector as it harbingers revival in private sector investments.

Possessing a strong prediction capability and market perception, İş Leasing sustains its pioneering role in the sector with its proactive marketing and sales policies and efficient credit and risk management, and fosters its position year after year with its solid financial structure and funding ability.

On behalf of the Board of Directors and myself, I would like to take this opportunity to thank all our stakeholders who made our 2017 performance and achievements possible.

Murat Bilgiç
Chairman of the Board of Directors

ONEERING

MESSAGE FROM THE GENERAL MANAGER

2017 has been a year of growth for the global economy; nonetheless, it went down in the history as a year of constant and widespread political tensions and geopolitical risks. While Turkey struggled with the problems in her own geography in addition to global fluctuations, 2017 transaction volume of the leasing sector, which was significantly affected by the weak investment climate in our country, was parallel to that of the previous year and registered as USD 6.2 billion.

Adopting a disciplined growth strategy, our Company continued to adhere to a selective lending policy by effectively and steadily managing the profit margin pressure that increased in conjunction with competition, and secured increased transaction volume while uncompromising the principle of creating a broad-based and high quality portfolio. Registering a transaction volume worth USD 600.5 billion in 2017, our Company attained 7% rise in the number of customers and 8% in the number of transactions.



Mehmet Karakılıç
General Manager and Member of the Board of Directors

İŞ LEASING PRESERVES A HEALTHY PORTFOLIO COMPOSITION IN TERMS OF PROFITABILITY AND DISTRIBUTION OF RISK, AND EXTENDS FINANCING SUPPORT OF ANY SCALE TO INVESTMENTS IN DIVERSE INDUSTRIES.

24.1%

LEASING RECEIVABLES OF İŞ LEASING GREW BY 17.5% TO REACH TL 4.7 BILLION, WHILE CONSOLIDATED TOTAL ASSETS ROSE BY 24.1% TO TL 9.3 BILLION.

Leasing receivables of İş Leasing grew by 17.5% to reach TL 4.7 billion, while consolidated total assets rose by 24.1% to TL 9.3 billion.

Having booked a net profit of TL 112.9 million in 2017, up 9% yoy, İş Leasing attained an RoA of 1.3% and an RoE of 12.5%.

İş Leasing has taken place among the companies that achieved the highest transaction volume in disbursing KGF-originated loans.

Boasting solid shareholders' equity, İş Leasing makes its financial strength available to its customers, which it draws from its prestige in national and international markets, high credibility, and ability to tap funding resources.

İş Leasing preserves a healthy portfolio composition in terms of profitability and distribution of risk, and extends financing support of any scale to investments in diverse industries. Dominating the fields of heavy duty and construction machinery, manufacturing machinery and equipment, and real estate in which it is mainly active, our Company creates a significant business volume through productive collaborations developed with vendors.

In line with our Company's strategy defined as "Sustainable, High Quality and Profitable Growth" to attain its vision and goals, the primary targets that determine our action plan for the period ahead are as follows:

Keep funding costs and operating expenses under control by maintaining a well-balanced funding composition; efficiently manage business processes; increase profitability and productivity,

Get increased share out of the transaction volume of the leasing industry.

Constantly developing and increasing its business volume ever since its incorporation, İş Leasing will continue to act as a powerful business partner and stand by every investor wishing to realize investment projects in a fast, accurate and productive manner, drawing on its knowledge, pioneering and innovative approach, ability to generate customized solutions, and its customer experience pledge.

I would like to respectfully thank our Board of Directors, employees, all our business partners and investors with whom we share our goals and build our achievements.

Mehmet Karakılıç
General Manager and Member of the Board of Directors

STRONG

FINANCIAL LEASING SECTOR

DESPITE ITS GROWTH TARGETS AT THE ONSET OF 2017,
THE LEASING SECTOR REALIZED A TRANSACTION VOLUME
OF USD 6.2 BILLION, FLAT WITH THE 2016 FIGURE.



\$ 6.2 MN

TOTAL TRANSACTION VOLUME

DISPLAYING A FLAT PERFORMANCE WITH 2016, THE LEASING SECTOR REGISTERED USD 6.2 BILLION IN TRANSACTION VOLUME IN 2017.

The growth targets at the onset of 2017 proved to be elusive for the leasing sector due to the weak investment climate in our country. The overall sector realized a transaction volume of USD 6.2 billion, flat with the 2016 figure. The sector's leasing receivables at year-end 2017 increased by 18.1% to TL 52 billion. While the NPL ratio of the sector went up by 3.9% as compared with 2016, the ratio of non-performing loans to the leasing portfolio was 5.55%.

The sector registered an RoE of 11.4% in 2017 although the overall business volume of the sector did not expand at a sufficient pace and ratio, and despite the pressure caused by intense competition that resulted from the general conjuncture.

18.1%

INCREASE IN LEASING RECEIVABLES

LEASING RECEIVABLES WENT UP 18.10% TO TL 52 BILLION.

Having intermediated investments worth USD 87.2 billion in its history of 32 years in Turkey, the leasing sector's penetration rate, which shows the share the sector gets from investments, went up to 5.60% in September 2017 from 4.97% at year-end 2016.

When we look at the distribution of investments in the financial leasing sector, heavy duty and construction machinery take the first place with a share of 26.9%, while real estate, and other machinery and equipment take the second and third places with respective shares of 20.7% and 20.2%.

11.4%

RETURN ON EQUITY

THE SECTOR POSTED AN ROE OF 11.4% IN 2017.

During the course of the year, incentives seeking to support economic activity led by the Credit Guarantee Fund (KGF) scheme restored the sector's expectations for the future and increased its motivation.

While it is deemed likely that the competitive conditions in the sector will continue in a similar vein in 2018, economic and political environment in our country and cross-border events will be critical in setting the course of growth and investment climate. In 2018, the sector is anticipated to exhibit a moderate growth and register a transaction volume of USD 6.3 billion.

ESTIMMENT

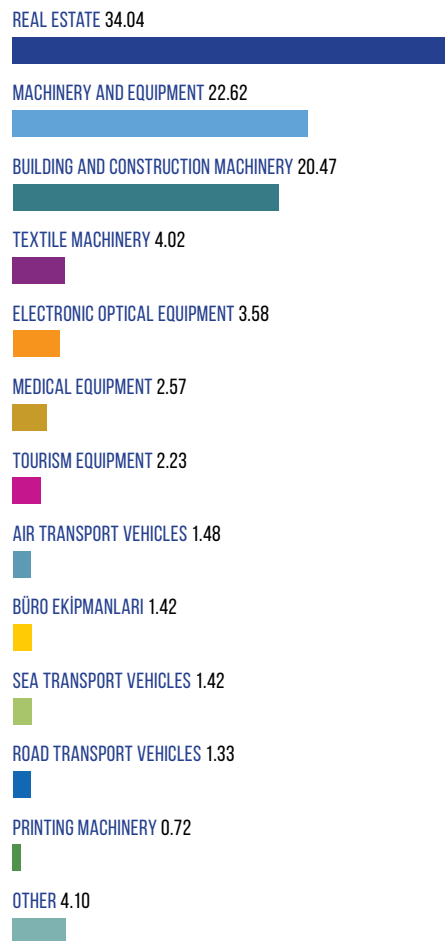
İŞ LEASING IN THE SECTOR



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

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

2017 EQUIPMENT DISTRIBUTION (%)



2017 SECTORAL DISTRIBUTION (%)





ITS SOLID FUNDING STRUCTURE ENABLES İŞ LEASING TO EXTEND FINANCING SUPPORT OF ANY SCALE TO INVESTMENTS IN DIVERSE SECTORS.

8%

İŞ LEASING ACHIEVED RISES OF 7% IN THE NUMBER OF ITS CUSTOMERS AND 8% IN THE NUMBER OF TRANSACTIONS OWING TO ITS SMART BUSINESS PROCESSES, AND SOLID CUSTOMER RELATIONSHIP MANAGEMENT.

Although characterized as a year of intense competition in the leasing sector, 2017 has been a successful year for İş Leasing as the Company attained 9.7% market share in new transactions and 8.9% in leasing receivables.

Offering service to its customers out of 15 branches across Turkey, İş Leasing achieved rises of 7% in the number of its customers and 8% in the number of transactions owing to its smart business processes, and solid customer relationship management built on productivity and mutual trust.

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

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

SUPPORT

2017 ACTIVITIES



GOAL

İŞ LEASING'S PRIMARY GOAL IS TO MAINTAIN A BROAD-BASED AND PROFITABLE PORTFOLIO WITH A RELATIVELY HIGH CREDIT QUALITY.

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 primary goal is to maintain a broad-based and profitable portfolio with a relatively high credit quality.

The sales activities of İş Leasing are carried out through three different channels: İşbank branches, vendors and direct marketing.

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

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

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 performed successfully also in 2017 on the back of its business model running on rapid, accurate and productive processes, combined with focused business strategies. In addition, the Company kept fulfilling its function of expanding the leasing sector by furthering its identity as the preferred service provider.

SUSTAINABLE



IMPLEMENTING A SOLID CHANNEL MANAGEMENT STRATEGY, THE COMPANY'S PRIMARY GOAL IS TO MAINTAIN A BROAD-BASED AND PROFITABLE PORTFOLIO WITH A RELATIVELY HIGH CREDIT QUALITY.

SUCCESSFUL

İŞ LEASING EXHIBITS
A SUCCESSFUL
PERFORMANCE IN NEW
CUSTOMER ACQUISITION
WITH ITS DIFFERENTIATING
CUSTOMER EXPERIENCE.

Portfolio

İş Leasing maintains its well-balanced portfolio composition thanks to its competence in risk management, which it regards as a key requirement of sustainable growth, combined with advanced risk management systems and established risk culture embedded in the organization.

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

İş Leasing exhibits a successful performance in new customer acquisition with its differentiating customer experience.

İş Faktoring

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

Having ended 2017 as the sector's leader in factoring receivables, İş Faktoring further increased its lead over its competition and kept growing. The company's total factoring receivables reached TL 4.2 billion as at 31 December 2017, and positively decoupled from its peers in terms of credit growth, profitability and NPL performance. Posting TL 12.3 billion in turnover, and TL 4.3 billion in total assets, İş Faktoring booked a net profit of TL 50 million as at year-end 2017.

In its rating report dated 1 February 2017, Fitch Ratings assigned İş Faktoring a long term foreign currency rating of BB+ and a national rating of AA+, with a stable outlook.

BLE

2017 ACTIVITIES



PRODUCTIVE

IN 2017 İŞ LEASING
CONTINUED TO UPGRADE
ITS TECHNOLOGY TO
SECURE PRODUCTIVE
GROWTH.

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 2017 to upgrade its technology to secure productive growth through increased speed and enhanced quality of its products and services.

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

Transfer of customers' creditworthiness data received from the Credit Bureau of Turkey (KKB) and Risk Center (RM) to the Company systems in an integrated fashion is a significant contributor to productivity. In addition, the Company uses credit allocation models and decision-making mechanism automation infrastructure, which evaluate credit applications on the basis of segments via the system, thus securing higher speed and productivity, and which observe calibration across allocation channels. These systems in place assure the Company's sustainable growth targets.

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.

SUCCESS



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.

COMPETENT

İŞ LEASING HAS ADOPTED THE PRINCIPLE OF CREATING TEAMS POSSESSING TEAM SPIRIT AND DELIVERING RESULTS WITH COMMON SENSE.

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 line with this strategy, the software platform for HR and performance processes were updated and vested in a self-serve format for employees during 2017.

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.

Aiming to promote after-hours socialization among İş Leasing employees and bring them together in social activities with the purpose of boosting employee loyalty and strengthen their bonds as a team, the Social Activity Club will continue to organize various activities in 2018, with a focus on theater plays, cinema, kitchen workshops and social responsibility projects.

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

İş Leasing makes systematic use of a number of different channels including the suggestion system, internal portal and satisfaction surveys in order to further improve the working environment, İş Leasing will carry on with its efforts to enhance employee satisfaction and development also in 2018.

FUL

BOARD OF DIRECTORS



MURAT BILGIÇ
Chairman

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



ŞAHISMAIL ŞİMŞEK
Vice Chairman

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



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 28 March 2014, Mr. Vulkan was elected a Member of the Board of Directors of İş Leasing on 28 April 2017.



PROF. DR. M. HAKAN BERUMENT
Independent Member

Born in 1965, Mr. Berument is a graduate of Division of Economy of Middle East Technical University. Completed his post-graduate study in economics in University of Kentucky, and completed his doctorate study in University of North Carolina at Chapel Hill in 1994. Worked as academician in University of North Carolina between 1991 and 1994, and as visiting assistant associate professor in Wake Forest University between 1994 and 1995, and as assistant associate professor in Bilkent University between 1995 and 1999, and as Senior Economist in the Turkish Central Bank in 1999, and as assistant associate professor in Bilkent University between 1999 and 2003, and as associate professor in the same university between 2003 and 2007, and became a professor in 2007. Mr. Berument is currently an academician in Division of Economy of Bilkent University. Mr. Berument is elected as independent member of Board of Directors of İş Leasing on 29 March 2012.



PROF. DR. M. BAHA KARAN
Independent Member

Having graduated from Business Administration Division of Middle East Technical University in 1978, Mr. Karan completed his doctorate study in Business Administration Division of Gazi University in 1984. After working as Associate Professor in Business Administration Division of Hacettepe University between 1996 and 2002, Mr. Karan is working as Professor in the same University since 2003. Worked as Founder Manager in Financial Researches Center of Hacettepe University between 1998 and 2004, as Vice Dean in Economic and Administrative Sciences Faculty of Hacettepe University between 2007 and 2009, and as President of Business Administration Division of Hacettepe University between 2009 and 2012 and currently is working as academician Business Administration Division of Hacettepe University. Furthermore, Mr. Karan has also served as chairman, director and executive in various different international professional organizations such as Multinational Finance Society and Professional Risk Managers' International Association (PRMIA).



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.

BOARD OF DIRECTORS



O. TUFAN KURBANOĞLU
Member

Born in 1971, Mr. Kurbanoğlu is a graduate of Division of Public Management of Middle East Technical University. Starting his job career as an inspector in Türkiye İş Bank in 1993, Mr. Kurbanoğlu is appointed as Vice Manager in Corporate Credits Monitoring and Follow-up Department in 2002. Mr. Kurbanoğlu has served as vice manager between 2002 and 2006, 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 2004. Mr. Kurbanoğlu is currently working as Head of Commercial and Corporate Credits Monitoring and Follow-up Department.



BUĞRA AVCI
Member

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



HASAN HEPKAYA
Member

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



MURAT DEMIRCIOĞLU
Member

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



KEMAL ŞAHİN
Member

Born in 1967, Mr. Şahin is graduated from Middle East Technical University, Faculty of Business Administration. After starting his job career as vice inspector in Türkiye İş Bankası in 1988, Mr. Şahin has been appointed as Vice Manager to the Bank's Subsidiaries Division in 1998. At present, he is working as Unit Manager in Subsidiaries Division of T. İş Bankası. In addition, Mr. Şahin is also serving as a member of Board of Directors of JSC Isbank Georgia, İş Faktoring A.Ş. and Arab Turkish Bank as well.

SENIOR MANAGEMENT



NİDA ÇETİN
Deputy General Manager
Financial Management,
Treasury&Financial Institutions,
Information Technology, Human
Resources, Investor Relations

Mrs. Cetin was born in 1971 and holds a BA degree in business administration from Middle East Technical University. Starting her career in 1993 at Coopers&Lybrand as an auditor, Mrs. Cetin served as financial controller between 1996-1997 at Bausch&Lomb. Having joined İş Leasing in 1997, Mrs. Cetin has held positions including financial controller and group manager of finance, and has been serving as assistant general manager since 2000.



DİLEK SEZER
Assistant General Manager,
Marketing, Sales, Purchasing,
Operation

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



BANU ALTUN
Assistant General Manager
Credits, Risk Follow-up, Legal

Mrs. Altun was born in 1972 and is a graduate of economics (english) from Marmara University. Mrs. Altun joined İşbank in 1994 as assistant specialist, was appointed as assistant manager in the corporate credits department in 2002, as manager of the corporate credits assignment department in 2007. Mrs. Altun has been serving as assistant general manager at İş Leasing since 2010.



ESMA TOKER
Sales Manager



ONAN KELEŞ
Treasury and Financial Institutions
Manager



A. BERRİN AKÇAL
1. Credits Manager



SERKAN SIRAK
2. Credits Manager



NESLİHAN ORUÇ
Financial Management Manager



ONUR TUFAN
Risk Monitoring Manager



PINAR UZUNALI
Purchasing Manager



SEYİTHAN AYVAZOĞLUYÜKSEL
Law Affairs Manager



NURAN GÜNEŞ BOZKURT
Legal Counselor

SENIOR MANAGEMENT



R. SEMİH NABİOĞLU
Head of Internal Audit



ALTAN İYİGÜN
Marketing Manager



ASLI ANAKÖK
Human Resources Unit Manager



A. MURAT YILDIRIM
Information Technologies Unit
Manager



BURAK KARSLI
Operations Unit Manager

INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT



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(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of İş Finansal Kiralama Anonim Şirketi

1) Opinion

We have audited the annual report of İş Finansal Kiralama Anonim Şirketi ("the Company") and its subsidiary ("the Group") for the period of 1 January 2017 – 31 December 2017.

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 Consolidated 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 24 January 2018 on the full set consolidated financial statements of the Company Group for the period of 1 January 2017 -31 December 2017.

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 RELATED TO ANNUAL REPORT

c) The annual report also includes the matters below:

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated 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



28 February 2018
İstanbul, Türkiye

BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2017, with its transaction volume of 600,5 million USD, and its market share of 9.7%, İş Leasing maintained its strong positioning in the sector. Having increased its leasing portfolio by 17.5% over the past year, the Company further increased its total assets by 24.1% to 9.3 billion TL. With a net profit of 112.9 million TL in 2017, the Company recorded a return on equity of 12.5%. As a result of developed techniques applied and care and due diligence shown in credit risk management, the Company's non-performing debts ratio of leasing receivables continued to remain far below the sector average, and was recorded as 4.6%.

Its bond issuance limit of TL 4.5 billion approved by the Capital Markets Board of Turkey (CMB) and having issued bonds and private sector bills worth TL 2.7 billion in total during the year, İş Leasing diversified its funding sources by securing new financing in the aggregate amount of USD 304 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 2017, capital of the Company is 650.3 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 2017, 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 2017 are 100 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 2017 accounting period, the Company has been subject to a limited independent audit as of 30.06.2017, and to an independent audit as of 31.12.2017 by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by DRT Yeminli Mali Müşavirlik A.Ş.

BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2017 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 01.01.2017 - 31.12.2017, 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 2017 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2017 within the knowledge of the Company.”

CHANGES WITHIN THE REPORT PERIOD

Increase in the Share Capital

The paid-in capital of the Company has been increased from TL 600,302,645 to TL 650,302,645 with a portion of TL 50,000,000 funded by 2016 profit shares allocated in the form of share certificates in line with the 2016 yearly profit distribution proposal approved by shareholders in the Annual General Assembly held on 27 March 2017, and distribution of the bonus shares have been completed on 17 June 2016, the capital increase processes have been completed on 05 June 2017.

Annual General Assembly Held Within the Period

The Company's 2016 Annual General Assembly has been held at the address of İş Kuleleri, 34330, İş Bankası Oditoryum Binası, 4.Levent - Istanbul on 27 March 2017. Ordinary General Assembly Meeting of 2016 was held with the presence of the shareholders representing 600,000,000 Group A and 36,664,337,784 Group B shares from 60,030,264,500 shares corresponding to the Company's total equity of TL 600,302,645. In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

Profit Distribution

According to the Profit Distribution Table submitted to and approved by the General Assembly of Shareholders within the framework of the Decision No. 2429 and dated 13.02.2017 of the Company's Board of Directors, it has been resolved that the shareholders be distributed first dividends in the form of bonus shares worth TL 50,000 thousand out of the net distributable profit for the period in the amount of TL 99,567 thousand, which is net profit for the period forming the basis of profit distribution pursuant to the Capital Markets Board of Turkey (CMB) legislation in the amount of TL 103,657 thousand, less first legal reserves of TL 4,090 thousand calculated based on the profit figure of TL 81,800 thousand that descends in the Company's statutory records; that deferred taxes of TL 6,112 thousand that is included in the Company's net profit for the period according to statutory records be set off from deferred tax reserves, which are made up of the Company's undistributed deferred tax income from previous periods, and be transferred to extraordinary reserves, and that the distribution of shares that will be distributed as profit share be commenced upon approval of the issuance document for the said shares by the CMB. Distribution of bonus shares was completed on 14 June 2017.

Changes in Articles of Association

During the period of 01.01.2017 - 31.12.2017, no amendment has been made in the Articles of Association, and in the course of increase of our Company's share capital from TL 600,302,645 to TL 650,302,645, Article 6 "Capital and Types of Shares" of our Company's Articles of Association has been amended, and these amendment has been registered on 22.06.2017.

COMPANY RISK POLICIES

Credit Risk

Overall Principles Regarding the Credit Risk Management Process:

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

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

Market Risk

Overall Principles Regarding the Market Risk Management Process:

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

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.
- 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.

DISCLOSURE POLICY

- 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.
- 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.

DISCLOSURE POLICY

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.

COMPANY ETHICAL PRINCIPLES

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.

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.

COMPANY ETHICAL PRINCIPLES

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
- 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

COMPANY ETHICAL PRINCIPLES

- 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, 16 February 2018

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 for 2017 fiscal year, which incorporates the aspects of those principles that can and cannot be implemented, has been prepared in line with our Company's priorities in this respect, and attached hereto.

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

Sincerely,

İş Finansal Kiralama A.Ş.
Corporate Governance Committee

Nida ÇETİN
Üye

Kemal ŞAHİN
Üye

Buğra AVCI
Üye

Prof. Dr. M. Baha KARAN
Başkan

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

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 Unit at the Company, which is responsible for maintaining relationships with shareholders.

Name and Surname	Position	Telephone Number	E-Mail Address
Nida Çetin	Deputy General Manager	+90 212 350 74 00	nidacetin@isleasing.com.tr
Onan Keleş	Manager	+90 212 350 74 50	onankeles@isleasing.com.tr
Neslihan Oruç	Manager	+90 212 350 74 70	neslihanoruc@isleasing.com.tr
Ayşe Perk	Assistant Manager	+90 212 350 74 78	ayseperk@isleasing.com.tr
Firuze Kutlu	Supervisor	+90 212 350 74 72	firuzekutlu@isleasing.com.tr

The Investor Relations Unit reports directly to Ms. Nida Çetin, Assistant General Manager. Ms. Nida Çetin and Ms. Neslihan Oruç hold Capital Market Activities Advanced Level License and Corporate Governance Rating Expertise License.

The activities of the Investor Relations Unit are regularly reported to the Board of Directors and the Corporate Governance Committee. The Investor Relations Unit 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 Unit responded to one verbal and one written inquiry received from the shareholders during the reporting period, one informative meeting was held with investors, 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 Unit within the frame of applicable legislation. The inquiries are first addressed by someone no lower than an Assistant General 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 Unit.

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 2017. 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 2016 Ordinary General Assembly Meeting. The said meeting was held both physically and electronically on 27 March 2017. 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. 2016 Ordinary General Assembly Meeting was convened with a quorum of 62.08% 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 2017, 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 2016 has been distributed in accordance with the resolution passed in the Ordinary General Assembly Meeting held in 2017.

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 Unit 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 Unit and the Company's senior management through internal platforms or the Company website; any such complaints raised are forwarded to the Corporate Governance Committee and the Audit Committee.

11. Stakeholder Participation in Management

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

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

12. Human Resources Policy

The Company's Human Resources Policy is outlined below:

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

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

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

opinions of employees are regularly shared with the Company via the Employee Committee that is formed of representatives elected by each department from within their members.

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
Şahismail Şimşek	Deputy Chairman	Non-Executive	2 years
Murat Vulkan	Member	Non-Executive	2 years
M. Hakan Berument	Independent Member	Non-Executive	2 years
M. Baha Karan	Independent Member	Non-Executive	2 years
Mehmet Karakılıç	General Manager/Member	Executive	2 years
O. Tufan Kurbanoğlu	Member	Non-Executive	2 years
Buğra Avcı	Member	Non-Executive	2 years
Hasan Hepkaya	Member	Non-Executive	2 years
Murat Demircioğlu	Member	Non-Executive	2 years
Kemal Şahin	Member	Non-Executive	2 years

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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: Prof. Dr. M. Hakan BERUMENT

Date: 27.03.2017

Signature:



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. M. Baha KARAN

Date: 27.03.2017

Signature:



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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	Member of the Board of Directors
	JSC Isbank Georgia / Group company	Chairman of the Board of Directors
	İşbank AG / Group company	Member of the Board of Directors
	Kredi Garanti Fonu A.Ş. / Out-group	Member of the Board of Directors
	Kredi Kayıt Bürosu A.Ş. / Out-group	Member of the Board of Directors
Şahismail Şimşek	Türkiye İş Bankası A.Ş. / Group company	Deputy Chief Executive
M. Hakan Berument	Bilkent University / Out-group	Faculty Member
	Economic Research Forum / Out-group	Researcher
	Economic Research Association / Out-group	Member of the Board of Directors / Member of the Advisory Board
M. Baha Karan	Hacettepe University / Out-group	Faculty Member
	Anadolu Hayat Emeklilik A.Ş. / Group company	Independent Member of the Board of Directors
	Hacettepe University Energy Markets Research and Application Center / Out-group	Member of the Board of Directors
	Center for Energy and Value Issues / Out-group	Vice President
	Multinational Finance Society / Out-group	Member of the Board of Directors
Mehmet Karakılıç	Efes Varlık Yönetim A.Ş.	Member of the Board of Directors
	Association of Financial Institutions	Member of the Board of Directors
O. Tufan Kurbanoğlu	Türkiye İş Bankası A.Ş. / Group company	Division Manager, Commercial and Corporate Loans Monitoring and Recovery Division
Buğra Avcı	Türkiye İş Bankası A.Ş. / Group company	Product Manager, Commercial Banking
	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Member of the Board of Directors
Hasan Hepkaya	Türkiye Sınai Kalkınma Bankası A.Ş. / Group company	Corporate Marketing Manager
Murat Demircioğlu	Türkiye İş Bankası A.Ş. / Group company	Manager, Commercial Loans Underwriting Division
Kemal Şahin	Türkiye İş Bankası A.Ş. / Group company	Unit Manager, Subsidiaries Division
	Trakya Yatırım Holding A.Ş. / Group company	Chairman of the Board of Directors
	Topkapı Yatırım Holding A.Ş. / Group company	Chairman of the Board of Directors
	Arap-Türk Bankası A.Ş.	Member of the Board of Directors
	İş Faktoring A.Ş.	Member of the Board of Directors
	İş-Altınhas İnşaat Taahhüt ve Ticaret A.Ş. / Group company	Member of the Board of Directors
	JSC Isbank Georgia	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.

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 2017, four Board meetings took place; full attendance was secured in all of them and decisions were passed unanimously. The Board of Directors passed 105 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 2017.

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 2017, 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 2017. There are no decisions referred to the General Assembly by reason of related party or material transactions.

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

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

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

Audit Committee

Formed of two members, the Audit Committee is headed by Mr. M. Hakan Berument, a non-executive independent Board member. The other member of the Committee is Mr. M. Baha Karan, 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 2017, the Audit Committee met 10 times and passed 14 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- 2017 audit plan and 2017 Internal Control and Risk Management Activity Plan developed by the Company have been discussed and approved.
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Upon getting the opinions of the responsible Company managers, it has been established that the consolidated financial statements and their notes, and annual reports have been prepared accurately and in accordance with the applicable legislation and generally accepted principles and norms, and they have been presented for approval to the Board of Directors for subsequent disclosure.
- It has been established that the Committee did not determine any negative findings with respect to the entry of the Company's commercial transactions into accounting records, to the operation and efficiency of the internal control system, and fulfillment of tax and legal obligations during the reporting period, and that all are in order.
- Findings, opinions and suggestions that resulted from the audit activities carried out by Internal Audit and Internal Control units were first shared with, and evaluated by, those who conducted the relevant activities, and it was ensured that necessary complementary and preventive actions were taken.
- Internal control, file audit and department/unit audit reports drawn up during the reporting period by Internal Audit and Internal Control units have been examined, and presented for the approval of the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Committee

Formed of four members, the Corporate Governance Committee also functions as the Nomination Committee and the Remuneration Committee. Mr. M. Baha Karan, non-executive independent Board member, serves as the head of the Committee, whereas the other members are Messrs. Buğra Avcı and Kemal Şahin, non-executive Board members, and Ms. Nida Çetin, Assistant General Manager to whom the Investor Relations Unit reports.

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

- The Corporate Governance Committee meets at least once every three months and four times annually.
- The Committee meets with the attendance of all its members and takes its decisions by majority vote.
- The Committee keeps a decision book and the decisions taken by the Committee are recorded in this book with a log number.
- The results of the Committee's meetings are issued as an official report and the assessments and decisions of the Committee are submitted to the Board of Directors within at least one month following the relevant meeting of the Committee.
- The decisions of the Committee take effect upon the approval of the Board of Directors.
- The Corporate Governance Committee immediately submits its findings, assessments and suggestions on the area of its work and responsibility to the Board of Directors in writing.
- The Corporate Governance Committee may invite other people to its meetings as needed to get their opinions on a subject.
- The Investor Relations Unit/Department determines the agenda of the meetings, makes the calls for the meetings, ensures the communication within the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee.
- The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.
- Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is provided by the Company.
- The members of the Corporate Governance Committee conduct their duties within the framework of the principles of independence and neutrality.

Article 6 Validity

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

Relevant Decisions of the Board of Directors

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

During 2017, the Corporate Governance Committee met six times and passed six 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 2016 operating period, has been studied and presented for the approval of the Board of Directors.
- Salary rises for 2017 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 Unit 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 Mr. M. Hakan Berument, non-executive independent Board member. Messrs. Şahismail Şimşek and Kemal Şahin, 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 fulfilment of its duty are provided by the Board of Directors.
- The Committee may benefit from the opinions of the independent experts as it may need regarding its activities subject to the approval of the Board of Directors. The fee of the consultancy service needed by the Committee is paid by the Company.
- The members of the Early Detection of Risk Committee fulfill their duties in compliance with the principles of independence and neutrality.

Article 6 Validity

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

Relevant Board Decisions

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

During 2017, the Corporate Governance Committee met eight times and passed sixteen decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.

- 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 2017, benefits, allowances, resources in cash and in kind, insurance and similar benefits provided to the members of the Board of Directors and the Company's senior executives amounted to TL 4,047 thousand.

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

DECLARATION OF 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.

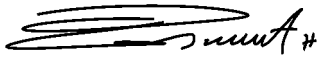
The internal control system of the company targets to establish and maintain a company-wide internal control culture internalized by all employees, as a contributing approach covering all operations. The internal audit system on the other hand, comprises the identification and application of precautions 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.

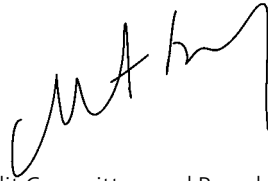
The Audit Committee periodically evaluates the effectiveness of the internal control system and the results of internal control activities through internal audit reports prepared by the Internal Audit and Risk Management Department; and shares its suggestions regarding the measures to be taken in relation 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.

İstanbul, 24 January 2018



President of Audit Committee
and Board Member

M. Hakan BERUMENT



Audit Committee and Board
Member

M. Baha KARAN

GENERAL MEETING AGENDA

CONCERNING THE ORDINARY ASSEMBLY MEETING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 23 MARCH 2018 AGENDA

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 2017 activities and operations;
3. Reading, discussing and approval of Financial Statements of 2017;
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 2017;
13. Determination of the upper limit for donations to be made within the year 2018 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: 23 March 2018, 10:00 hours

PROFIT DISTRIBUTION PROPOSAL

İŞ FİNANSAL KİRALAMA A.Ş. 2017 Profit Distribution Table (Thousand TL)		
1.	Paid in/Issued Share Capital	650,303
2.	General Legal Reserves (According to Statutory Records)	34,010
Information on profit distribution privileges according to Articles of Association		
		As per SPK
		As per Statutory Books
3.	Profit for the Period	147,070
4.	Taxes (-) (**)	(34,122)
5.	Net Profit for the Period (=)	112,948
6.	Previous Years' Losses (-)	-
7.	General Legal Reserve (-)	(3,710)
8.	NET DISTRIBUTABLE PROFIT (=)	109,238
9.	Donation Made During the Year (+)	-
10.	Net Distributable Profit determined with the addition of donations made during the year	109,238
11.	First Dividend to Shareholders	45,000
	- Cash	-
	- Stocks	45,000
	- Total	45,000
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	64,238
20.	Other Sources Planned to be Distributed (*)	

(*) 3.067 thousand TL of deferred taxation expense included in our statutory profit for the year 2017 will be deducted from deferred tax classified in extraordinary reserves which will not be distributed.

İŞ FİNANSAL KİRALAMA A.Ş. 2017 DIVIDEND RATE TABLE						
	GROUP	TOTAL DIVIDEND		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD RATE (%)	DIVIDEND FOR EACH 1 TL NOMINAL SHARE	
		CASH (THOUSAND TL)	BONUS (TOHUSAND TL)		AMOUNT (TOHUSAND TL)	RATE (%)
GROSS	A					
	B					
	TOTAL	-	45,000	41%	0.0691985	6.91985

BOARD DECISION REGARDING FINANCIAL STATEMENTS

İstanbul, 24 January 2018

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 01.01.2017 - 31.12.2017 for your approval.




Mehmet KARAKILIÇ
General Manager

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

Decision Number: 2529

Decision Date: 24.01.2018



Murat BİLGİÇ
Chairman




Şahismail ŞİMŞEK
Vice President




Murat VULKAN
Member



M. Hakan BERUMENT
Member



M. Baha KARAN
Member




Mehmet KARAKILIÇ
Member




O. Tufan KURBAN OĞLU
Member



Buğra AVCI
Member



Hasan HEPKAYA
Member



Murat DEMİRCİ OĞLU
Member



Kemal ŞAHİN
Member

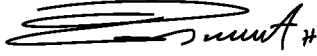
AUDIT COMMITTEE DECISION

İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

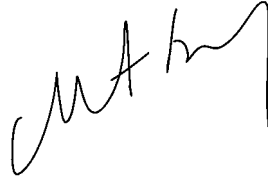
Decision Date: 24.01.2018
Decision No: 2018.130
Meeting Hour: 11:00
Agenda Item No: 1

SUBJECT: Regarding financial statements of the period 01.01.2017 - 31.12.2017

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2017 - 31.12.2017 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.



M. Hakan BERUMENT
Chairman of Committee



Mehmet Baha KARAN
Member

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

INDEPENDENT AUDITOR'S REPORT



Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No.27 Maslak, Sarıyer 34398
İstanbul-Turkey

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Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of İş Finansal Kiralama A.Ş. ("the Company") and its subsidiary (all together referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in 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, 2017 and its consolidated financial performance and its 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 made by the Banking Regulation and Supervision Authority and in accordance with "BRSA Accounting and Financial Reporting Legislation" including provisions of Turkish Accounting Standards except for the matters regulated by the aforementioned regulations..

Basis for opinion

We conducted our audit in accordance with and 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.

Other Matter

The consolidated financial statements of the Group as of December 31, 2016 was audited by another independent audit firm, who expressed an unqualified opinion in their audit report dated January 27, 2017.

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. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of lease and factoring receivables</i>	
Determining the adequacy of impairment allowance on lease and factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over timing of the accounting and amount of impairment. The risk is that lease and factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of "BRSA Accounting and Financial Reporting Legislation". Accordingly, carrying amount of lease and factoring might be greater than the estimated recoverable amounts, therefore the impairment test of these lease and factoring receivables is a key audit matter. Refer Note 7 and 8 to the financial statements relating to the impairment of lease and factoring receivables.	We selected samples of lease and factoring receivables on our judgement and considered whether there was objective evidence that impairment exists on these lease and factoring receivables. We also assessed whether impairment losses for lease and factoring receivables were reasonably determined in accordance with the requirements of "BRSA Accounting and Financial Reporting Legislation".

Responsibilities of management and the Board of Directors 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.

The Management is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 management 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 management 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 management, 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 24, 2018.
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, 2017 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.

Additional paragraph for convenience translation into English of financial statements as of December 31, 2017 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 BRS 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.

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

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



January 24, 2018
İstanbul, Türkiye

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONTENTS

	PAGE
Consolidated Balance Sheet (Statement of Financial Position)	78
Consolidated Statement of Off-Balance Sheet Items	80
Consolidated Statement of Profit or Loss	81
Consolidated Statement of Profit or Loss and Other Comprehensive Income	83
Consolidated Statement of Changes in Equity	84
Consolidated Statement of Cash Flows	86
Consolidated Statement of Statement of Profit Distribution	87
Notes to the Consolidated Financial Statements	
Note 1 ORGANIZATION AND OPERATIONS OF THE COMPANY	88
Note 2 BASIS OF THE FINANCIAL STATEMENTS	88
Note 3 SIGNIFICANT ACCOUNTING POLICIES	96
Note 4 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	106
Note 5 BANKS	107
Note 6 FINANCIAL ASSETS AVAILABLE FOR SALE	108
Note 7 FACTORING RECEIVABLES	109
Note 8 LEASE RECEIVABLES	110
Note 9 RELATED PARTIES	114
Note 10 TANGIBLE ASSETS	120
Note 11 INTANGIBLE ASSETS	122
Note 12 GOODWILL	122
Note 13 DEFERRED TAX ASSETS AND LIABILITIES	123
Note 14 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	124
Note 15 OTHER RECEIVABLES, OTHER ASSETS AND PREPAID EXPENSES	125
Note 16 FUNDS BORROWED	125
Note 17 MISCELLANEOUS PAYABLES AND OTHER LIABILITIES	127
Note 18 FINANCE LEASE OBLIGATIONS	127
Note 19 DEBT SECURITIES ISSUED	128
Note 20 TAXES AND DUTIES PAYABLE	129
Note 21 PROVISIONS	129
Note 22 EMPLOYEE BENEFITS	130
Note 23 CURRENT PERIOD TAX ASSET AND PAYABLE	131
Note 24 NON-CONTROLLING INTERESTS	132
Note 25 PAID-IN CAPITAL AND CAPITAL RESERVES	132
Note 26 PROFIT RESERVES	133
Note 27 PRIOR YEARS' PROFIT/LOSS	134
Note 28 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	134
Note 29 SEGMENT REPORTING	136
Note 30 EVENTS AFTER THE REPORTING PERIOD	138
Note 31 OPERATING INCOME	138
Note 32 OPERATING EXPENSES	138
Note 33 OTHER OPERATING INCOME	139
Note 34 FINANCE EXPENSES	139
Note 35 PROVISION FOR NON-PERFORMING RECEIVABLES	139
Note 36 OTHER OPERATING EXPENSES	139
Note 37 TAXATION	140
Note 38 EARNINGS PER SHARE	143
Note 39 OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS	143
Note 40 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS	143

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

ASSETS	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH		-	-	-	-	-	-
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	5.252	5.278	10.530	6.664	511	7.175
2.1 Financial Assets Held for Trading		5.147	-	5.147	6.664	-	6.664
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		105	5.278	5.383	-	511	511
III. BANKS	5	5.093	242.800	247.893	88.620	287.867	376.487
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	47.187	-	47.187	25.176	-	25.176
VI. FACTORING RECEIVABLES	7	3.311.481	893.386	4.204.867	2.542.131	442.584	2.984.715
6.1 Discounted Factoring Receivables		759.682	26.333	786.015	614.378	797	615.175
6.1.1 Domestic		780.001	-	780.001	625.606	797	626.403
6.1.2 Foreign		1.130	26.652	27.782	-	-	-
6.1.3 Unearned Income (-)		(21.449)	(319)	(21.768)	(11.228)	-	(11.228)
6.2 Other Factoring Receivables		2.551.799	867.053	3.418.852	1.927.753	441.787	2.369.540
6.2.1 Domestic		2.514.035	393.939	2.907.974	1.927.564	-	1.927.564
6.2.2 Foreign		37.764	473.114	510.878	189	441.787	441.976
VII. FINANCING LOANS		-	-	-	-	-	-
7.1 Retail Loans		-	-	-	-	-	-
7.2 Credit Loans		-	-	-	-	-	-
7.3 Instalment Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES	8	1.715.471	2.901.941	4.617.412	1.434.997	2.486.156	3.921.153
8.1 Lease Receivables		1.656.037	2.599.530	4.255.567	1.371.791	2.350.691	3.722.482
8.1.1 Finance Lease Receivables		2.025.039	2.871.063	4.896.102	1.663.719	2.597.146	4.260.865
8.1.2 Operational Lease Receivables		-	-	-	-	5	5
8.1.3 Unearned Income (-)		(369.002)	(271.533)	(640.535)	(291.928)	(246.460)	(538.388)
8.2 Leasing Contracts in Progress		56.300	167.216	223.516	55.208	41.231	96.439
8.3 Advances Given for Lease Transactions		3.134	135.195	138.329	7.998	94.234	102.232
IX. OTHER RECEIVABLES	15	5.532	3.843	9.375	4.648	2.884	7.532
X. NON-PERFORMING RECEIVABLES	7, 8	46.870	39.288	86.158	43.174	37.419	80.593
10.1 Non-Performing Factoring Receivables		42.099	-	42.099	39.388	-	39.388
10.2 Non-Performing Financing Loans		-	-	-	-	-	-
10.3 Non-Performing Lease Receivables		164.527	59.788	224.315	146.710	44.726	191.436
10.4 Specific Provisions (-)		(159.756)	(20.500)	(180.256)	(142.924)	(7.307)	(150.231)
XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. ASSOCIATES (Net)		-	-	-	-	-	-
XV. JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	10	3.593	-	3.593	17.429	-	17.429
XVII. INTANGIBLE ASSETS (Net)	11, 12	3.940	-	3.940	2.590	-	2.590
17.1 Goodwill		166	-	166	166	-	166
17.2 Other Intangibles		3.774	-	3.774	2.424	-	2.424
XVIII. PREPAID EXPENSES	15	19.378	22	19.400	21.236	-	21.236
IXX. CURRENT PERIOD TAX ASSETS	23	728	-	728	567	-	567
XX. DEFERRED TAX ASSETS	13	26.563	-	26.563	32.193	-	32.193
XXI. OTHER ASSETS	15	3.360	904	4.264	2.067	174	2.241
SUBTOTAL		5.194.448	4.087.462	9.281.910	4.221.492	3.257.595	7.479.087
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	785	-	785	899	-	899
22.1 Assets Held For Sale		785	-	785	899	-	899
22.2 Assets of Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		5.195.233	4.087.462	9.282.695	4.222.391	3.257.595	7.479.986

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2017

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

LIABILITIES	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	-	19.613	19.613	-	63.777	63.777
II. FUNDS BORROWED	16	3.853.578	2.723.565	6.577.143	2.775.681	2.386.005	5.161.686
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASE OBLIGATIONS	18	-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V. DEBT SECURITIES ISSUED (Net)	19	1.460.862	-	1.460.862	1.232.536	-	1.232.536
5.1 Bills		1.368.677	-	1.368.677	1.110.391	-	1.110.391
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		92.185	-	92.185	122.145	-	122.145
VI. MISCELLANEOUS PAYABLES	17	17.939	71.648	89.587	28.460	52.265	80.725
VII. OTHER LIABILITIES	17	24.200	95.103	119.303	18.620	46.666	65.286
VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Net Foreign Investment Hedges		-	-	-	-	-	-
IX. TAXES AND DUTIES PAYABLE	20	4.536	-	4.536	6.546	-	6.546
X. PROVISIONS	21	10.276	3.148	13.424	8.213	2.587	10.800
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits	22	9.455	-	9.455	7.415	-	7.415
10.3 Other Provisions		821	3.148	3.969	798	2.587	3.385
XI. DEFERRED INCOME		199	-	199	56	-	56
XII. CURRENT PERIOD TAX LIABILITY	23	23.360	-	23.360	28.371	-	28.371
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUBTOTAL		5.394.950	2.913.077	8.308.027	4.098.483	2.551.300	6.649.783
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		974.668	-	974.668	830.203	-	830.203
16.1 Paid-in Capital	25	650.303	-	650.303	600.303	-	600.303
16.2 Capital Reserves	25	1.938	-	1.938	1.938	-	1.938
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	58	-	58	15	-	15
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	25	22.189	-	22.189	3.766	-	3.766
16.5 Profit Reserves	26	146.144	-	146.144	92.487	-	92.487
16.5.1 Legal Reserves		38.674	-	38.674	33.296	-	33.296
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		107.470	-	107.470	59.191	-	59.191
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		112.948	-	112.948	103.657	-	103.657
16.6.1 Prior Periods Profit/Loss	27	-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		112.948	-	112.948	103.657	-	103.657
16.7 Non-Controlling Interests	24	41.088	-	41.088	28.037	-	28.037
TOTAL LIABILITIES AND EQUITY		6.369.618	2.913.077	9.282.695	4.928.686	2.551.300	7.479.986

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

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

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

OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2017			Audited Prior Period 31 December 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
I. IRREVOCABLE FACTORING TRANSACTIONS		139.115	44.315	183.430	62.084	19.745	81.829
II. REVOCABLE FACTORING TRANSACTIONS		229.541	28.191	257.732	177.982	35.966	213.948
III. COLLATERALS RECEIVED	40	29.106.475	37.657.853	66.764.328	20.164.990	31.352.671	51.517.661
IV. COLLATERALS GIVEN	28	1.337.317	22.721	1.360.038	525.878	-	525.878
V. COMMITMENTS		120.223	750.302	870.525	91.520	298.621	390.141
5.1 Irrevocable Commitments		-	147.499	147.499	-	72.386	72.386
5.2 Revocable Commitments		120.223	602.803	723.026	91.520	226.235	317.755
5.2.1 Lease Commitments		120.223	602.803	723.026	91.520	226.235	317.755
5.2.1.1 Finance Lease Commitments		120.223	602.803	723.026	91.520	226.235	317.755
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS		1.686.114	1.689.612	3.375.726	1.067.139	1.181.362	2.248.501
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	28	1.686.114	1.689.612	3.375.726	1.067.139	1.181.362	2.248.501
6.2.1 Forward Foreign Currency Purchases/Sales	28	-	-	-	-	-	-
6.2.2 Swap Purchases/Sales	28	1.686.114	1.689.612	3.375.726	1.067.139	1.181.362	2.248.501
6.2.3 Put/call options		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY		491.246	141.618	632.864	315.510	73.415	388.925
TOTAL OFF-BALANCE SHEET ITEMS		33.110.031	40.334.612	73.444.643	22.405.103	32.961.780	55.366.883

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

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

INCOME STATEMENT		Notes	Audited Current Period 01.01-31.12.2017	Audited Prior Period 01.01-31.12.2016
I.	OPERATING INCOME	31	694.176	459.186
	FACTORING INCOME		328.039	173.420
1.1	Factoring Interest Income		309.152	160.625
1.1.1	Discounted		76.144	39.953
1.1.2	Other		233.008	120.672
1.2	Factoring Commission Income		18.887	12.795
1.2.1	Discounted		4.162	2.783
1.2.2	Other		14.725	10.012
	LEASE INCOME		366.137	285.766
1.3	Finance Lease Income		365.810	285.688
1.4	Operational Lease Income		327	78
1.5	Fees and Commission Income on Lease Operations		-	-
II.	FINANCING EXPENSES (-)	34	(616.779)	(320.589)
2.1	Interest Expense on Funds Borrowed		(404.644)	(190.966)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-
2.4	Interest Expense on Securities Issued		(185.969)	(116.417)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(26.166)	(13.206)
III.	GROSS PROFIT) LOSS (I+II)		77.397	138.597
IV.	OPERATING EXPENSES (-)	32	(65.227)	(55.300)
4.1	Personal Expenses		(40.429)	(32.945)
4.2	Employee Severance Indemnity Expense		(746)	(729)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(24.027)	(19.767)
4.5	Other		(25)	(1.859)
V.	GROSS OPERATING PROFIT) LOSS (III+IV)		12.170	83.297
VI.	OTHER OPERATING INCOME	33	255.255	196.139
6.1	Interest Income on Bank Deposits		4.709	7.112
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities Portfolio		228	144
6.3.1	Interest Income on Financial Assets Held for Trading		228	144
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available For Sale		-	-
6.3.4	Interest Income on Financial Assets Held to Maturity		-	-
6.4	Dividend Income		2.423	2.611
6.5	Trading Account Income		225.181	167.910
6.5.1	Income From Derivative Financial Instruments		225.181	167.910
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		-	-
6.7	Others		22.714	18.352
VII.	PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	35	(33.133)	(22.651)
VIII.	OTHER OPERATING EXPENSES (-)	36	(76.440)	(110.828)

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

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

INCOME STATEMENT		Notes	Audited Current Period 01.01-31.12.2017	Audited Prior Period 01.01-31.12.2016
8.1	Impairment Losses on Securities Portfolio		-	(400)
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	(400)
8.1.2	Impairment Losses on Financial Assets Available For Sale		-	-
8.1.3	Impairment Losses on Financial Assets Held to Maturity		-	-
8.2	Impairment Losses on Non-Current Assets		-	-
8.2.1	Impairment Losses on Tangible Assets		-	-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3	Impairment Losses on Goodwill		-	-
8.2.4	Impairment Losses on Other Intangible Assets		-	-
8.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3	Losses From Derivative Financial Instruments		(35.839)	(76.234)
8.4	Foreign Exchange Losses		(36.951)	(28.709)
8.5	Other		(3.650)	(5.485)
IX.	NET OPERATING PROFIT) LOSS (V+.....+VIII)		157.852	145.957
X.	INCOME RESULTED FROM MERGER		-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		157.852	145.957
XIII.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	37	(34.122)	(35.130)
13.1	Current Tax Charge		(28.503)	(33.854)
13.2	Deferred Tax Charge (-)		(5.619)	(1.276)
13.3	Deferred Tax Benefit (+)		-	-
XIV.	NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)		123.730	110.827
XV.	INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1	Income from Assets Held for Sale		-	-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3	Other Income from Discontinued Operations		-	-
XVI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1	Expense on Assets Held for Sale		-	-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3	Other Expenses from Discontinued Operations		-	-
XVII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XV-XVII)		-	-
XVIII.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Benefit (+)		-	-
XIX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)		-	-
XX.	NET PROFIT FOR THE PERIOD		123.730	110.827
20.1	NON-CONTROLLING INTERESTS		(10.782)	(7.170)
20.2	EQUITY HOLDERS OF THE COMPANY		112.948	103.657
	EARNINGS PER SHARE	38	0,17	0,17
	Earnings Per Share from Continued Operations		0,17	0,17
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	38	0,17	0,17
	Earnings Per Share from Continued Operations		0,17	0,17
	Earnings Per Share from Discontinued Operations		-	-

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ VE BAĞLI ORTAKLIĞI

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(Tutarlar aksi belirtilmedikçe Bin Türk Lirası ("TL") olarak ifade edilmiştir.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited		
		Current Period	Prior Period	
		Notes	01.01-31.12.2017	01.01-31.12.2016
I.	CURRENT PERIOD PROFIT/LOSS		123.730	110.827
II.	OTHER COMPREHENSIVE INCOME		20.735	2.057
2.1	Items that will not be Reclassified to Profit or Loss		43	(202)
2.1.1	Tangible Assets Revaluation Increases/Decreases		-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	22	54	(253)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(11)	51
2.1.5.1	Current Tax Income/Expense		-	-
2.1.5.2	Deferred Tax Income/Expense		(11)	(51)
2.2	Items that may be Reclassified subsequently to Profit or Loss		20.692	2.259
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales		20.692	2.259
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)		144.465	112.884

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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

CHANGES IN EQUITY	Note	Paid-in Capital	Capital Reserves	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 - 31.12.2016) (Audited)									
I. Balance at the Beginning of the Period (31.12.2015)		530.303	-	-	-	1.938	-	217	-
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)	25	530.303	-	-	-	1.938	-	217	-
IV. Total Comprehensive Income		-	-	-	-	-	-	(202)	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves	25	70.000	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases) Decreases due to other changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2016)		600.303	-	-	-	1.938	-	15	-
Current Period (01.01. -31.12.2017) (Audited)									
I. Balance at the Beginning of the Period (31.12.2016)		600.303	-	-	-	1.938	-	15	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-
III. New Balance (I+II)	25	600.303	-	-	-	1.938	-	15	-
IV. Total Comprehensive Income		-	-	-	-	-	-	43	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves	25	50.000	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases) Decreases due to other changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2017)		650.303	-	-	-	1.938	-	58	-

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	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408
-	2.020	-	-	-	-	-	-	-	-	-	239	2.057
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(70.000)	-	-	-	(70.000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	62.003	5.163	-	(13.160)	70.000	103.657	-	103.657	7.170	110.827
-	-	-	(18.000)	-	-	(18.000)	-	(82.003)	-	(82.003)	(1.089)	(21.089)
-	-	-	80.003	5.163	-	4.840	70.000	(2.000)	-	(2.000)	(1.089)	(21.089)
-	-	-	-	-	-	-	-	(80.003)	-	(80.003)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	3.766	-	92.487	33.296	-	59.191	-	103.657	-	103.657	28.037	830.203
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	3.766	-	92.487	33.296	-	59.191	-	103.657	-	103.657	28.037	830.203
-	18.423	-	-	-	-	-	-	-	-	-	2.269	20.735
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(50.000)	-	-	-	(50.000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	112.948	-	112.948	10.782	123.730
-	-	-	103.657	5.378	-	48.279	50.000	(103.657)	-	(103.657)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	103.657	5.378	-	48.279	50.000	(103.657)	-	(103.657)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	22.189	-	146.144	38.674	-	107.470	-	112.948	-	112.948	41.088	974.668

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Audited Current Period 01.01-31.12.2017	Audited Prior Period 01.01-31.12.2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes in Operating Assets And Liabilities		123.546	172.705
1.1.1 Interests Received/Lease Income		651.011	447.548
1.1.2 Interest Paid) Lease Expenses		(562.528)	(328.735)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		2.219	2.611
1.1.5 Fees and Commissions Received		18.887	12.795
1.1.6 Other Income		209.177	(83.506)
1.1.7 Collections from Non-performing Receivables	33	3.108	12.170
1.1.8 Payments to Personnel and Service Suppliers		(35.983)	(30.115)
1.1.9 Taxes Paid		(32.068)	(19.355)
1.1.10 Others		(130.277)	159.292
1.2 Changes in Operating Assets and Liabilities		(479.682)	(276.304)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(1.205.072)	(1.049.182)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(336.861)	(343.959)
1.2.4 Net (Increase) Decrease in Other Assets		(5.424)	1.810
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		-	-
1.2.7 Net Increase (Decrease) in Funds Borrowed		1.006.122	1.062.623
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		61.553	52.404
I. Net Cash Used in Operating Activities		(356.136)	(103.599)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures	6	(1.000)	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	10, 11	(4.510)	(7.159)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10	14.968	4.669
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		9.458	(2.490)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		2.629.010	1.987.131
3.2 Cash used for repayment of funds borrowed and securities issued		(2.411.795)	(1.709.638)
3.3 Equity instruments issued		-	-
3.4 Dividends paid	25	-	(21.089)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash From Financing Activities		217.215	256.404
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		916	388
V. Net Increase in Cash and Cash Equivalents		(128.547)	150.703
VI. Cash and Cash Equivalents at the Beginning of the Period	5	376.421	225.718
VII. Cash and Cash Equivalents at the End of the Period	5	247.874	376.421

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**)		Current Period 31 December 2017	Prior Period 31 December 2016
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1	CURRENT PERIOD PROFIT	147.070	138.787
1.2	TAXES AND DUES PAYABLE (-)	(34.122)	(35.130)
1.2.1	Corporate Tax (Income Tax)	(28.503)	(33.854)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues	(5.619)	(1.276)
A.	NET PERIOD PROFIT (1.1 - 1.2)	112.948	103.657
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	(4.090)
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) (*)	-	100
B	DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]	-	99.667
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	50.000
1.6.1	To Owners of Ordinary Shares (***)	-	50.000
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit/loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND 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 Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit/loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	49.567
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION FROM RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit/loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF STOCKS (TL)	0,1737	0,1727
3.2	TO OWNERS OF STOCKS (%)	17,37%	17,27%
3.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF STOCKS (TL)	-	0,08329
4.2	TO OWNERS OF STOCKS (%)	-	8,32913%
4.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

1. (*) Comprises of donations made by the Company that shall be added to distributable net period profit.

2. (**) The Board of Directors has not made any decision regarding profit distribution for the year 2017.

3. (***) The dividend amounting to TL 50.000 has been distributed in the form of bonus shares for the year 2016.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(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 28,56% participation. The Company's 42,67% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 December 2017, the Company and its subsidiary ("the Group") have 273 employees (31 December 2016: 246 employees).

Dividend Payable

As at 31 December 2017, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 31 December 2017 have been approved by the Board of Directors of the Company and authorized for issue as at 24 January 2018. 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 due 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 and Turkish Accounting Standards, Turkish Financial Reporting Standards and their additions and comments issued by Public Oversight Accounting and Auditing Standards' Authority ("POA") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency (all together refer to as "BRSA Accounting and Reporting Legislation") in respect of accounting and financial reporting.

The financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value. Determination of historical cost is generally based on the fair value amount paid for the assets.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(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)

Functional and Reporting Currency

The individual financial statements of each group entity 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.

Preparation of Financial Statements in Hyperinflationary Periods

The consolidated financial statements of the Group have been adjusted for the effects of inflation in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies" until 31 December 2004. By a circular issued on 28 April 2005, BRSA and by a decision taken on 17 March 2005, Capital Markets Board of Turkey ("CMB") declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2017 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

Comparative Information and Restatement of the Prior Periods' Consolidated Financial Statements

The Group's consolidated financial statements are prepared comparatively with the prior period in order to provide information on the financial position and performance of the Group. When the presentation or classification of financial statements is changed, prior period's financial statements are also reclassified in line with the related changes in order to sustain consistency and all significant changes are explained.

As of December 31, 2016, derivative exchange rate differences arising from derivative financial transactions under other operating expenses are classified as foreign exchange losses. In addition, foreign exchange gains and losses are netted-off and shown under foreign exchange losses.

Accounting estimates

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

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

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

Note 7 - Factoring receivables

Note 8 - Lease receivables

Note 21 - Provisions

Note 22 - Employee benefits

Note 28 - Provisions, contingent assets and liabilities

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(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

The details of the Group's subsidiary as at 31 December 2017 and 31 December 2016 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 assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2017 and 31 December 2016, 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 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.

(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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

2 BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies

The accounting policies applied for the period ended 31 December 2017 have been applied consistently for the period ended 31 December 2016 in preparing these financial statements.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current period.

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

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 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, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in its annual consolidated financial statements for the year ended 31 December 2017.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

2 BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

Annual Improvements to TFRSs - 2014-2016 Cycle (continued)

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on consolidated 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 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on consolidated financial position or performance of the Group.

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. 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.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on consolidated 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 2017

(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)

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

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

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.

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

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

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

The IASB 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 IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(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)

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on consolidated financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. 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. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group is in the process of assessing the impact of the standard on consolidated 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 Group expects no significant impact on its balance sheet and equity

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

Annual Improvements - 2015-2017 Cycle

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

Factoring revenue: Consists of factoring interest and commission income collected or accrued on advances given to the customers.

Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset.

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 lives, residual values and depreciation method are reviewed at each reporting period and corrected if necessary.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Tangible Assets (continued)

Leasehold improvements are depreciated over their respective lease periods.

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

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

<i>Definition</i>	<i>Years</i>
Furniture and fixtures	5 years
Other tangible assets	5 years
Vehicles	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 income statement.

The Group has changed the valuation method for tangible fixed assets and in accordance with Standards on Tangible assets (TAS 16). It has adopted the revaluation method in 2015. Appraisal value has been reflected in the financial statements.

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 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 intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the 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 and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal 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 income statement. Gains are not recognized in excess of any cumulative impairment loss.

g. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: "financial assets as at fair value through profit or loss ("FVTPL")", "held-to-maturity investments ("HTM")", "available-for-sale ("AFS")" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (continued)

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (continued)

Available for sale financial assets (continued)

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

Provision for doubtful finance lease receivables, factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease and factoring receivables. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861, the Group's specific provision rate allocated for the below finance lease receivables considering their collaterals are as follows: 20%, at a minimum, for finance lease receivables overdue more than 150 days not exceeding 240 days, 50%, at a minimum, for finance lease receivables overdue more than 240 days not exceeding 360 days; and 100%, at a minimum, for finance lease receivables overdue more than 1 year.

The Group classifies its overdue finance lease receivables not exceeding 360 days as under the "Non-Performing Receivables" and classifies its finance lease receivables overdue more than 1 year under "Non-Performing Receivables".

In accordance with the above-mentioned Communiqué, specific provision rate allocated for the factoring receivables considering their collaterals are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

While the Group provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Group provides provision for its other doubtful receivables having possibility of recovery based on the time intervals mentioned above.

When the Group annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TL using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Group also ceases its income accrual calculation starting from the annulment date.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, except for finance lease receivables and factoring receivables stated above, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of finance lease receivables and factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

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 FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in 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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (continued)

Derivative financial instruments and hedge accounting

The Group's activities expose it 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 fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Group classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Business Combinations

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

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. 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 in profit or loss.

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

The foreign currency exchange rates used by the Group as at 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
USD	3,7719	3,5192
EUR	4,5155	3,7099
GBP	5,0803	4,3189
CHF	3,8548	3,4454
100 JPY	3,3421	3,0025
AUD	2,9384	2,5366

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Effects of Changes in Exchange Rates (continued)

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

j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year.

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

k. Events After the Reporting Period

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 "Events After Reporting Period Date"; post-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. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

l. Provisions, Contingent Liabilities and Contingent Assets:

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Leases

Group as Lessor

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

Group as Lessee

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss in accordance with the Group's general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received or to be received to enter into an operating lease are also recognized in the profit or loss on a straight-line basis over the lease term.

n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 29).

o. Taxes on Income

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

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

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

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (continued)

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

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

p. Employee Benefits) Reserve for Employee Termination Benefits

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

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Discount rate	4,49%	3,43%
Expected rate of salary/limit increase	7,00%	7,80%
Probability of retirement	100%	100%

r. 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.

s. Share Capital and Dividends

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Related Parties

In accordance with TAS 24 "Related Party Disclosures" shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge. For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/ associated with them, key management and the Board members of the Company are referred to as related parties (Note 9).

4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets held for trading:

As at 31 December 2017 and 31 December 2016, details of financial assets held for trading are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Debt securities issued by private sector ^(*)	400	-	400	-
Impairment Provision of Private Sector Securities				
Common Stocks and Bond ^(*)	(400)	-	(400)	-
Mutual funds	5.147	-	6.664	-
	5.147	-	6.664	-

^(*) 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 5.147 (31 December 2016: TL 6.664).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

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

Derivative Financial Assets and Liabilities Held For Trading:

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

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Derivative Financial Asset Held For Trading				
Forwards	-	-	-	-
Currency swaps	105	5.278	-	511
	105	5.278	-	511
Derivative Financial Liabilities Held For Trading				
Forwards	-	-	-	-
Currency swaps	-	19.613	-	63.777
	-	19.613	-	63.777

5. BANKS

As at 31 December 2017 and 31 December 2016, the details of the banks are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand Deposits	5.093	30.296	4.578	18.244
Time Deposits	-	212.485	84.000	269.599
Interest accrual	-	19	42	24
	5.093	242.800	88.620	287.867

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

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

The details of the time deposits as at 31 December 2016 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2016
TL	10,85%	02.01.2017	84.042
USD	2,00%	02.01.2017	107.271
Euro	1,00%-2,10%	02.01.2017 -23.01.2017	162.352
			353.665

As at 31 December 2017, TL 184.114 portion of total foreign currency deposits (31 December 2016: TL 262.368) and TL 4.885 portion of total TL deposits (31 December 2016: TL 88.418) consist of accounts at the Group's main shareholder, Türkiye İş Bankası A.Ş.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

5. BANKS (Continued)

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 2017	31 December 2016
Demand deposits	35.389	22.822
Time deposits (1-3 months) (excluding accrual)	212.485	353.599
Cash and cash equivalents	247.874	376.421

As at 31 December 2017 and 31 December 2016, there is no blockage on cash and cash equivalents.

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2017 and 31 December 2016, details of 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 2017	31 December 2016	31 December 2017	31 December 2016
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	42.329	21.795
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.153	995
<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	666	347
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	3.000	2.000
TOTAL						47.187	25.176

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

7. FACTORING RECEIVABLES

As at 31 December 2017 and 31 December 2016, details of factoring receivables are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Short-term factoring receivables ^(*)		
Domestic factoring receivables	3.662.132	2.548.649
Export and import factoring receivables	535.156	436.237
Factoring interest income accrual	29.347	11.057
Unearned interest income	(21.768)	(11.228)
	<u>4.204.867</u>	<u>2.984.715</u>
Non-performing factoring receivables ^(**)	42.099	39.388
Provision for non-performing factoring receivables ^(**)	(39.630)	(38.547)
	<u>4.207.336</u>	<u>2.985.556</u>

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

^(**) Presented under the non-performing receivables in the accompanying consolidated statement of financial position.

As at 31 December 2017, the average interest rates applicable for the factoring receivables are 17,64% for TL, 5,67% for USD, 3,53% for EUR and 5,98% for GBP (31 December 2016: 13,67% for TL, 4,33% for USD, 4,27% for EUR and 5,94% for GBP).

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Domestic irrevocable	1.867.312	1.652.065
Foreign irrevocable	195.722	27.282
Domestic revocable	1.801.683	891.704
Foreign revocable	342.619	414.505
	<u>4.207.336</u>	<u>2.985.556</u>

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Between 90 - 180 days	2.146	861
Between 180 - 360 days	1.505	1.687
Over 360 days	38.448	36.840
	<u>42.099</u>	<u>39.388</u>

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

7. FACTORING RECEIVABLES (Continued)

The movement of provision for non-performing factoring receivables is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Provision at the beginning of the period	(38.547)	(31.143)
Provision set during the period	(3.210)	(9.058)
Collections	2.127	1.654
Provision at the end of the period	<u>(39.630)</u>	<u>(38.547)</u>

8. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 31 December 2017 and 31 December 2016, details of finance lease receivables are as follows:

<u>31 December 2017</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	59.559	-	59.559
Finance lease income accruals	31.331	-	31.331
Non-performing finance lease receivables (*)	197.720	26.595	224.315
Uninvoiced finance lease receivables	1.950.652	2.854.560	4.805.212
Less: Unearned interest income	(316.960)	(323.575)	(640.535)
Leasing contracts in progress (**)	-	223.516	223.516
Advances given for lease transactions	-	138.329	138.329
Specific provisions (*)	(123.953)	(16.673)	(140.626)
Net finance lease receivables	<u>1.798.349</u>	<u>2.902.752</u>	<u>4.701.101</u>
<u>31 December 2016</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	51.894	-	51.894
Finance lease income accruals	20.839	-	20.839
Non-performing finance lease receivables (*)	165.958	25.478	191.436
Uninvoiced finance lease receivables	1.612.944	2.575.188	4.188.132
Less: Unearned interest income	(249.994)	(288.394)	(538.388)
Leasing contracts in progress (**)	-	96.439	96.439
Advances given for lease transactions	-	102.232	102.232
Specific provisions (*)	(96.820)	(14.864)	(111.684)
Net finance lease receivables	<u>1.504.821</u>	<u>2.496.079</u>	<u>4.000.900</u>

(*) Presented as non-performing receivables in the accompanying consolidated statement of financial position.

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2017 and 31 December 2016, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

8. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (continued)

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

	2018 (**)	2019	2020	2021	2022	2023 and after	Total
Finance lease receivables (gross) (*)	2.125.231	1.357.984	794.317	426.967	167.030	108.262	4.979.791
Unearned interest	(316.961)	(178.853)	(86.037)	(37.060)	(13.547)	(8.077)	(640.535)
Finance lease receivables (net)	1.808.270	1.179.131	708.280	389.907	153.483	100.185	4.339.256

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

(**) Non-performing finance lease receivables amounting to TL 83.689 are presented in 2018 column since their collection dates are not certain.

As at 31 December 2016, analysis of finance lease receivables according to their maturities is as follows:

	2017 (**)	2018	2019	2020	2021	2022 and after	Total
Finance lease receivables (gross) (*)	1.765.429	1.168.087	743.990	351.657	168.953	142.501	4.340.617
Unearned interest	(249.994)	(152.819)	(76.360)	(32.807)	(14.247)	(12.161)	(538.388)
Finance lease receivables (net)	1.515.435	1.015.268	667.630	318.850	154.706	130.340	3.802.229

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

(**) Non-performing finance lease receivables amounting to TL 79.752 are presented in 2017 column since their collection dates are not certain.

As at 31 December 2017, the average compound interest rates applicable for the finance lease receivables are 14,87% for TL, 6,05% for USD, and 4,82% for EUR (31 December 2016: 14,42% for TL, 5,88% for USD, and 5,64% for EUR).

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

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

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

As at 31 December 2016, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest (TL)
USD	257.515.810	906.250	22.276.337	78.120
EUR	396.878.165	1.472.378	45.120.754	167.393
CHF	2.750.638	9.477	274.766	947
TL		1.414.124		291.928
Total		3.802.229		538.388

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

8. 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 2017</u>	<u>31 December 2016</u>
Mortgages	228.871	163.184
Sureties of credit guarantee fund	48.793	-
Pledged commercial	34.092	37.803
Letters of guarantee	16.851	16.987
Cash blockages	3.008	3.331
Share certificates	2.446	2.950
Pledged account	1.051	909
Guarantors	288	445
Pledged share certificates	-	44.680
	<u>335.400</u>	<u>270.289</u>

In addition to collaterals above, the Group also has sureties amounting to TL 3.707.190, pledged vehicles amounting to TL 50.806, pledged machines amounting to TL 12.514, pledged accounts receivable to TL 118.326. (31 December 2016: sureties amounting to TL 3.355.111, pledged vehicles amounting to TL 46.238, pledged machines amounting to TL 30.000).

As at the end of the reporting date, the Group did not recognize provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TL 59.559 (31 December 2016: TL 51.894) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Up to 30 days	48.613	40.003
Between 30 - 60 days	5.384	5.717
Between 60 - 90 days	2.534	3.115
Between 90 - 150 days	3.028	3.059
Total overdue	59.559	51.894
Not due amount	341.148	286.823
	<u>400.707</u>	<u>338.717</u>

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

<u>Collateral type</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Mortgages	28.565	58.969
Pledged equity	27.216	26.780
Sureties of credit guarantee fund	4.019	-
Letters of guarantee	1.288	1.690
Pledged account	1.051	909
Guarantors	26	1
Cash blockages	59	101
	<u>62.224</u>	<u>88.450</u>

In addition to above guarantees, the Group also has sureties amounting to TL 331.696, pledged vehicles amounting to TL 4.244, pledged accounts receivable to TL 2.544 (31 December 2016: sureties amounting to TL 246.541, pledged vehicles amounting to TL 3.728).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

8. 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 40.

Starting from 24 December 2013, the Group measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA.

As at 31 December 2017 and 31 December 2016, the aging of non-performing finance lease receivables is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Between 150 - 240 days	3.638	5.091
Between 240 - 360 days	2.204	8.499
Over 360 days	75.804	48.090
Uninvoiced non-performing finance lease receivables	148.412	130.224
Unearned interest of non-performing finance lease receivables	(5.743)	(468)
	<u>224.315</u>	<u>191.436</u>

Collaterals obtained for non-performing finance lease receivables as at 31 December 2017 and 31 December 2016 are as follows:

<u>Guarantee type:</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Mortgages	5.299	9.687
	<u>5.299</u>	<u>9.687</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 143.473, leased equipments amounting to TL 75.562 and pledged vehicles amounting to TL 981 (31 December 2016: sureties amounting to TL 123.552, pledged vehicles amounting to TL 1.120 and leased equipments amounting to TL 57.077).

The movement of provision for non-performing finance lease receivables is as follows:

	<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
Movement of specific provisions:		
Provision at the beginning of the period	(111.684)	(108.607)
Provision set during the period	(29.923)	(13.593)
Collections	981	10.516
Provision at the end of the period	<u>(140.626)</u>	<u>(111.684)</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

8. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables

	<u>31 December 2017</u>	<u>31 December 2016</u>
Operating Lease Receivables	-	5
	<u>-</u>	<u>5</u>

As at 31 December 2017 and 31 December 2016 analysis of operating lease receivables according to their maturities is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
2017 Year	-	247
2018 Year	419	247
2019 Year	414	242
2020 Year	132	-
	<u>965</u>	<u>736</u>

9. RELATED PARTIES

As at 31 December 2017 and 31 December 2016, details of related party balances are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Finance lease receivables from related parties</u>		
KKB Kredi Kayıt Bürosu A.Ş.	20.882	21.971
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	11.667	25.328
Tukaş Gıda San. ve Tic. A.Ş.	4.235	6.650
Numnum Yiyecek ve İçecek A.Ş.	1.409	699
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	699	11.659
Bankalararası Kart Merkezi A.Ş.	505	899
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	377	702
Toksöz Spor Malzemeleri Ticaret A.Ş.	22	84
Radore Veri Merkezleri Hizm. A.Ş.	-	201
Total	<u>39.796</u>	<u>68.193</u>
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	5
Total	<u>-</u>	<u>5</u>
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	49.900	19.900
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	15.942	13.606
Nevotek Bilişim Ses ve İletişim Sist. San. ve Tic. A.Ş.	766	-
Total	<u>66.608</u>	<u>33.506</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

9. RELATED PARTIES (Continued)

	31 December 2017	31 December 2016
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	18.462	16.263
İş Merkezleri Yönetim ve İşletim A.Ş.	160	98
İş Net Elekt. Bilgi Ür. Dağ. Tic.ve İlet. Hiz. A.Ş.	44	3
KKB Kredi Kayıt Bürosu A.Ş.	4	4
Anadolu Hayat Emeklilik A.Ş.	1	-
Total	18.671	16.368
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. time deposit	160.426	328.246
Türkiye İş Bankası A.Ş. demand deposit	28.573	22.540
İş AG demand deposit	5.579	-
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	31	9
Total	194.609	350.795
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	12.926	13.336
Türkiye Sınai Kalkınma Bankası A.Ş.	-	5.294
Total	12.926	18.630
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	1.670	278
Türkiye Sınai Kalkınma Bankası A.Ş.	466	-
Total	2.136	278

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

9. RELATED PARTIES (Continued)

As at 31 December 2017 and 31 December 2016, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

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

Currency	Interest Rate %	Maturity	31 December 2016
TL	12,68%	15.06.2018	4.500
			4.500

Türkiye Sınai Kalkınma Bankası A.Ş.

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

Currency	Interest Rate %	Maturity	31 December 2016
TL	11,07%	02.01.2017	100.028
USD	2,35% - 3,88%	15.06.2017-15.09.2018	30.532
EUR	0,90% - 2,50%	15.06.2017-30.06.2022	165.530
			296.090

İş Bank AG

Currency	Interest Rate %	Maturity	31 December 2016
EUR	1,80%	31.03.2017	6.337
			6.337

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

9. RELATED PARTIES (Continued)

For the periods ended 31 December 2017 and 31 December 2016, finance income and expenses from related parties are as follows:

	31 December 2017	31 December 2016
<u>Finance lease interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.235	1.598
KKB Kredi Kayıt Bürosu	948	405
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	799	2.140
Tukaş Gıda San. ve Tic. A.Ş.	271	3.386
Bankalararası Kart Merkezi A.Ş.	101	150
Numnum Yiyecek ve İçecek A.Ş.	122	121
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	31	45
Toksöz Spor Malzemeleri Tic. A.Ş.	9	11
Radore Veri Merkezleri Hizm. A.Ş.	2	28
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	-	10
Anadolu Cam Sanayii A.Ş.	-	-
Total	3.518	7.894
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	249	67
TSKB Gayrimenkul Değerleme A.Ş.	73	10
TSKB Sürdürülebilirlik Danışmanlık A.Ş.	5	1
Total	327	78
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	1.653	3.266
Total	1.653	3.266
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	2.189	1.751
İş Net Elekt. Bilgi Ür. Dağ. Tic.ve İlet. Hiz. A.Ş.	234	100
Efes Varlık Yönetim A.Ş.	-	760
Total	2.423	2.611
<u>Finance expense</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	20.975	11.034
Türkiye İş Bankası A.Ş.	8.098	26.356
İş Yatırım Menkul Değerler A.Ş.	5.186	3.374
İşbank AG	28	60
Total	34.287	40.824
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	4.556	4.305
Total	4.556	4.305

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

9. RELATED PARTIES (Continued)

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	5.226	4.157
Total	<u>5.226</u>	<u>4.157</u>
<u>Factoring commission income</u>		
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	85	88
Şişe Cam Dış Tic. A.Ş.	-	128
Total	<u>85</u>	<u>216</u>
<u>Factoring interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	6.384	3.226
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	1.970	800
Nevotek Bil. Ses ve İlet. Sist. San.ve Tic. A.Ş.	53	35
Şişecam Dış Tic. A.Ş.	5	-
Nevotek Inc.	-	52
Total	<u>8.412</u>	<u>4.113</u>
<u>Mutual fund income</u>		
Türkiye İş Bankası A.Ş.	476	472
Total	<u>476</u>	<u>472</u>

As at 31 December 2017 and 31 December 2016, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Swap Transactions	206.894	196.707	269.304	252.284
Total	<u>206.894</u>	<u>196.707</u>	<u>269.304</u>	<u>252.284</u>

As at 31 December 2017 and 31 December 2016, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Swap Transactions	223.139	222.542	208.525	211.152
Total	<u>223.139</u>	<u>222.542</u>	<u>208.525</u>	<u>211.152</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

9. RELATED PARTIES (Continued)

As at 31 December 2017 and 31 December 2016, the amount of the Group's issued debt securities in related parties' securities portfolio are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	2.351	-
İş Portföy Yönetimi A.Ş.	1.003	-
İş Yatırım Menkul Değerler A.Ş.	100	4.444
Türkiye İş Bankası A.Ş.	-	2.108
İş Yatırım Ortaklığı A.Ş.	-	8.928
Anadolu Anonim Türk Sigorta Şirketi	-	5.084
Total	<u>3.454</u>	<u>20.564</u>

Remuneration of key management (*)

For the period ended 31 December 2017 and 31 December 2016, the remuneration of the key management during year comprised the following:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Salaries and other short-term benefits (**)	7.474	6.392
	<u>7.474</u>	<u>6.392</u>

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

10. TANGIBLE ASSETS

For the periods ended 31 December 2017 and 31 December 2016, movements in tangible assets are as follows:

	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2017	4.736	627	1.479	15.130	3.625	25.597
Additions	1.594	430	-	-	298	2.322
Transfer	15	-	(23)	-	(7)	(15)
Disposals	(177)	-	-	(15.130)	-	(15.307)
Closing balance at 31 December 2017	6.168	1.057	1.456	-	3.916	12.597
Accumulated depreciation						
Opening balance at 1 January 2017	(3.315)	(62)	(1.479)	(164)	(3.148)	(8.168)
Depreciation for the period	(551)	(267)	-	(65)	(308)	(1.191)
Transfer	(10)	-	23	-	3	16
Disposals	110	-	-	229	-	339
Closing balance at 31 December 2017	(3.766)	(329)	(1.456)	-	(3.453)	(9.004)
Carrying amounts at 31 December 2017	2.402	728	-	-	463	3.593
Carrying amounts at 1 January 2017	1.421	565	-	14.966	477	17.429

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

10. TANGIBLE ASSETS (Continued)

	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2016	4.333	-	1.867	15.130	3.604	24.934
Additions	665	627	-	4.500	21	5.813
Disposals	(262)	-	(388)	(4.500)	-	(5.150)
Closing balance at 31 December 2016	4.736	627	1.479	15.130	3.625	25.597
Accumulated depreciation						
Opening balance at 1 January 2016	(2.969)	-	(1.867)	(123)	(2.840)	(7.799)
Depreciation for the period	(439)	(62)	-	(41)	(308)	(850)
Disposals	93	-	388	-	-	481
Closing balance at 31 December 2016	(3.315)	(62)	(1.479)	(164)	(3.148)	(8.168)
Carrying amounts at 31 December 2016	1.421	565	-	14.966	477	17.429
Carrying amounts at 1 January 2016	1.364	-	-	15.007	764	17.135

As at 31 December 2017 and 31 December 2016, there is no restriction and mortgage on the tangible assets of the Group.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

11. INTANGIBLE ASSETS

For the periods ended 31 December 2017 and 31 December 2016, movements in intangible assets are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Cost</u>		
Opening balance at 1 January	5.042	3.696
Additions	2.188	1.346
Transfer	(15)	-
Disposals	-	-
Closing balance at the end of the period	<u>7.215</u>	<u>5.042</u>
<u>Amortization</u>		
Opening balance at 1 January	(2.618)	(2.110)
Amortization for the period	(838)	(508)
Transfer	15	-
Disposals	-	-
Closing balance at the end of the period	<u>(3.441)</u>	<u>(2.618)</u>
Carrying amounts	<u>3.774</u>	<u>2.424</u>

(*) The Group's intangible assets consist of software.

12. GOODWILL

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 31 December 2017, net amount of goodwill is TL 166 (31 December 2016: TL 166). Based on TFRS 3, for the annual periods beginning on or after 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 1 January 2005.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2017 and 31 December 2016, 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 differences subject to deferred tax</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Allowance for doubtful finance lease receivables	118.778	102.022
Unearned factoring income	21.768	11.228
Valuation differences on financial instruments	14.229	63.266
Reserve for employee benefits	3.880	3.573
Provision for lawsuit	3.753	3.169
Employee bonus accrual	4.077	2.713
Unused vacation	1.498	1.128
Prepaid expenses	1.522	1.535
Expense accruals	216	215
Tax base differences in tangible and intangible assets	(2.639)	(1.855)
Finance lease adjustment	(7.533)	(5.441)
Finance lease income accruals	(31.780)	(21.036)
Investment incentive - with withholding tax	-	33.364
Other	-	114
	<u>127.769</u>	<u>193.995</u>
<u>Deferred tax assets) (liabilities)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Allowance for doubtful finance lease receivables	24.489	20.404
Unearned factoring income	4.789	2.246
Valuation differences on financial instruments	3.131	12.653
Reserve for employee benefits	776	715
Provision for lawsuit	825	634
Employee bonus accrual	897	543
Unused vacation	300	226
Prepaid expenses	335	307
Expense accruals	48	43
Tax base differences in tangible and intangible assets	(528)	(371)
Finance lease adjustment	(1.507)	(1.088)
Finance lease income accruals	(6.992)	(4.208)
Investment incentive - with withholding tax	-	67
Other	-	22
Deferred tax asset	<u>26.563</u>	<u>32.193</u>

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years (31 December 2016: 20%). Investment incentive amount used during the period is TL 44.074 (31 December 2016: TL 99.988).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

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

Movements in deferred tax assets are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Opening balance at 1 January	32.193	33.418
Deferred tax income) (expense)	(5.619)	(1.276)
Recognized in other comprehensive income	(11)	51
Closing balance	<u>26.563</u>	<u>32.193</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2017 and 31 December 2016, details of assets held for sale and discontinued operations are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Assets held for sale (*)	785	-	899	-
	<u>785</u>	<u>-</u>	<u>899</u>	<u>-</u>

(*) Consist of properties acquired as a result of the legal proceedings in relation to its non-performing receivables.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

15. OTHER RECEIVABLES, OTHER ASSETS AND PREPAID EXPENSES

As at 31 December 2017 and 31 December 2016, details of other receivables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Insurance receivables	3.157	3.672	2.966	2.861
Others	2.375	171	1.682	23
	5.532	3.843	4.648	2.884

As at 31 December 2017 and 31 December 2016, prepaid expenses are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	16.595	22	19.030	-
Others	2.783	-	2.206	-
	19.378	22	21.236	-

As at 31 December 2017 and 31 December 2016, details of other assets are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Amounts to be invoiced	711	-	682	-
Advanced given	24	-	33	-
Deposits given	36	33	21	29
Others	2.589	871	1.331	145
	3.360	904	2.067	174

16. FUNDS BORROWED

As at 31 December 2017 and 31 December 2016, details of funds borrowed are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term borrowings	3.789.129	1.401.765	2.629.149	887.135
Short-term portion of long-term borrowings	18.473	261.356	12.090	209.393
Total short-term borrowings	3.807.602	1.663.121	2.641.239	1.096.528
Long-term borrowings	45.976	1.060.444	134.442	1.289.477
Total long-term borrowings	45.976	1.060.444	134.442	1.289.477
Total borrowings	3.853.578	2.723.565	2.775.681	2.386.005

As at 31 December 2017 and 31 December 2016, borrowings has no collateral.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

16. FUNDS BORROWED (Continued)

As at 31 December 2017 and 31 December 2016, maturity analysis of borrowings is as follows:

<u>Maturity analysis of borrowings</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Within 1 year	5.470.723	3.737.767
Within 1-2 years	478.548	811.860
Within 2-3 years	376.456	351.257
Within 3-4 years	106.780	136.638
Within 4-5 years	62.252	59.287
5 years and over	82.384	64.877
TOTAL	6.577.143	5.161.686

As at 31 December 2017 and 31 December 2016, details of short term borrowings based on types of currency are as follows:

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

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2016</u>
TL	9,50% - 17,50%	2.604.300	2.604.300
USD	1,90% - 3,88%	104.929.673	369.269
Euro	0,75% - 4,04%	135.054.056	501.037
GBP	4,50%	1.253.255	5.413
AUD	5,00%	371.688	943
Interest accruals			35.322
TOTAL			3.516.284

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

As at 31 December 2017 and 31 December 2016, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

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

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2016</u>
TL	13,38% - 13,69%	84.475	84.475
USD	1,51% - 4,28%	134.556.320	473.531
Euro	0,90% - 3,85%	293.106.574	1.087.396
TOTAL			1.645.402

As at 31 December 2017 and 31 December 2016, compounded interest rates have been presented.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

16. FUNDS BORROWED (Continued)

As 31 December 2017 and 31 December 2016, details of borrowings based on types of interest rate are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Fixed rate	3.787.184	1.352.867	2.697.920	1.164.337
Variable rate	66.394	1.370.698	77.761	1.221.668
	3.853.578	2.723.565	2.775.681	2.386.005

Fair values of the funds borrowed are presented in Note 40.

As at 31 December 2017, the Group has available TL 8.974.822 of unused credit lines (31 December 2016: TL 7.870.915).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2017 and 31 December 2016, details of miscellaneous payables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Payables to suppliers for lease transactions	8.106	59.273	20.077	41.074
Other payables (*)	9.833	12.375	8.383	11.191
	17.939	71.648	28.460	52.265

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

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

As at 31 December 2017 and 31 December 2016, details of other liabilities are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Advances received (*)	20.717	75.659	13.104	46.005
Others	3.483	19.444	5.516	661
	24.200	95.103	18.620	46.666

(*) 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. FINANCE LEASE OBLIGATIONS

None.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

19. DEBT SECURITIES ISSUED

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bills bonds	1.321.010	-	1.075.685	-
Bonds issued	91.890	-	120.000	-
Interest accruals	47.962	-	36.851	-
	1.460.862	-	1.232.536	-

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 91.890 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 24 March 2017. The floating rate quarterly coupon bond have a maturity of 21 September 2018.

Payment dates are as follows;

Date of first coupon payment (*)	23 June 2017
Date of second coupon payment (*)	22 September 2017
Date of third coupon payment (*)	22 December 2017
Date of fourth coupon payment	23 March 2018
Date of fifth coupon payment	22 June 2018
Date of sixth coupon payment	21 September 2018

(*) The first coupon payment of the bonds was held on 23 June 2017, second coupon payment of the bonds was held on 22 September 2017, third coupon payment of bonds was held on 22 December 2017.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 130.270 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 24 October 2017. The bond have a maturity of 20 April 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 86.688 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 5 December 2017. The bond have a maturity of 21 May 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 305.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 22 December 2017. The bond have a maturity of 8 June 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 180.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 20 July 2017. The bond have a maturity of 15 January 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 220.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 14 August 2017. The bond have a maturity of 9 February 2018.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

19. DEBT SECURITIES ISSUED (Continued)

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 94.826 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 28 August 2017. The bond have a maturity of 23 February 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 130.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 22 September 2017. The bond have a maturity of 20 March 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 113.190 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 23/764 dated 5 June 2017). Issuance of bond was held on 10 July 2017. The bond have a maturity of 5 January 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 150.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 23/764 dated 5 June 2017). Issuance of bond was held on 11 September 2017. The bond have a maturity of 9 March 2018.

20. TAXES AND DUTIES PAYABLE

As at 31 December 2017 and 31 December 2016, details of taxes and duties payable are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banking and Insurance Transaction Tax	2.601	-	2.377	-
Social Security Premium	1.195	-	640	-
Income Tax	628	-	516	-
Value Added Tax	76	-	2.915	-
Other Tax and Liabilities	36	-	98	-
	4.536	-	6.546	-

21. PROVISIONS

As at 31 December 2017 and 31 December 2016, other provisions are as follows:

	31 December 2017	31 December 2016
Provision for lawsuits	3.753	3.170
Provision for general administrative expenses	216	215
	3.969	3.385

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

21. PROVISIONS (Continued)

Movements in provisions for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses
31 December 2017			
At the beginning of the year	-	3.170	215
Additions	-	605	216
Payments	-	-	(215)
Cancellations	-	(22)	-
At the end of the period	-	3.753	216
31 December 2016			
At the beginning of the year	2.752	429	214
Additions	-	2.741	215
Payments	-	-	(214)
Cancellations	(2.752)	-	-
At the end of the period	-	3.170	215

22. EMPLOYEE BENEFITS

As at 31 December 2017 and 31 December 2016, reserve for employee benefits are as follows:

	31 December 2017	31 December 2016
Reserve for employee severance indemnity	3.880	3.573
Provision for employee bonus	4.077	2.713
Vacation pay liability	1.498	1.129
	9.455	7.415

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

TAS 19 - "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As at 31 December 2017 and 31 December 2016, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2017	31 December 2016
Discount rate	4,49%	3,43%
Inflation	7,00%	7,80%
Probability of retirement	100%	100%

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

22. EMPLOYEE BENEFITS (Continued)

For the periods ended 31 December 2017 and 31 December 2016, movements in reserve for employee severance indemnity are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the year	3.573	2.711
Cost of interest	427	293
Cost of services	306	387
Amounts paid	(385)	(120)
Cancellations	13	49
Actuarial loss	(54)	253
Balance at the end of the year	<u>3.880</u>	<u>3.573</u>

The movement of the vacation pay liability for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the year	1.129	1.012
Increase	369	117
Balance at the end of the year	<u>1.498</u>	<u>1.129</u>

The movement of the provision for employee bonus for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the year	2.713	2.270
Increase	4.077	2.713
Reversals	(783)	-
Payment made during the year	(1.930)	(2.270)
Balance at the end of the year	<u>4.077</u>	<u>2.713</u>

23. CURRENT PERIOD TAX ASSET AND PAYABLE

As at 31 December 2017 and 31 December 2016, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Current period corporate tax provision (Note: 37)	19.776	12.611
Current period investment incentive provision (Note: 37)	8.727	21.243
Corporation taxes paid in advance during the year	(5.143)	(5.483)
Corporate tax payable	<u>23.360</u>	<u>28.371</u>

For the periods ended 31 December 2017 and 31 December 2016, movements of corporate tax payable are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Corporate tax payable at the beginning of the year	28.371	14.506
Current period tax expense (Note: 37)	28.503	33.854
Prior period correction of withholding tax on investment incentives	(1.446)	(634)
Taxes paid during the year	(32.068)	(19.355)
Corporate tax payable	<u>23.360</u>	<u>28.371</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

23. CURRENT PERIOD TAX ASSET AND PAYABLE (Continued)

The current years tax asset as at 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Income taxes withheld	728	567
Total	<u>728</u>	<u>567</u>

24. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring A.Ş. As at 31 December 2017, the non-controlling interests amounting to TL 41.088 (31 December 2016: TL 28.037) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 10.782 (31 December 2016: TL 7.170) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 31 December 2017, 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at the beginning of the year	28.037	21.717
Fair value changes of marketable securities	2.269	239
Cash Dividend to non-controlling interests	-	(1.089)
Profit for the year	10.782	7.170
Balance at the end of the year	<u>41.088</u>	<u>28.037</u>

25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2017 nominal capital of the Company is TL 650.303, the share capital of the Company consists of 65.030.264.500 shares Kurus 1 price.

As at 31 December 2017 and 31 December 2016, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2017</u>	<u>(%)</u>	<u>31 December 2016</u>
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	185.726	28,56	171.446
Türkiye İş Bankası A.Ş.	27,79	180.746	27,79	166.849
Trakya Yatırım Holding A.Ş. ^(*)	0,90	5.853	-	-
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	496	0,08	458
Camiş Yatırım Holding A.Ş.	-	-	0,83	5.004
Nemtaş Nemrut Liman İşletmeleri A.Ş.	-	-	0,07	398
Publicly traded	42,67	277.482	42,67	256.148
TOTAL	<u>100,00</u>	<u>650.303</u>	<u>100,00</u>	<u>600.303</u>

^(*) Shares of Camiş Yatırım Holding A.Ş. (with a total nominal value of TL 5.421 and 0,83363%), shares of Nemtaş Nemrut Liman İşletmeleri A.Ş. (with a nominal value of TL 207 and 0,03177%), and privileged shares of Nemtaş Nemrut Liman İşletmeleri A.Ş. (with a nominal value of TL 225.00 and 0,03460%) were transferred to Trakya Yatırım Holding A.Ş. due to merger. The process of merger of the Trakya Investment Holding A.Ş. by taking over with Camiş Yatırım Holding A.Ş. and Nemtaş Nemrut Liman İşletmeleri A.Ş. has been registered as of 20 December 2017

Pursuant to General Assembly held on 27 March 2017, the Company increased its share capital by TL 50.000 to TL 650.303. The increase comprises of bonus shares from previous years' profit. Capital increase has been registered on 22 June 2017.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

25. 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 2017</u>	<u>31 December 2016</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 2017</u>	<u>31 December 2016</u>
Other Capital Reserves ^(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Employee benefits re-measuring income/loss,</i>	58	15
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss		
<i>Net change in fair value of available-for-sale financial assets ^(**)</i>	22.189	3.766
Total	22.247	3.781

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

^(**) Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

26. PROFIT RESERVES

As at 31 December 2017 and 31 December 2016, details of profit reserves are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Legal reserves	38.674	33.296
Extraordinary reserves	107.470	59.191
Total	146.144	92.487

^(*) 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 31.335 classified in extraordinary tax income reserves which will not be distributed as at 31 December 2017 (31 December 2016: TL 33.575).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses. TL 5.378 calculated on legal profit has been transferred to legal reserves by a decision of the Company's Board of Directors.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

27. PRIOR YEARS' PROFIT/LOSS

The Group has no retained earnings as at 31 December 2017 (31 December 2016: None).

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017, TL 1.360.038 of letters of guarantee are given to customs, authorities and banks (31 December 2016: TL 525.878).

As at 31 December 2017, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 6.487 (31 December 2016: TL 6.294). The Group has provided a provision amounting to TL 3.753 for litigations (31 December 2016: TL 3.170) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2017, the Group has letter of credit commitments of USD 17.979.100, EUR 17.646.619 (TL 147.499) (31 December 2016: USD 907.314, EUR 18.356.134 and CHF 317.490 (TL 72.386)).

As at 31 December 2017 has no factoring commitment. (31 December 2016: 28.735)

As at 31 December 2017, the Group has lease commitments of USD 12.446.989, EUR 123.099.081 and TL 120.223.133 (TL 723.026) (31 December 2016: USD 9.444.623, EUR 52.022.205, full TL 91.519.721 (TL 317.755)).

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 2017 details of derivatives are as follows:

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2016 details of derivatives are as follows:

	31 December 2016	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	12.051.213	44.709
TL	1.067.139	1.067.139
		1.111.848
Currency Swap Sales:		
USD	214.180.000	753.742
EUR	100.680.217	373.514
GBP	2.727.450	9.397
		1.136.653

Group's derivative transactions performed with related parties are presented in Note 9.

The Group has TL 19.613 of unrealized loss and TL 5.383 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2017 (Note 4) (31 December 2016: TL 63.777 loss and TL 511 income).

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

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

As at 31 December 2016, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	998.535	113.313	1.111.848
Currency Swap Sales	1.038.027	98.626	1.136.653
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

29. 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 2017</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.068.687	4.267.775	(53.767)	9.282.695
Total liabilities	4.229.006	4.079.021	-	8.308.027
Net profit for the year	74.200	49.530	(10.782)	112.948
<u>31 December 2016</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	4.508.327	3.025.425	(53.766)	7.479.986
Total liabilities	3.753.180	2.896.603	-	6.649.783
Net profit for the year	81.800	32.939	(11.082)	103.657

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

29. SEGMENT REPORTING (Continued)

31 December 2017	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	366.137	328.039	-	694.176
Financial Expenses (-)	(261.893)	(354.886)	-	(616.779)
Gross Profit) Loss	104.244	(26.847)	-	77.397
Operating Expense (-)	(40.155)	(25.072)	-	(65.227)
Gross Operating Profit/Loss	64.089	(51.919)	-	12.170
Other Operating Income	111.589	143.666	-	255.255
Provision for Losses on Non-Performing Receivables (-)	(29.923)	(3.210)	-	(33.133)
Other operating Expenses (-)	(48.913)	(27.527)	-	(76.440)
Net Operating Profit) Loss	96.842	61.010	-	157.852
Profit or Loss from Continuing Operations	96.842	61.010	-	157.852
Provision for Taxes from Continuing Operations (±)	(22.642)	(11.480)	-	(34.122)
Net Profit or Loss from Continuing Operations	74.200	49.530	-	123.730
Non-controlling Interests	-	-	(10.782)	(10.782)
Net Profit or Loss for the Period	74.200	49.530	(10.782)	112.948
Tangible and Intangible Asset Additions	2.826	1.684	-	4.510
Depreciation and Amortisation	(1.466)	(563)	-	(2.029)
31 December 2016	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	285.766	173.420	-	459.186
Financial Expenses (-)	(184.405)	(136.184)	-	(320.589)
Gross Profit) Loss	101.361	37.236	-	138.597
Operating Expense (-)	(36.822)	(18.478)	-	(55.300)
Gross Operating Profit/Loss	64.539	18.758	-	83.297
Other Operating Income	187.068	226.069	(3.912)	409.225
Provision for Losses on Non-Performing Receivables (-)	(13.593)	(9.058)	-	(22.651)
Other operating Expenses (-)	(128.858)	(195.056)	-	(323.914)
Net Operating Profit) Loss	109.156	40.713	(3.912)	145.957
Profit or Loss from Continuing Operations	109.156	40.713	(3.912)	145.957
Provision for Taxes from Continuing Operations (±)	(27.356)	(7.774)	-	(35.130)
Net Profit or Loss from Continuing Operations	81.800	32.939	(3.912)	110.827
Non-controlling Interests	-	-	(7.170)	(7.170)
Net Profit or Loss for the Period	81.800	32.939	(11.082)	103.657
Tangible and Intangible Asset Additions	6.364	795	-	7.159
Depreciation and Amortisation	(1.001)	(357)	-	(1.358)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

30. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 180.000 has been paid on 15 January 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 113.190 has been paid on 05 January 2018.

31. OPERATING INCOME

For the periods ended 31 December 2017 and 31 December 2016, details of operating income are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Finance lease interest income	365.810	285.688
Operating Lease income	327	78
Factoring income	328.039	173.420
	<u>694.176</u>	<u>459.186</u>

32. OPERATING EXPENSES

For the periods ended 31 December 2017 and 31 December 2016, operating expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Personnel expenses	(40.429)	(32.945)
Office rent expenses	(6.070)	(5.567)
Board of Directors attendance fee	(2.284)	(2.077)
Information technology expenses	(2.608)	(2.081)
Travel and car expenses	(2.241)	(1.763)
Depreciation and amortisation expense	(2.029)	(1.358)
Tax and duties	(1.604)	(1.588)
BRSA fee	(973)	(767)
Advertising expense	(794)	(491)
Provision for employee severance indemnity	(746)	(729)
Consultancy expenses	(628)	(669)
Insurance expense	(534)	(132)
Communication expense	(518)	(421)
Representation expense	(259)	(243)
Capital increase expense	(195)	(346)
Write-off expense	(25)	(1.859)
Other general administrative expenses	(3.290)	(2.264)
	<u>(65.227)</u>	<u>(55.300)</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

33. OTHER OPERATING INCOME

For the periods ended 31 December 2017 and 31 December 2016, details of other operating income are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Income from derivative financial transactions	225.181	167.910
Commission income	5.226	4.157
Interest income	4.937	7.266
Collections from non-performing receivables	3.107	12.170
Dividend income	2.423	2.611
Others	14.381	2.025
	<u>255.255</u>	<u>196.139</u>

34. FINANCE EXPENSES

For the periods ended 31 December 2017 and 31 December 2016, details of finance expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Interest expense on funds borrowed	(404.644)	(190.966)
Interest expense on debt securities issued	(185.969)	(116.417)
Fees and commissions expense	(26.166)	(13.206)
	<u>(616.779)</u>	<u>(320.589)</u>

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2017 and 31 December 2016, details of provision for non-performing receivables are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Specific provision expenses	(33.133)	(22.651)
	<u>(33.133)</u>	<u>(22.651)</u>

36. OTHER OPERATING EXPENSES

For the periods ended 31 December 2017 and 31 December 2016, details of other operating expenses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Foreign exchange losses	(36.951)	(28.709)
Losses from derivative financial transactions	(35.839)	(76.234)
Impairment and sales losses on securities portfolio	-	(400)
Other	(3.650)	(5.485)
	<u>(76.440)</u>	<u>(110.828)</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

36. OTHER OPERATING EXPENSES (Continued)

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

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

The difference as foreign currency expenses difference between income/loss is at amounting TL 6.381 from measurement difference of such transactions in the Group's financial statements as at 31 December 2017 (31 December 2016: TL 1.244 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

37. TAXATION

For the periods ended 31 December 2017 and 31 December 2016, details of income tax expense are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Current tax charge	(28.503)	(33.854)
Deferred tax income) (expense)	(5.619)	(1.276)
	<u>(34.122)</u>	<u>(35.130)</u>

The reported income 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 2017</u>	%	<u>1 January- 31 December 2016</u>
Net profit for the period		123.730		110.827
Total tax expense		<u>34.122</u>		<u>35.130</u>
Profit before tax		157.852		145.957
Income tax using the Group's tax rate	19,95	31.484	19,85	28.973
Non-deductible expenses	1,40	2.215	4,37	6.384
Tax exempt income	(0,31)	(484)	(0,35)	(512)
Investment incentives	0,04	67	0,14	199
Other	0,53	840	0,06	-
Total income tax expense	21,61	<u>34.122</u>	24,07	<u>35.130</u>

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 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.

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

37. TAXATION (Continued)

Corporate Tax (continued)

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 2017, corporate income tax rate is 20% (31 December 2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% (31 December 2016: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

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

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

Income Withholding Tax

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

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

Investment Incentives

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

37. TAXATION (Continued)

Investment Incentives (continued)

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

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

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

The statement "the amount of investment allowance to be utilized may not exceed 25% of earnings for the year" was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

38. 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.

The weighted average number of shares of the Group and earnings per share for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
Weighted average number of outstanding shares (*)	65.030.264.500	60.030.264.500
Net profit for the year (TL)	112.948	103.657
Basic earnings per share (full Kurus) (**)	0,17	0,17

(*) As at 31 December 2017, the share capital of the Company consists of 65.030.264.500 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 2017</u>	<u>31 December 2016</u>
Number of shares at beginning of the year	60.030.264.500	53.030.264.500
Capital increase (**)	5.000.000.000	7.000.000.000
Number of shares at end of the year	<u>65.030.264.500</u>	<u>60.030.264.500</u>

39. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

40. 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(a) Capital risk management (continued)

Although there is no change in the capital risk management strategy in 2017, the debt/equity ratio is 12% (31 December 2016: 13%). As at 31 December 2017 and 31 December 2016, the leverage ratios are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Funds borrowed	6.577.143	5.161.686
Debt securities issued	1.460.862	1.232.536
Miscellaneous payables	89.587	80.725
Other liabilities	119.303	65.286
Total liabilities	<u>8.246.895</u>	<u>6.540.233</u>
Banks (-)	<u>(247.893)</u>	<u>(376.487)</u>
Net liabilities	<u>7.999.002</u>	<u>6.163.746</u>
Total shareholders' equity	974.668	830.203
Shareholders' equity) liabilities	12%	13%

According to the credit rating reports of Fitch issued at 8 June 2017, credit ratings of the Company are as follows:

Foreign Currency

Long term	BB+
Short term	B
Outlook	Stable

TL

Long term	BB+
Short term	B
Outlook	Stable

National

Long term	AA+ (tur)
Outlook	Stable
Support	3

(b) Significant accounting policies

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	<u>31 December 2017</u>	<u>31 December 2016</u>
Financial Assets:		
Banks	247.893	376.487
Financial assets at fair value through profit or loss:		
- Financial assets held for trading	5.147	6.664
- Derivative financial assets held for trading	5.383	511
Finance lease receivables and non-performing receivables, net	4.701.101	4.000.905
Factoring receivables and non-performing factoring receivables, net	4.207.336	2.985.556
Insurance receivables (*)	6.829	5.827
Other receivables (*)	2.546	1.705
Financial assets available for sale	47.187	25.176
Financial Liabilities:		
Derivative financial liabilities held for trading	(19.613)	(63.777)
Miscellaneous payables and other liabilities	(208.890)	(146.011)
Funds borrowed	(6.577.143)	(5.161.686)
Debt securities issued	(1.460.862)	(1.232.536)

(*) Included in other receivables.

(d) Financial risk management objectives

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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 2017 and 31 December 2016, details of foreign currency denominated assets and liabilities are as follows:

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (continued)

	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	AUD 000	TL Equivalent
31 December 2016 ^(*)							
Banks	33.561	45.267	-	422	26	-	287.867
Finance lease receivables	257.517	396.878	2.751	-	-	-	2.388.110
Factoring receivables	163.853	71.476	-	1.257	-	384	848.203
Advances given for lease transactions	9.990	15.843	88	-	-	-	94.234
Leasing contracts in progress	5.079	6.296	-	-	-	-	41.231
Other receivables	236	553	-	-	-	-	2.883
Other assets	42	7	-	-	-	-	174
Total assets (**)	470.278	536.320	2.839	1.679	26	384	3.662.702
Funds borrowed	(241.942)	(431.674)	-	(1.253)	-	(372)	(2.459.266)
Miscellaneous payables and other liabilities	(9.539)	(17.600)	(1)	(16)	-	(1)	(98.939)
Other provisions	-	(697)	-	-	-	-	(2.586)
Total liabilities (**)	(251.481)	(449.971)	(1)	(1.269)	-	(373)	(2.560.791)
Balance sheet position	218.797	86.349	2.838	410	26	11	1.101.911
Off balance sheet position	(214.180)	(88.629)	(2.727)	-	-	-	(1.091.943)
Net foreign currency position	4.617	(2.280)	111	410	26	11	9.968

(*) As at 31 December 2016, foreign currency indexed borrowings amounting to USD 2.254 and EUR 17.610 (Total: TL 73.261), foreign currency indexed factoring receivables amounting to USD 96.492 and EUR 17.727 (Total: TL 405.619) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2016, accruals of derivative assets amounting to TL 511 and derivative liabilities amounting to TL 63.777 are not included.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (continued)

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.

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

(*) Includes profit/loss effect.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. 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 2016				
15% change of the USD against TL				
1- Net USD asset/liability	115.498	(115.498)	115.498	(115.498)
2- Hedged portion of TL against USD risk (-)	(113.061)	113.061	(113.061)	113.061
3- Net effect of USD (1+ 2)	2.437	(2.437)	2.437	(2.437)
15% change of the Euro against TL				
4- Net Euro asset/liability	48.052	(48.052)	48.052	(48.052)
5- Hedged portion of TL against Euro risk (-)	(49.321)	49.321	(49.321)	49.321
6- Net effect of Euro (4+5)	(1.269)	1.269	(1.269)	1.269
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	284	(284)	284	(284)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	284	(284)	284	(284)
TOTAL (3+6+9)	1.452	(1.452)	1.452	(1.452)

(*) Includes profit/loss effect.

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (continued)

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 2017 and 31 December 2016, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Banks	212.504	353.665
Finance lease receivables (*)	4.243.950	3.656.123
Factoring receivables	3.091.909	2.277.149
Financial liabilities:		
Funds borrowed	5.140.051	3.862.257
Debt securities issued	1.368.677	1.232.536
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	95.306	146.106
Factoring receivables	1.115.427	708.407
Financial liabilities:		
Borrowings	1.437.092	1.299.430
Debt securities issued	92.185	-

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

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 985 (31 December 2016: TL 1.537).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 11.001 (31 December 2016: TL 6.987).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 14.400 (31 December 2016: TL 12.005).

(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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Other price risks (continued)

Equity price sensitivity

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

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

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

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 2.090 (31 December 2016: TL 660).

(i) Credit risk management

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

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

Sectoral allocation of finance lease receivables is as follows:

	<u>31 December 2017 (%)</u>	<u>31 December 2016 (%)</u>
Construction	24,45	24,32
Metal industry	12,75	14,52
Textile	10,09	7,00
Transportation	7,33	7,76
Retail and wholesale	4,83	4,50
Chemical and plastic	4,30	4,86
Mining	3,80	3,40
Healthcare	3,45	2,37
Finance	3,27	4,46
Food and beverage	2,79	3,40
Forestry products and paper	2,49	2,91
Agriculture and forestry	2,23	2,35
Tourism	2,19	2,92
Machinery and equipment	2,11	2,68
Other	13,92	12,55
	<u>100,00</u>	<u>100,00</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (continued)

Leased asset allocation of finance lease receivables is as follows:

	<u>31 December 2017 (%)</u>	<u>31 December 2016 (%)</u>
Real estate	35,04	35,76
Machinery and equipment	22,62	23,52
Building and construction machinery	20,47	19,06
Textile machinery	4,02	4,59
Electronic and optical equipment	3,58	3,60
Medical equipment	2,57	1,55
Tourism equipment	2,23	2,16
Air transportation equipments	1,48	1,82
Sea transport vessels	1,42	1,95
Office equipments	1,42	1,39
Road transportation equipments	1,33	1,03
Printing machinery	0,72	0,95
Other	4,10	2,62
	<u>100,00</u>	<u>100,00</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (continued)

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

	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale (***)	Insurance receivables	Other Receivables
	Finance Lease Receivables		Factoring Receivables						
31 December 2017	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	39.796	4.661.305	66.608	4.140.728	247.893	10.530	-	6.829	2.546
- The portion of maximum risk covered by guarantee	-	340.699	-	1.889.090	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	39.796	4.176.909	66.608	4.133.968	247.893	10.530	-	6.829	2.546
- The portion covered by guarantee	-	273.176	-	1.884.799	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	400.707	-	4.291	-	-	-	-	-
- The portion covered by guarantee	-	35.008	-	4.291	-	-	-	-	-
D. Net carrying value of impaired assets	-	83.689	-	2.469	-	-	-	-	-
- Overdue (gross book value)	-	186.643	-	42.099	-	-	-	-	-
- Impairment (-)	-	(128.760)	-	(39.630)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	5.299	-	-	-	-	-	-	-
- Not past due (gross book value)	-	37.672	-	-	-	-	-	-	-
- Impairment (-)	-	(11.866)	-	-	-	-	-	-	-
- 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 have not been market risk.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (continued)

As at 31 December 2016, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale (***)	Insurance receivables	Other Receivables
	Finance Lease Receivables		Factoring Receivables						
31 December 2016	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	68.193	3.932.707	33.506	2.952.050	376.487	7.175	-	5.827	1.705
- The portion of maximum risk covered by guarantee	-	279.976	-	547.098	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	68.193	3.514.237	33.506	2.937.252	376.487	7.175	-	5.827	1.705
- The portion covered by guarantee	-	181.839	-	537.418	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	205	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	338.718	-	13.752	-	-	-	-	-
- The portion covered by guarantee	-	88.450	-	9.680	-	-	-	-	-
D. Net carrying value of impaired assets	-	79.752	-	841	-	-	-	-	-
- Overdue (gross book value)	-	188.579	-	39.388	-	-	-	-	-
- Impairment (-)	-	(107.287)	-	(38.547)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	9.687	-	-	-	-	-	-	-
- Not past due (gross book value)	-	2.857	-	-	-	-	-	-	-
- Impairment (-)	-	(4.397)	-	-	-	-	-	-	-
- 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 have not been market risk.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (continued)

As at 31 December 2017 and 31 December 2016, details of finance lease receivables rating in terms of internal rating information:

		<u>31 December 2017 (%)</u>	<u>31 December 2016 (%)</u>
A+	(Perfect)	0,02	0,38
A	(Very good)	0,27	0,06
A-	(Good)	5,59	5,34
B+	(Satisfactory)	25,02	24,63
B	(Reasonable)	20,54	23,49
B-	(Close Monitoring)	26,95	24,42
C+	(Insufficient)	17,40	17,44
C	(Doubtful)	4,21	4,24
Total		<u>100,00</u>	<u>100,00</u>

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 10,56% as at 31 December 2017 (31 December 2016: 11,69%).

As at 31 December 2017, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>31 December 2017 (%)</u>
High	27,78
Medium	57,30
Low	14,92
Total	<u>100,00</u>

As at 31 December 2016, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>31 December 2016 (%)</u>
High	31,02
Medium	55,35
Low	13,63
Total	<u>100,00</u>

The aging analysis of overdue finance lease receivables is disclosed in Note 8. The Group does not have overdue financial assets other than finance lease receivables.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. 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 2017		31 December 2016	
	Nominal Value	Fair Value ^(*)	Nominal Value	Fair Value ^(*)
Sureties	57.510.563	7.243.087	45.698.632	5.917.121
Collaterals of factoring transaction	6.738.353	800.554	3.982.480	533.007
Mortgage	797.914	238.899	798.181	181.680
Pledged accounts	625.010	118.326	427.019	71.023
Guaranties of factoring transaction	429.658	-	204.164	-
Pledged vehicles	139.860	51.787	111.851	46.238
Pledged shares	127.328	-	82.347	44.680
Pledged commercial	115.000	34.092	115.000	37.803
Sureties of credit guarantee fund	104.193	48.793	-	-
Letters of guarantee	73.728	26.088	41.827	22.269
Pledged machines	30.502	12.514	30.502	30.000
Guarantors	21.116	288	2.117	445
Commercial receivable insurance	17.500	392	-	-
Collaterals given by vendors	11.792	-	3.187	-
Ship mortgage	9.430	-	8.798	-
Cash blockages	7.554	3.008	6.611	3.331
Share certificates	2.450	2.450	2.950	2.950
Collaterals of leasing transaction	1.326	-	1.086	-
Pledged account	1.051	1.051	909	909
	66.764.328	8.581.325	51.517.661	6.891.456

^(*) 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

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (continued)

Liquidity risk table (continued)

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group's assets and liabilities have also been included in the table below.

31 December 2017

Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	247.893	247.909	247.909	-	-	-
Financial Assets Held For Trading	5.147	5.147	5.147	-	-	-
Lease Receivables (*)	4.339.256	4.948.010	623.302	1.443.553	2.772.892	108.263
Factoring Receivables	4.207.336	4.320.872	2.681.018	1.598.179	41.675	-
Insurance Receivables	6.830	6.830	6.830	-	-	-
Other Receivables	2.546	2.546	2.546	-	-	-
Total Assets	8.809.008	9.531.314	3.566.752	3.041.732	2.814.567	108.263
Non-derivative Financial Liabilities:						
Funds Borrowed	6.577.143	6.693.676	3.993.545	1.555.330	1.060.697	84.104
Debt Securities Issued	1.460.862	1.510.934	891.040	619.894	-	-
Miscellaneous Payables and Other Liabilities	208.890	208.890	203.360	-	5.530	-
Total Liabilities	8.246.895	8.413.500	5.087.945	2.175.224	1.066.227	84.104

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (continued)

Liquidity risk table (continued)

31 December 2016

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	376.487	376.539	376.539	-	-	-
Financial Assets Held For Trading	6.664	6.664	6.664	-	-	-
Lease Receivables (*)	3.802.234	4.319.586	523.128	1.195.793	2.458.164	142.501
Factoring Receivables	2.985.556	3.059.865	2.032.237	975.336	52.292	-
Insurance Receivables	5.828	5.828	5.828	-	-	-
Other Receivables	1.705	1.705	1.705	-	-	-
Total Assets	7.178.474	7.770.186	2.946.101	2.171.129	2.510.455	142.501
Non-derivative Financial Liabilities:						
Funds Borrowed	5.161.686	5.305.545	2.835.332	1.077.795	1.326.231	66.187
Debt Securities Issued	1.232.536	1.264.481	917.544	346.937	-	-
Miscellaneous Payables and Other Liabilities	146.011	146.011	138.043	1.614	5.454	-
Total Liabilities	6.540.233	6.716.038	3.891.819	1.426.346	1.331.685	66.187

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (continued)

Liquidity risk table (continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2017 and 31 December 2016.

31 December 2017

Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Cash inflows from derivatives	14.425	1.695.075	1.415.257	270.857	8.961	-
Cash outflows from derivatives	-	1.680.650	1.415.293	257.057	8.300	-

31 December 2016

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)
Cash inflows from derivatives	-	1.111.847	801.047	197.487	113.313	-
Cash outflows from derivatives	(24.805)	1.136.654	839.782	198.246	98.626	-

(k) Fair value of financial instruments

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (continued)

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

31 December 2017	Financial assets and liabilities Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
Financial Assets								
Banks	-	247.893	-	-	-	247.893	247.893	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	5.147	-	-	-	-	5.147	5.147	4
- Derivative financial assets held for trading	5.383	-	-	-	-	5.383	5.383	4
Finance lease receivables and non-performing lease receivables	-	-	4.701.101	-	-	4.701.101	4.674.170	8
Factoring receivables and non-performing factoring receivables	-	-	4.207.336	-	-	4.207.336	4.207.336	7
Insurance receivables	-	-	6.829	-	-	6.829	6.829	15
Other Receivables	-	-	2.546	-	-	2.546	2.546	15
Available for sale financial assets	-	-	-	47.187	-	47.187	47.187	6
Financial liabilities								
Derivative financial assets held for trading	19.613	-	-	-	-	19.613	19.613	4
Miscellaneous payables and other liabilities	-	-	-	-	208.890	208.890	208.890	17
Funds borrowed	-	-	-	-	6.577.143	6.577.143	6.571.886	16
Debt securities issued	-	-	-	-	1.460.862	1.460.862	1.481.797	19

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (continued)

31 December 2016	Financial assets and liabilities Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
Financial Assets								
Banks	-	376.487	-	-	-	376.487	376.487	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	6.664	-	-	-	-	6.664	6.664	4
- Derivative financial assets held for trading	511	-	-	-	-	511	511	4
Finance lease receivables and non-performing lease receivables	-	-	4.000.900	-	-	4.000.900	4.007.738	8
Factoring receivables and non-performing factoring receivables	-	-	2.985.556	-	-	2.985.556	2.985.556	7
Insurance receivables	-	-	5.827	-	-	5.827	5.827	15
Other Receivables	-	-	1.705	-	-	1.705	1.705	15
Available for sale financial assets	-	-	-	25.176	-	25.176	25.176	6
Financial liabilities								
Derivative financial assets held for trading	63.777	-	-	-	-	63.777	63.777	4
Miscellaneous payables and other liabilities	-	-	-	-	146.011	146.011	146.011	17
Funds borrowed	-	-	-	-	5.161.686	5.161.686	5.180.089	16
Debt securities issued	-	-	-	-	1.232.536	1.232.536	1.257.103	19

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

40. 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 2017	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	5.147	-	5.147
Derivative financial assets held for trading	-	5.383	-	5.383
Available-for-sale financial assets (*)	43.482	-	666	44.148
Total financial assets carried at fair value	43.482	10.530	666	54.678
Derivative financial liabilities held for trading	-	19.613	-	19.613
Total financial liabilities carried at fair value	-	19.613	-	19.613

(*) As at 31 December 2017, securities that are not publicly traded amounting to TL 3.039 have been measured at cost.

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	6.664	-	6.664
Derivative financial assets held for trading	-	511	-	511
Available-for-sale financial assets (*)	22.790	-	-	23.137
Total financial assets carried at fair value	22.790	7.175	-	30.312
Derivative financial liabilities held for trading	-	63.777	-	63.777
Total financial liabilities carried at fair value	-	63.777	-	63.777

(*) As at 31 December 2016, securities that are not publicly traded amounting to TL 2.386 have been measured at cost.

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