



Annual Report

İŞ LEASING



Contents

General Assessment

- 1 About Us
- 4 Company Profile
- 5 Strategic Principles
- 8 Company Performance
- 9 Financial Indicators
- 10 Stock, Assessment and Rating
- 12 Message from the Chairman
- 14 Message from the CEO
- 20 Financial Leasing Sector
- 22 İş Leasing in the Sector
- 26 2020 Activities

Management

- 32 Board of Directors
- 35 Senior Management
- 38 Independent Auditor's Report on the Annual Report of the Board of Directors

Corporate Governance Practices

- 41 Summary Annual Report of the Board of Directors
- 43 Changes within the Reporting Period
- 44 Company Risk Policies
- 46 Profit Distribution Policy
- 47 Disclosure Policy
- 51 Company Ethical Principles
- 58 Corporate Governance Principles Declaration
- 59 Corporate Governance Principles Compliance Report
- 89 Compliance with Sustainability Principles
- 91 Declaration of Audit Committee on Internal Control Environment
- 92 General Meeting Agenda
- 93 Profit Distribution Proposal
- 94 Board Decision Regarding Financial Statements
- 95 Audit Committee Decision

Financial Statements

- 98 Independent Auditor's Report
- 102 Consolidated Financial Statements and Notes
- 184 Directory



About Us

Extensive branch network

İş Leasing enjoys a high customer reach through its 15 branches located in regions and cities getting the highest share out of GDP and through the extensive branch network of İşbank.



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

Ranked 2nd biggest in the sector, İş Leasing leads the competition with its pioneering character in the sector, its new product development and solution creation capabilities, lean and effective business processes that make a difference in customer experience, and its swift decision-making mechanisms.

Offering service via its 15 branches (including 2 corporate branches) located in regions and cities getting the highest share of GDP, İş Leasing boasts one of the greatest number of branches in the sector and thus enjoys a high customer reach through its own branches and the extensive branch network of İşbank.

- Head Office, İstanbul
- Kozyatağı Branch, İstanbul (Corporate)
- Kartal Branch, İstanbul
- Şişli Branch, İstanbul
- Avcılar Branch, İstanbul
- Central Anatolia Branch, Ankara (Corporate)
- Ostim Branch, Ankara

- Aegean Branch, İzmir
- South Anatolia Branch, Gaziantep
- Marmara Branch, Bursa
- Mediterranean Branch, Antalya
- Çukurova Branch, Adana
- Trabzon Branch
- Konya Branch
- Kayseri Branch
- Diyarbakır Branch

The 2nd largest leasing company in the leasing sector

With an above-projected growth performance, İş Leasing rose to the position of the second largest leasing company in the leasing sector in 2020.



Company Profile

41.8%

41.8% of İş Leasing's shares are currently being traded on Borsa İstanbul under the ticker symbol "ISFIN".



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

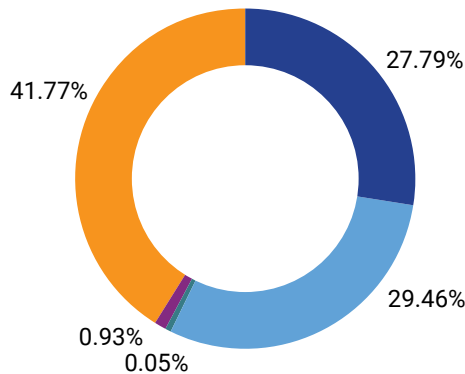
Thanks to İşbank's branch network extending all over Turkey, İş Leasing quickly became one of the leading companies of the Turkish leasing sector. Part of the Company's shares was offered to the public in 2000.

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

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

with full management control over the Company.

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



Shareholding Structure (%)

Shareholder	Share Amount (TL)	Capital Share (%)
■ Türkiye İş Bankası A.Ş.	193,253,262.93	27.79
■ Türkiye Sınai Kalkınma Bankası A.Ş.	204,850,378.33	29.46
■ Türkiye Şişe ve Cam Fab. A.Ş.	305,315.57	0.05
■ Trakya Yatırım Holding A.Ş.	6,482,770.65	0.93
■ Publicly held	290,410,917.52	41.77
Total	695,302,645.00	100.0

Strategic Principles

Sustainable

We are one of the sector's leading companies with our robust financial structure and funding capabilities.

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

Products and Services That Cater to Customer Needs:

- Differentiating service quality through innovative and flexible products
- Sustainable and inclusive business model
- Extensive and efficient service network
- Effective customer relationship management
- Strong channel management strategy

Competent Human Resource:

- Deep-seated experience and know-how
- HR policies focused on employee happiness
- Implementations nurtured with employee feedback and suggestions
- Performance-based objective assessment

Well-Balanced Resource and Risk Management:

- Risk-based capital allocation
- Successful loan assessment processes paying regard to different disciplines
- High asset quality and efficient credit risk management
- Extensive and diversified funding structure
- Currency, maturity and interest rate risk management aligned with assets

Digital Transformation and Technological Advancement:

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

SMEs prioritized in the support extended

During 2020, İş Leasing financed the investments of its customers, primarily real sector companies with a special emphasis on the SMEs.

Added value

İş Leasing maintains its target to be present in every sector that will increase productivity, contribute to the country's development and create added value.

Company Performance

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

With the pandemic impact in 2020, demand dramatically shrank across the industry in the second quarter; with the normalization steps, however, leasing demand picked up, with the added effect of the decreased credit pressure upon banks. İş Leasing significantly decoupled from the other companies in the industry with its transaction volume and kept bringing financing resources compatible with their investments to the real sector companies, with a special emphasis on the SMEs, and became the industry's second largest company with a growth performance that outdid the projections.

In 2020, the Company focused on sustainable growth strategies and achieved performance results in line with its goals thanks to its dynamic balance sheet management:

- With a new transaction volume of USD 545 million and a market share of 16.5%, İş Leasing carried its strong position in the sector further and rose to the second place in the industry in terms of leasing receivables.
- Net leasing receivables amounted to TL 7.2 billion.
- The Company increased its shareholders' equity by 35% to TL 1.7 billion.
- The Company posted a net profit of TL 197.6 million.

While pursuing selective growth in a bid to effectively manage the competition-driven increased pressure on profit margin

in a balanced manner, İş Leasing did not compromise its strategy of ensuring broad-based transaction volume and high quality portfolio composition.

Thanks to up-to-date methodology and techniques implemented for credit risk, effective risk monitoring processes and broad-based portfolio, the Company's non-performing leasing receivables ratio continued to remain significantly below the industry average and declined from 6.6% at year-end 2019 to 4.3% at year-end 2020 on the back of effective risk management, despite repayment revisions that covered nearly 20% of the portfolio.

Powered by its service model that is bolstered with digitalization, efficiency and innovation culture, and that constantly upgrades customer experience, İş Leasing has been one of the most preferred companies also in 2020 and increased its market share in terms of the number of customers to 12.7%.

2nd spot

Market position

Improved to 2nd spot with 12.5% market share on the basis of leasing receivables.

TL 7.2 billion

Net leasing portfolio

Amounted to TL 7.2 billion in 2020.

TL 198 million

Net profit

Amounted to TL 198 million, up 134.4%.

40.4%

Total assets

Rose to TL 12.8 billion, up 40.4%.

TL 1.7 billion

Shareholders' Equity

Rose to TL 1.7 billion, up 34.8%.

39%

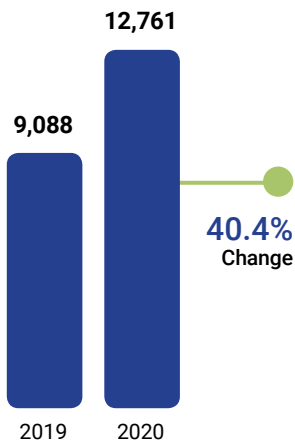
Factoring receivables (net)

Reached TL 4.4 billion, up 39%.

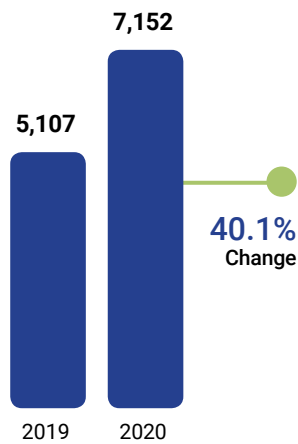
Financial Indicators

(TL million)	2020	2019	Change (%)
Total Assets	12,761	9,088	40.4
Factoring Receivables	4,420	3,179	39.0
Leasing Receivables, Net	7,152	5,107	40.1
Shareholders' Equity	1,718	1,274	34.8
Net Profit / Loss	198	84	134.4
Return on Assets (ROA) (%)	1.8	0.9	
Return on Equity (ROE) (%)	13.2	7.0	
Debt to Equity	6.4	6.1	
Cost/Revenue (%)	18.5	18.9	

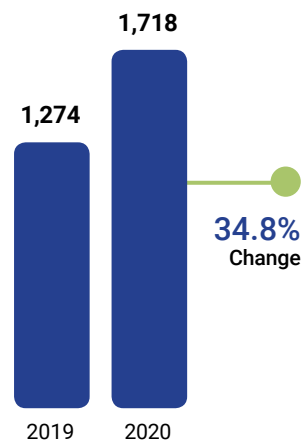
Total Assets
(TL million)



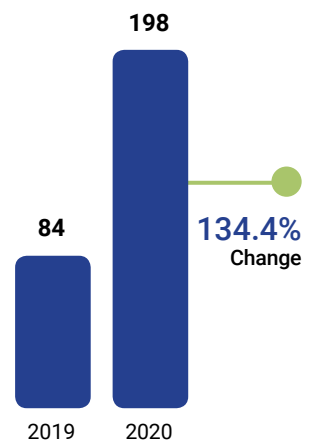
Leasing Receivables, Net
(TL million)



Shareholders' Equity
(TL million)



Net Profit/Loss
(TL million)



Stock, Assessment and Rating

İSFIN

Publicly-held since 2000, 41.8% of the shares in İş Leasing is traded on BIST.

Stock Performance

The Coronavirus pandemic led to sharp and quick shifts in the markets all over the world, creating a powerful, sweeping jolt affecting all, from global indicators to local indices. BIST 100 index was up by 29.1% despite the pandemic, and closed the year at 1,476.7.

İş Leasing, which is a Group B share, is traded on the Stars Market. Also a constituent of the BIST Corporate Governance Index by virtue of its effective corporate governance practices, the Company is also included in the BIST Financial and BIST Leasing Factoring indices. Publicly-held since 2000 and 41.8% of its shares traded on BIST, İş Leasing remained the sector's most important benchmark stock with an average trading volume of 71,993,794 transactions in 2020.

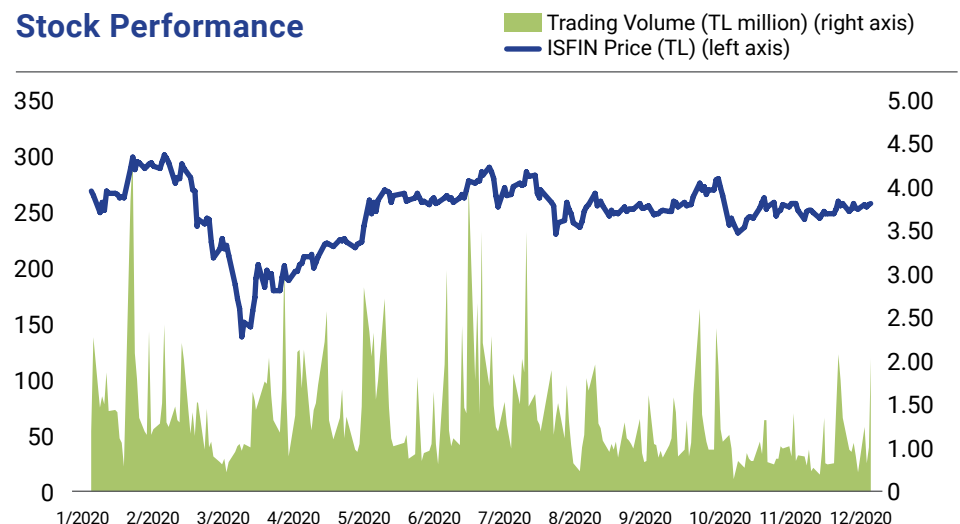
BIST Stars Market

BIST Corporate Governance Index

BIST Financial Index

BIST Leasing Factoring Index

Stock Performance



Corporate Governance

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

Corporate Governance Rating

In 2020, İş Leasing was assigned a corporate governance rating of 9.21 (92.13%) on a scale of 10 by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

Credit Rating

In its rating report dated 2 September 2020, Fitch Ratings announced the local and international currency ratings of İş Leasing as A+(tur) and B+, respectively.

Foreign Currency

Long Term	Short Term	Outlook
B+	B	Negative

Turkish Lira

Long Term	Short Term	Outlook
B+	B	Negative

National

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

9.21

İş Leasing was assigned a corporate governance rating of 9.21 (92.13%) on a scale of 10 in 2020.



Message from the Chairman

Murat Bilgiç
Chairman of the Board of Directors



Firm steps

As we determinedly embrace change, we quickly adapt to the current circumstances and evolving conditions drawing on our experience, agile management concept, our innovative strength, and the hard work of our colleagues, and charge ahead strongly to perpetuate our position in the future.

Dear Stakeholders,

Before presenting the annual report, the financial statements and profit distribution proposal which provide a summary of the 2020 performance, and results of İş Leasing that have been prepared in accordance with the Capital Market Law and applicable legislation for your review and approval; I would like to give an overview of the global and national economy, and make a brief assessment of the leasing sector and the position of İş Leasing.

Global economy is suffering a contraction induced by the pandemic.

Having burst into our lives in 2020, the pandemic evolved into a health and economic crisis of a global scale with constantly increasing reach and depth. It imprinted the reporting period as it suppressed the entire value chain due to the destruction it caused on production capacity and supply chains.

In an effort to mitigate the impacts that the pandemic produced on the global economic activity, many countries

have declared relief packages of asset purchases that cover unprecedented magnitudes, liquidity support and credit schemes, while central banks turned to expansionary monetary policies; central banks of developed economies such as the US Federal Reserve System (the Fed) and the European Central Bank (ECB) injected significant liquidity to the markets through massive bond purchases, in addition to pursuing low-interest rate policies.

As equity markets sustained historic plunges due to the surged volatility in financial markets, high outflows took place in asset investments in developing countries due to the declined global risk appetite, and risk premiums increased markedly.

As geopolitical events also took their toll on global economic activity, the US Presidential election held in the last quarter of the year and the ensuing developments gained the foreground in the world politics.

European countries sustained the hardest hit in terms of economic damage in 2020, during which all economies including

the world's leaders suffered from high contraction rates particularly in the second quarter. China has been the only major economy that did not shrink, benefiting also from the fact that it has taken the pandemic under control.

While the Economic Outlook released by the IMF in January 2021 estimated a contraction of 3.5% for the global economy due to the pandemic, the global growth projection for 2021 was revised as 5.5%.

In the long run, the policies that will be pursued by emerging markets and developing economies in order to ameliorate their healthcare and educational services, digital infrastructures, business and governance practices will help alleviate the economic damage caused by the pandemic and increase shared welfare.

Growth of the Turkish economy was restricted as well.

After starting 2020 with increasing momentum following the rebalancing period, the Turkish economy shrank in the second quarter in connection with the repressive impacts of the pandemic-related restrictive measures applied on economic activities. Having grown 4.5% year-over-year in the first quarter, the economy suffered a sharp decline, narrowing down by 9.9% with the effect of the globally stagnated economic activity in the second quarter. Notwithstanding, with the 6.7% growth registered in the third quarter, Turkey decoupled from the G-20 countries, undersigning the strongest performance in that league, and ended the year with 1.8% growth.

As a result of expansionary monetary and fiscal policy and financial repression, the Turkish economy exited stagnation with a V-shaped growth; meanwhile the balance of payments, exchange rate and inflation fronts presented significant issues. Having adopted an upturn, inflation hit the year's highest level at 14.6% in December.

Deserting the rate cut policy sustained for nearly a year and turning to tight monetary policy and simplification in June 2020, the Central Bank of the Republic of Turkey (CBRT) hiked the policy rate up to 17% from end-September until year-end. This shift in policy showed its positive reflections as Turkish Lira began to be appreciated while country risk premium began falling. In 2021, the CBRT will likely maintain its tight stance for a little longer.

The expansion in the foreign trade deficit that is stemmed from the pronounced contraction in European countries which receive a substantial portion of Turkey's exports, coupled with the decline particularly in transportation and tourism revenues, and resulted in deteriorated current accounts balance. Depending on the course of the relations between the US and EU, a more positive picture may possibly arise in the financing of current deficit in the period ahead, considering the betterment tendency of the risk perception towards Turkey.

İş Leasing further cemented its position in the sector.

Having markedly contracted in 2019, the leasing sector's transaction volume has increased by 29% -reaching USD 3.3 billion and outdoing the projections- despite decelerated economic activity due to the impact of the pandemic in 2020. The main driver behind this performance was the revival in postponed investments in the third quarter of the year, owing to the policies implemented by the economic administration.

Even amid such an extraordinary economic environment defined by increased challenges and uncertainties on a global scale, İş Leasing sustained its support to the SMEs and the real sector, and preserved its asset quality through effective risk management. With the successful results it has achieved, our Company increased its market share and the number of its customers.

Having set its focus on sustainability and digitalization, our Company gradually increases its share in the financing of renewable energy investments, and takes to the fore particularly with its financing solutions addressing solar energy. While the high amounts of loans secured from international financial institutions manifest our commitment in this respect, they also attest to the strength of our financial structure and our brand name.

As we determinedly embrace change, we quickly adapt to the current circumstances and evolving conditions drawing on our experience, agile management concept, our innovative strength, and the hard work of our colleagues, and charge ahead strongly to perpetuate our position in the future. As we carry out the necessary transformations for the future world, we are realizing change in order to rapidly take our place within the "new normal" with our comprehensive digitalization infrastructure project.

Given the ongoing presence of the pandemic in our lives in 2021, it is our topmost priority to safeguard our employees' health in view of the developments related to the vaccine and medication, and to ensure continuity of our services.

Believing that healthy and good days have many more achievements in store for us, on behalf of the Board of Directors and myself, I would like to thank the İş Leasing family for helping us drive our Company to success with their support and contributions, and all our stakeholders.

Sincerely,

Murat Bilgiç
Chairman of the Board of Directors

Message from the CEO

Mehmet Karakılıç
CEO and Member of the Board of Directors



Performance Above Expectations

İş Leasing succeeded in getting the highest share out of new transactions despite the increasing competition in the sector.

İş Leasing rose to number two spot in the sector on the back of its high performance in 2020.

In 2020, the leasing sector displayed a growth that surpassed the expectations amid an unexampled operating environment shaped by the pandemic and packed with uncertainties.

After making a good start to 2020 following a dramatic contraction in 2019, the sector narrowed down in the second quarter with the effect of the pandemic; pandemic-related measures implemented led to diminished production which resulted in plummeted supply and demand, and decelerated economic activity caused a significant decline in leasing demand. The economy that adopted a recovery trend and the industrial production that increased in the third quarter as a result of the measures adopted by the government, coupled

with the decreased credit appetite in the banking sector, reflected quickly on the leasing sector, whose business volume took an upturn from July onwards. As of the end of the year, the sector's leasing transaction volume was up by 29% year-over-year to reach USD 3.3. billion, whereas leasing receivables rose to TL 57 billion.

While protecting the health of our employees and guaranteeing the continuity of our services have been our top priorities amid the uncertain environment generated by the pandemic in 2020, all our work processes were carried on smoothly both from the office and through teleworking, enabled by the investments in digitalization.

As a result of the quick recovery in the markets and the measures we have adopted, İş Leasing succeeded in getting the highest share out of new transactions despite the increasing competition in the sector, and rose to the position of the second largest leasing company in the sector in terms of total leasing receivables with a new transaction volume of USD 545 million and the new transaction market share of 16.5% it has captured in 2020. Having consolidated and expanded its customer base with its effective and innovative solutions developed by its expert team, 15 branches and sales outlets across the country, its digitalizing infrastructure and high quality service, our Company riveted its success by increasing its market share in the number of customers to 12.7%.

Having ensured the sustainability of its high quality assets thanks to its policies for creating a broad-based portfolio and prudent lending, İş Leasing acted in a similar vein in 2020 and financed the investments of its customers, with the real sector firms from the SME segment taking the lead among them. On the other hand, the rise in the number of new customers and the quality of our growth -two of our key priorities- contributed to our healthy growth.

Our Company's financial lease receivables, which augmented by 40.1% to reach TL 7.1 billion, are made up of loans extended for heavy-duty and construction machinery by 17.3%, and other machinery and equipment by 25.3%. The total share of 42.6% held by machinery and equipment is followed by receivables on real estate with 18.9%.

During 2020, our Company's total assets enlarged by 40.4% and reached TL 12.8 billion, while shareholders' equity grew by 34.8% to TL 1.7 billion; consolidated net income, on the other hand, shot up by a remarkable 134% and was registered as TL 198 million.

Within the frame of the BRSA's measures for curbing the financial and economic impacts of the pandemic, our Company, along with the other players in the sector, extended all the support possible in order to help with the cash flows of its customers that sustained business loss in their economic and commercial activities and to help ease the effects of the pandemic. Despite revised repayments made available to nearly 20% of our portfolio, the NPL ratio that was 6.6% in 2019 went down to 4.3% at year-end of 2020 thanks to effective risk management.

In our focus: renewable energy finance

Positioned among the pioneering and leading companies in renewable energy finance that takes place in our strategic focus, İş Leasing financed investments with a total installed capacity of more than 150 MW to date. Entering into agreements and developing projects with experienced companies engaged in the areas of solar energy and cogeneration plants, İş Leasing stands by investors and assists them in reaching clean energy with its financing solutions particularly directed towards rooftop photovoltaic systems for self-consumption.

Drawing on the national and global credibility it enjoys, İş Leasing secures financing from eminent credit agencies and thus continues to diversify its funding sources.

12.7%

Our Company riveted its success by increasing its market share in the number of customers to 12.7%.

Message from the CEO

Digital transformation

İş Leasing has been conducting a comprehensive project within the frame of its change and transformation vision with the aim of upgrading its technological infrastructure and completing its digital transformation.

Under a deal, for which the negotiations began in 2020 but could be finalized by early 2021, a fund in the amount of EUR 40 million was obtained from the European Bank for Reconstruction and Development (EBRD) to be used for financing resource efficiency and renewable energy investments. Secured under the Turkey Sustainable Energy Financing Facility (TurSEFF) program, the funding will be used for the financing of SMEs in these areas. We regard this loan not just as a funding source but as a big step taken within the frame of our sustainability vision.

We are adding momentum to our digitalization efforts.

Ever since the first COVID-19 case was seen in our country back in March 2020, İş Leasing has been implementing health-related measures in an effort to protect its employees, customers and all other stakeholders and to minimize risks. In addition, the Company has provided the means for teleworking for nearly its entire employee body depending on digital competencies, and thus minimized transmission risk.

İş Leasing has been conducting a comprehensive project within the frame of its change and transformation vision with the aim of upgrading its technological infrastructure and completing its digital transformation. İş Leasing strengthens its digitalization muscles with its digitalization project that covers mobile application, conveniences such as installment payment by credit card and the new infrastructure that will be launched on its website, and charges ahead solidly towards becoming the leasing company of the future.

We will be creating value through sustainable growth.

Having quickly taken the whole world in its grip, the COVID-19 pandemic reminded that protection of the environment and conservation of natural resources are our most vital responsibilities, and underlined the importance of sustainability once again.

At İş Leasing, we have sped up our actions related to sustainability, which has long been one of our important agenda items, based on our implementations making a difference in the sector and on our corporate culture that is capable of quickly responding to change. Based on our awareness of the need to reflect our social and environmental responsibilities in our operations, we set our targets for the period of 2020-2023 in alignment with sustainable growth and value creation principles. In order to focus on the needs of the future, environment, our business and our human resource, and to take concrete steps in this direction within the framework of our sustainability approach; we have set up the Sustainability Committee in 2020 and we are carrying on with our efforts with the Environmental and Social Risk Management System Project. Thus, we will guarantee that environmental, economic and social sustainability factors will be pursued as a whole in the Company's administration and within product and service processes; and we will make sure that the risks and opportunities associated with these factors are managed effectively.

Our social responsibility perspective

In keeping with its environmental and social sensitivity, İş Leasing supports social responsibility projects. Our Company's aids for the safeguarding of our healthcare workers have been delivered to the hospitals during the pandemic.

In 2021...

Within the frame of its growth vision, İş Leasing will remain adherent to its strategy of continuing to give weight to the vendor channel, while focusing on broadening its customer base and increasing its market share in new business. On another note, the synergy captured with İşbank branches will be increased, and the activities carried out on the direct marketing channel will be accelerated so as to generate higher productivity.

Maintaining its goal of being present in every sector that will increase productivity, contribute to the country's development, and create added value, our Company will give the forefront to renewable energy investments for self-consumption purposes, textile and mining industries that present increasing exportation potential, healthcare, transportation, construction/heavy-duty machinery, export-oriented manufacturing and machinery industry sectors in its marketing and portfolio building efforts.

In 2021, we will continue to manage risk duly, preserve our high quality portfolio composition, and increase our uninterrupted support to the real economy by strengthening our solid funding structure.

I would like to extend my thanks to our Board of Directors, employees, all our business partners and investors, whom, I believe will always be standing by us as we carry our brand name associated with experience, trust and consistency into the future.

Mehmet Karakılıç

CEO and Member of the Board of Directors

Supporting the economy

In 2021, we will continue to increase our uninterrupted support to the real economy.

Increasing share in renewable energy finance

İş Leasing gradually increases its share in the financing of renewable energy investments, and stands out particularly with its solutions in solar energy finance.

>150 MW

To date, İş Leasing financed investments with a total installed capacity of more than 150 MW.

Financial Leasing Sector

+29%

Total transaction volume of the overall sector was up by 29% to USD 3.3 billion.

2020 has started well for the sector that saw its leasing receivables crash as a result of shrank transaction volume of 2019; however, the decelerated economic activity in connection with the pandemic-induced measures and restrictions from March onwards resulted in a remarkable decline in leasing demands.

As part of the measures the BRSA adopted to curb the financial and economic impacts of the pandemic, the sector players extended all possible support for deferring leasing installments in order to back the cash flows of companies that sustained business loss in their economic and commercial activities, and for alleviating the impact of the pandemic.

As economic activity hit the rock bottom in the second quarter of the year, the economy and industrial production adopted a fast recovery trend from the third quarter of 2020. Economic recuperation reflected quickly on the leasing sector, and the sector's transaction volume showed a rise from July onwards.

From the onset of August, the restraint on credit expansion of banks led credit

demand to be channeled to non-bank financial institutions, and the sector took advantage of this trend in terms of volume.

Total transaction volume of the overall sector was up by 29% to USD 3.3 billion. In 2020, the leasing sector expanded both in TL and USD terms, as opposed to the case in 2019.

Along with the rise in transaction volume, net leasing receivables and total assets of the financial leasing sector also expanded. The sector's leasing receivables amounted to TL 57.3 billion, while total assets were worth TL 70.3 billion. Having a shareholders' equity of TL 12.4 billion, the sector's net profit for the period was registered as TL 1.5 billion.

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 17.9%, as real estate ranked second with 14.1% share, and other machinery and equipment ranked third with 13.9% share. Following these sectors are textile machinery with 12.0% and motor vehicles with 11.1% share.

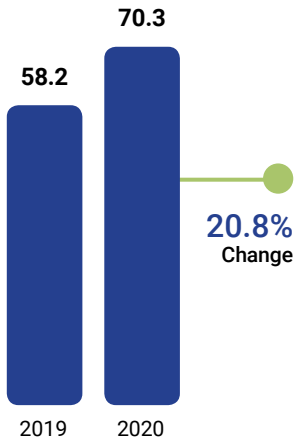


In Turkey, the ratio of financing of private sector fixed capital investments through leasing is 4.5%-5.5%, which further slipped down to 3.30% in 2020. Given the high correlation between the leasing transaction volume with the country's growth, leasing transaction volume has the potential to grow, provided that anticipated growth levels are achieved.

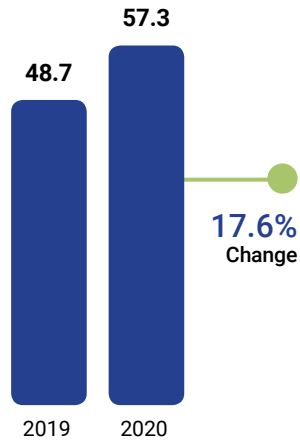
The post-pandemic economic rebalancing and recovery process is expected to positively affect the markets and new investments in 2021, and the year ahead is predicted as a more productive one in terms of new customer acquisition with the introduction of digital onboarding and electronic contract signing processes as a result of the enforcement of regulatory arrangements. In the leasing sector that

serves 38 thousand customers and competes mainly on the financing of SMEs, commercial companies of larger scale in addition to the SMEs are also kept in focus, with the target of inculcating leasing finance in the investment decisions of commercial companies.

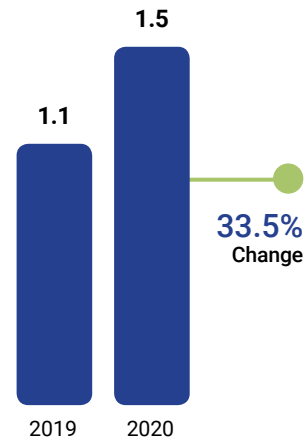
Total Assets (TL Billion)



Leasing Receivables (TL Billion)



Net Profit (TL Billion)



İş Leasing in the Sector

16.5%
New
transactions
market share

In 2020, İş Leasing succeeded in increasing its new transactions market share to 16.5% and rose to number 2 spot in the sector in terms of leasing receivables.

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

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

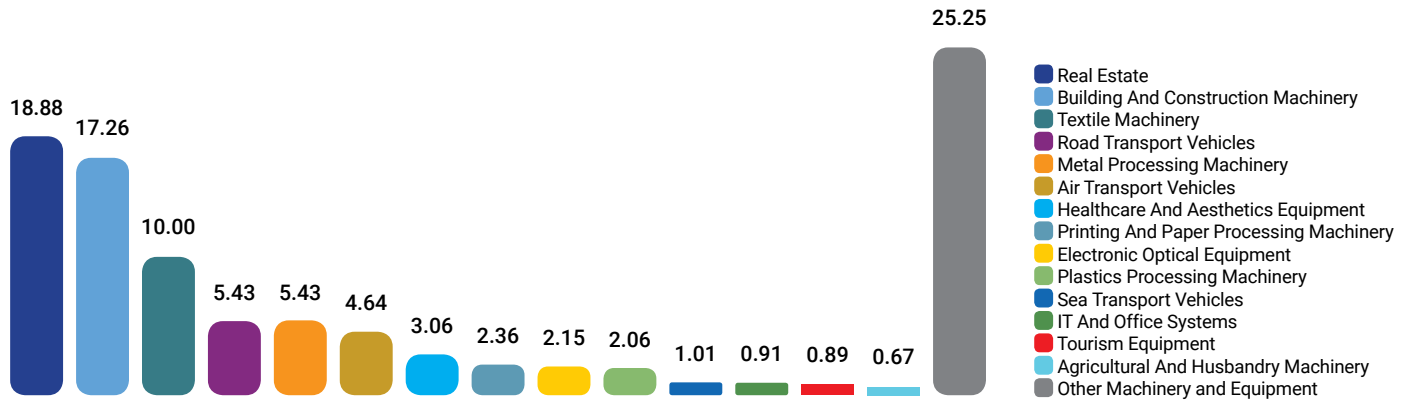
In 2020, İş Leasing succeeded in increasing its new transactions market share to 16.5% and its market share in terms of the number of customers to 12.7% and rose to number 2 spot in the sector in terms of leasing receivables. Its 15 branches scattered across Turkey, long-term business partnership approach that relies on efficiency and trust, and its technological infrastructure are important factors that drive the Company forward.

Its solid funding structure enables İş Leasing to extend financing support of any scale to investments in diverse sectors. With its business intensified mostly in machinery and equipment, and heavy-duty and construction machinery, and renewable energy equipment, İş Leasing continuously builds on the productive collaborations it establishes with vendors. An active player in funding renewable energy projects in particular, the Company continued to make its name frequently mentioned also in the reporting period with its financing product developed for the installation of solar power plants. With its sustainability focus, the Company is determined to consolidate its position in the sector in relation to financing of renewable energy projects for self-consumption.

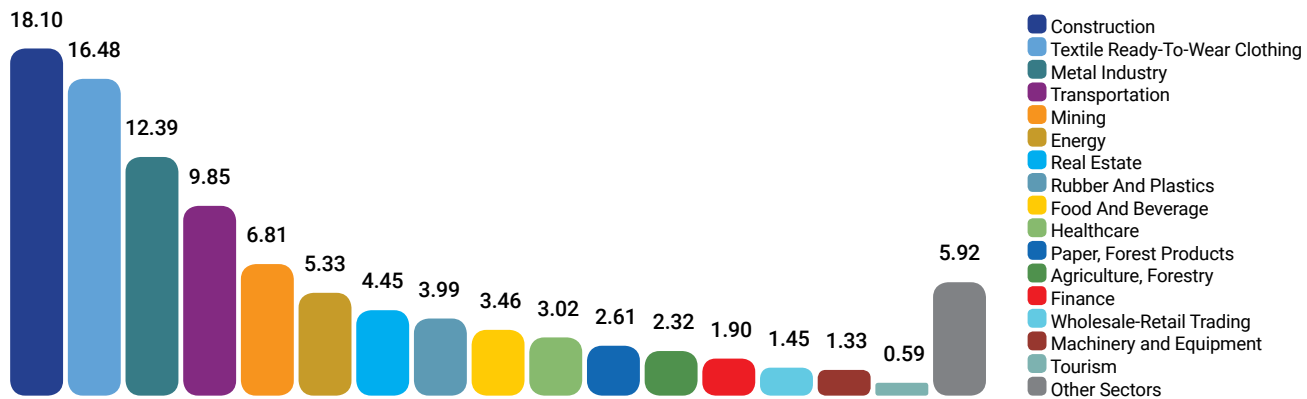
İş Leasing keeps expanding its customer base and strengthening its market position on the back of its approach to service, which reflects its experience and vision, is built upon its state-of-the-art technological infrastructure that can rapidly adapt to change and its competent human resource.



2020 Equipment Distribution (%)




2020 Sectoral Distribution (%)



12.7%
Number of
customers
market share

İş Leasing increased its market share to 12.7% in terms of the number of customers in 2020.

Long-lasting and productive cooperations

A yellow excavator bucket is shown in the lower right corner, partially cut off by the edge of the frame. It is positioned over a pile of dark, rocky soil. The background features a dramatic sky with dark, heavy clouds and a bright light source, possibly the sun, creating a silhouette effect on the horizon. The overall scene suggests a construction or mining environment.

Its business mainly concentrated in machinery and equipment, heavy-duty and construction machinery, and renewable energy equipment, İş Leasing constantly builds on the productive cooperations it establishes with the vendors.



2020 Activities

Competitive

Competitive financing costs available to it grant İş Leasing the capability to offer solutions that are aligned with its customers' financial structures and cash flows.

Services

Formulating its customer-oriented service model upon solution creation for its customers' investment needs and the expertise of its professional team, İş Leasing enjoys a significant competitive edge in its sector. Implementing a solid channel management strategy, the Company's sales activities are carried out through three different channels: İşbank branches, vendors and direct marketing. İşbank's extensive branch network and countrywide reach present İş Leasing with a broad service geography and the strong synergy created is reflected in the business volume. Establishing a collaboration based on productivity principles with vendors, İş Leasing carries on with its activities aimed at the healthy development of vendor-originated transactions in its portfolio and increasing the efficiency of the channel. Questionnaires measuring the satisfaction of customers with the service process they receive will be carried on with higher effectiveness; in this context, customer feedbacks are used as input in process and customer experience designs. Competitive financing costs available to it allow the Company

to produce solutions that are aligned with its customers' financial structures and cash flows. İş Leasing achieved a successful performance in 2020 with its service model based on fast, accurate and efficient processes and focused business strategies. In addition, the Company kept contributing to the sector and the economy by carrying further its identity as the preferred service provider.

Portfolio

Recognizing that a healthy portfolio and effective risk management are essential for sustainable growth, İş Leasing makes use of technology assisted advanced risk management systems and maintains a broad-based, environmentally-sensitive and profitable portfolio with a relatively high credit quality with its lending policies bringing different disciplines together and its competent risk management.

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



distinctive customer experience, İş Leasing increased its market share to 12.7% on the basis of number of customers.

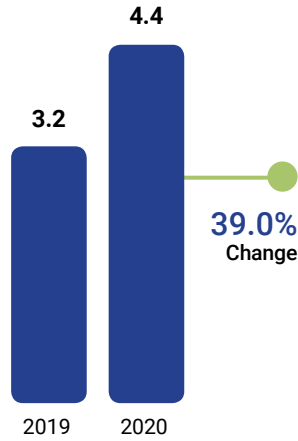
İş Faktoring

İş Faktoring, of which İş Leasing is the principal shareholder, was incorporated in 1993. Possessing a broad customer base composed of companies of different scales from diverse sectors, İş Faktoring delivers factoring service in domestic and international markets in financing, guarantee and collection areas via its Head Office in İstanbul and six branches operating in Ankara, Tuzla (İstanbul), Adana, Bursa, İzmir and İstoç (İstanbul). İş Faktoring has been a member of Factors Chain International (FCI), the most important international factoring initiative in the world, since its incorporation. This membership allows the company to support its customers' international factoring transactions with an extensive correspondent network.

In 2020, İş Faktoring posted TL 4.4 billion in total factoring receivables, TL 13.2 billion in turnover, TL 4.6 billion

in total assets, and booked a net profit of TL 55.2 million. In its rating report dated 15 October 2020, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. granted İş Faktoring a (national) long-term rating of (TR) AA- and short-term (national) rating of (TR) A+1. Both short- and long-term ratings were assigned a "stable" outlook.

Factoring Receivables (TL billion)



**TL 13.2
billion**

Having ended 2020 with TL 13.2 billion in turnover, İş Faktoring booked a net profit of TL 55.2 million in the reporting period.



2020 Activities

Digitalization

İş Leasing significantly decouples in the industry with its digitalization initiatives.

Information Technology

İş Leasing sustains its financing support uninterruptedly to the manufacturing industry, keeping an eye on the latest innovations in Information Technology, to secure productive growth of its products and services through increased speed and enhanced quality. The ongoing efforts for upgrading the technological infrastructure and for digitalization continued at a greater pace during 2020. The preparation of the infrastructure that would allow teleworking of employees after the pandemic outbreak was completed forthwith.

Realizing digital transformation with a holistic approach is a key component of the business strategy at İş Leasing. With the aim of improving the entire set of services offered to customers in line with technological changes and business requirements, İş Leasing places great emphasis on technology upgrade in a number of aspects that include increasing the data processing speed, retrieving and reviewing data, improving business processes and modes of doing business, and enhancing its capacity to found transformation and

strategic decision-making processes on flexible and precise measurements. Along this line, while numerous projects targeted at infrastructure development and improvement are being carried out regularly, additional investments are made as needed by monitoring the applications and infrastructures of the competition as well.

Significantly decoupling in the industry with its digitalization initiatives, İş Leasing launched a new service that allows customers to make their leasing payments on the virtual environment using any bank's card. As this service lets customers finalize their leasing transactions more quickly and pay in installments with a credit card, it will also make it possible for İş Leasing to compose a more secure portfolio employing faster operational processes.

After-Sales Services and Disaster Recovery Center represent two key elements of İş Leasing's customer-focused approach to service. Offering service with a call center infrastructure and aimed at rendering customer satisfaction continuous, After-Sales Services Unit is a significant service



point for customers' after-sales support requests. Updated with the latest technology, the Disaster Recovery Center is the assurance of 24/7 uninterrupted service delivery to customers under any circumstance.

Human Resources and Training

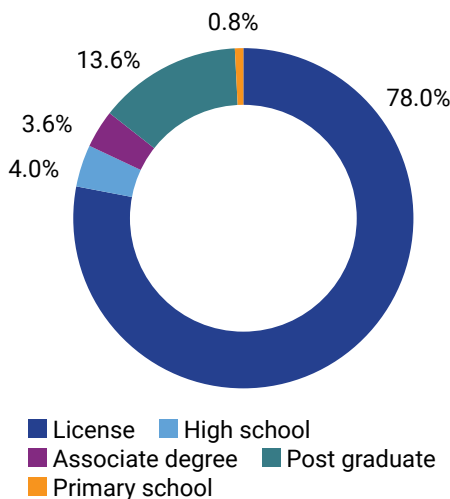
İş Leasing implemented various measures to protect its employees, customers and all other stakeholders and to minimize the risks during the pandemic. The rapid actions taken and digital competency allowed almost the entirety of employees to telework/work from home, and the pandemic risk was minimized. In this period, importance was attached to maintain constant communication through familiar channels, taking pulse continuously, and care was taken to extend support to employees in whatever area they might need it. Project activities were carried on in 2020 with the aim of executing HR processes more effectively, and certain HR processes were migrated to the electronic environment within the scope of digitalization in 2020.

HR strategy of İş Leasing is to manage its "human resource", i.e. its most valuable asset, in the most productive manner in line with the Company's vision, mission and goals. It is intended to form a high value-added team that will make a difference in the sector and maximize the Company's competitiveness, and to develop practices that support the team's professional and personal development, motivate them, and maximize their performance. Accordingly, the HR mission is defined as being the most preferred company by employees in the leasing sector and to render employee satisfaction continuous. In order to assign the correct person to correct position, İş Leasing uses different assessment and evaluation tools and methods designed objectively and specific for each position based on competencies. Training activities at İş Leasing are organized in view of business plans, need analyses and performance outputs, and in a way to promote technical and competence development for all employees.

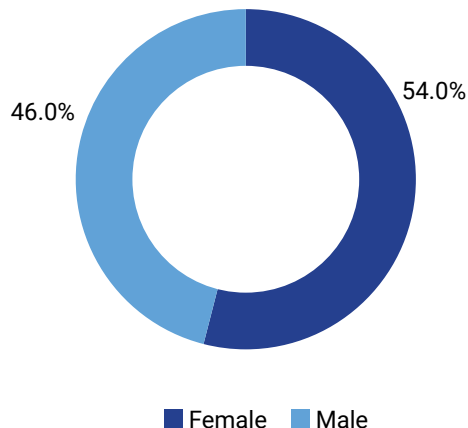
Preferred

The mission of human resources activities is to make the company the most preferred employer in the leasing sector, and to perpetuate employee satisfaction.

Breakdown of Employees by Education (%)



Breakdown of Employees by Gender (%)



New products backed with digitalization

İş Leasing launched a new service that allows customers to make their payments on the virtual environment using any bank's card.



Faster

İş Leasing's new product presented the customers with the opportunity to finalize their leasing transactions faster and pay in installments by credit cards.

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.



Tufan Kurbanoğlu
Member

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



Mehmet Karakılıç
General Manager / Member

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



A. Botan Berker
Independent Member

Ayşe Botan Berker holds a bachelor's degree in business administration from the Middle East Technical University, a master's degree in economics from the University of Delaware (USA), and a doctorate degree in finance from Marmara University. She started her professional career at the Central Bank of the Republic of Turkey (CBRT) as external borrowings specialist, where she worked on loans provided to Turkey by the World Bank, the IMF and the OECD Consortium to Aid Turkey. Following her assignment as Deputy Director of Balance of Payments, she functioned as the Director of International Institutions, which is responsible for carrying out the CBRT's borrowings from international markets. Dr. Berker served as the London Representative of the Bank between 1994 and 1996, and before leaving the CBRT in January 1999, she was Deputy Director General of the Directorate General for External Affairs. In 1999, she set up the international rating agency Fitch Ratings' Turkey Office, for which she functioned as the General Manager and Board of Directors member until March 2012. Having founded Merit Risk Yönetimi ve Finansal Danışmanlık company in April 2012, Dr. Berker is a member of the boards of directors of Turcas Enerji Holding A.Ş. and Rhea Girişim Sermayesi A.Ş. Dr. Berker is an independent Board member at Odea Bank since September 2020. She is a member of the Board of Trustees of the Turkish Educational Foundation (TEV). Dr. Ayşe Botan Berker lectures on finance at Bahçeşehir, Marmara and Bilgi universities. Since 23 March 2018, Mrs. Berker is a Member of the Board of Directors in İş Leasing.



Selim Yazıcı
Independent Member

Born in 1970 in İstanbul, Selim Yazıcı received his bachelor's degree in mechanical engineering from Yıldız Technical University in 1992, and his master's and doctorate degrees in business administration from İstanbul University in 1994 and 1999, respectively. He started his career in 1992 as a production engineer. In tandem with his graduate studies, he began an academic career in the Department of Business Administration at İstanbul University, Faculty of Political Sciences. Mr. Yazıcı became an associate professor in 2006 and professor in 2014. He taught classes in business management, management, organizational behavior, international business, project management, entrepreneurship, digitization, e-learning and business continuity management within the scope of undergraduate and graduate programs. He held a member's seat on the Board of Directors of the Faculty between 2009 and 2014, and on the Academic Board between 2010-2013. He served as the Head of the Department of Management and Organization between 2016-2019 and as Deputy Head of the Department of Business Administration between 2012-2020. He is a co-founder of FinTech İstanbul platform, established in 2016 with the objective of making Turkey a regional hub in financial technology and of developing FinTech entrepreneurship. Since 23 March 2018, Mr. Yazıcı is a Member of Board of Directors in İş Leasing.



M. Ertan Tanrıyakul
Independent Member

Born in 1962 in İstanbul, Mr. Tanrıyakul received his degree in economics from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He started his career at Türk Eximbank as an assistant specialist in 1985. He worked as Senior Specialist in the Treasury Department from 1989, Head of International Finance from 1993, and Assistant General Manager of Treasury and International Finance between 1998 and 2020.

Board of Directors



Hasan Hepkaya
Member

Born in 1981 in Samsun, Mr. Hepkaya graduated from Hacettepe University, Department of Business Administration and 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 and Corporate Marketing Manager between 2014-2018. Appointed as Assistant General Manager on 1 April 2019, Mr. Hepkaya is in charge of Corporate Banking Sales, Project Finance, Consultancy Services Marketing, Financial Consultancy and Economic Research Departments, and holds a member's seat on İş Leasing's Board of Directors since 2017.



Necati Çağlar
Member

Born in 1974, Mr. Çağlar graduated from Ankara University, Faculty of Political Science, Department of Public Finance. He started his career on the Board of Inspectors of İşbank on 1 January 1997. When he was IV. Grade Inspector, he was appointed as Assistant Manager in İstanbul Regional Directorate IV on 26 August 2005, Assistant Manager in Commercial Loans Department İstanbul Maltepe Regional Directorate on 27 August 2007, Kuruköprü Branch Manager on 21 May 2008, SME Loans Allocation Department Kocaeli Regional Director on 25 August 2009, SME Loans Allocation Department Bayrampaşa Regional Director on 27 December 2012, and Head of SME Loans Allocation Department on 26 February 2016. Mr. Çağlar has been serving as the Head of Commercial Loans Allocation Department since July 2020.



Doruk Yurtkuran
Member

Born in 1980, Mr. Doruk Yurtkuran graduated from the Middle East Technical University, Department of Business Administration in 2002. Starting his job career as an inspector in İşbank in 2003, Mr. Yurtkuran is appointed as Vice Manager to the Bank's Subsidiaries Division in 2012. Serving as Unit Manager in the Subsidiaries Division since January 2021, Mr. Yurtkuran holds a member's seat on the Boards of Directors of İş Faktoring A.Ş., Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş. and Moka Ödeme Kuruluşu A.Ş. at the same time.

Senior Management



Sibel Doğan

Assistant General Manager
Credits, Risk Follow-up, Legal, Asset
Management Unit

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



Neslihan Oruç

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

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



Hasan Ketenci

Assistant General Manager
Sales, Marketing

Having graduated from Dokuz Eylül University, Business Administration Department, Mr. Ketenci started his professional life as an inspector at İşbank in 1998. Following his positions as Assistant Manager in the SME Loans Allocation Department and Regional Director, Mr. Ketenci was appointed as Assistant General Manager of İş Leasing in 2020.

Senior Management



Esma Toker
Commercial Sales Manager



Murat Sisli
Corporate Sales Manager



Altan İyigün
Marketing Manager



Timuçin Ülkeok
Operations Manager



Arzu Kaya Topaloğlu
Purchasing Manager



Serkan Sırak
Commercial Loans Manager



Abdurbari Kara
Corporate Loans Manager



Onur Tufan
Risk Monitoring Manager



Nuran Güneş
Legal Counselor



Seyithan Ayvazoğluyüksel
Law Affairs Manager



Muzaffer Eralp Ersoy
Treasury and Financial Institutions Manager



Aslı Abacı
Human Resources Manager



Sarmen Hazaros Çakır
Information Technologies Manager



Erdem Aksular
Head of Internal Audit

(Convenience translation of a report originally issued in Turkish)

Independent Auditor's Report on the Annual Report of the Board of Directors



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 K: 2-3-4
34485 Sarıyer/İstanbul - TÜRKİYE

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Shareholders of İş Finansal Kiralama Anonim Şirketi

1) Opinion

We have audited the annual report of İş Finansal Kiralama Anonim Şirketi and its subsidiary (all together referred to as "the Group") for the period of 1/1/2020 - 31/12/2020.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated January 29, 2021 on the full set consolidated financial statements of the Group for the period of 1/1/2020-31/12/2020.

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.

c) The annual report also includes the matters below:

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

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

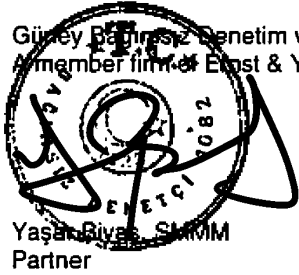
5) Auditor's Responsibilities for the Audit of the Annual Report

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

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

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

Güney Başınas, Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
Member firm of Ernst & Young Global Limited



March 4, 2021
İstanbul, Türkiye

Corporate Governance Practices

Summary 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:

With the pandemic impact in 2020, demand dramatically shrank across the industry in the second quarter. With the normalization steps, however, leasing demand picked up, coupled with the added effect of the decreased credit pressure upon banks; in this process, İş Leasing decoupled significantly from the other companies in the industry with its transaction volume and increased its market share in terms of transaction volume. In 2020, with its transaction volume of USD 545 million and its market share of 16.5%, İş Leasing maintained its strong positioning in the sector. Having increased its leasing portfolio by 40% to TL 7.2 billion over the past year, the Company further increased its shareholder's equity by 35% to 1.7 billion TL. With a net profit of 197.6 million TL in 2020, the Company recorded a return on equity of 13.2%. 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 4.32%.

Its bond issuance limit of TL 1,250 million approved by the Capital Markets Board of Turkey (CMB) and having issued bonds and private sector bills worth TL 898 million in total during the year, İş Leasing diversified its funding sources by securing new financing in the aggregate amount of USD 133 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 2020, capital of the Company is TL 695.3 million, 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:

During 2020, despite the negative effects stemming from the pandemic, the Company achieved business results that outdid its strategic goals by focusing on its sustainable growth strategies and taking advantage of its dynamic balance sheet management.

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 2020 amounted to TL 107 thousand.

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.

Summary Annual Report of the Board of Directors

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 2020 accounting period, the Company has been subject to a limited independent audit as of 30.06.2020, and to an independent audit as of 31.12.2020 by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by DRT Yeminli Mali Müşavirlik A.Ş.

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

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

"Conclusion" section of the Affiliation Report:

During 2020 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 01.01.2020 - 31.12.2020, 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 2020 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2020 within the knowledge of the Company."

Changes within the Reporting Period

Increase in the Share Capital

None.

Annual General Assembly Held within the Period

The Company's 2019 Annual General Assembly has been held at the address of İş Kuleleri, 34330, İş Bankası Oditoryum Binası, 4. Levent - İstanbul on 24 March 2020. Ordinary General Assembly Meeting of 2019 was held with the presence of the shareholders representing 600,000,000 Group A and 41,759,062,570 Group B shares from 68,930,264,500 shares corresponding to the Company's total equity of TL 695,302,645. In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

Profit Distribution

Based on the Board of Directors decision no. 2727 dated 19 February 2020, it has been decided that, according to the Profit Distribution Table submitted to, and approved by, the General Assembly of Shareholders, that TL 54,627 thousand, which is the net distributable profit for the period which is calculated as TL 84,292 thousand that is the net profit for the period arising according to the CMB legislation and forming the basis of profit distribution less prior year losses in the amount of TL 24,537 thousand less TL 5,128 thousand first legal reserves set aside as first legal reserves and calculated according to the TL 102,557 thousand profit that descends in the Company's legal records, be retained and set aside as extraordinary reserves. It has also been decided that deferred tax expenses in the amount of TL 1,552 thousand included in the net profit for the period according to the Company's legal records be set off from the deferred tax provisions, which consists of the Company's deferred tax income from prior years and which were retained, and be transferred to extraordinary reserves.

Changes in Articles of Association

None.

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. "Quarterly, consolidated financial statements and its disclosures along with the independent auditors' report prepared in accordance with "Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies", "Communique on Application of Uniform Chart of Accounts and its Explanations in Financial Leasing, Factoring and Financing Companies", Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) together with its appendices and comments issued by Public Oversight, Accounting and Auditing Standards Authority (KGK), regulations, communiques, explanations and circulars on accounting and reporting principles issued by the Banking Regulation and Supervision Agency (BRSA) are being forwarded to Public Disclosure Platform (PDP) and published on our Company's website. English translation of these financial statements is also published on the website."

Disclosure Policy

- Unconsolidated financial statements are sent quarterly to the Association of Financial Institutions, which are drawn up in accordance with the "Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies", "Communiqué on the Uniform Chart of Accounts and the Prospectus to be Applied by Financial Leasing, Factoring and Financing Companies", Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) enforced by the Public Oversight, Accounting and Auditing Standards Authority (KGK), together with their appendices and comments, and regulations, communiqués, explanations and circulars on accounting and reporting principles issued by the BRSA.
- Unconsolidated financial statements and related information are sent monthly to the Banking Regulation and Supervision Agency (BRSA), which are drawn up in accordance with the "Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies", "Communiqué on the Uniform Chart of Accounts and the Prospectus to be Applied by Financial Leasing, Factoring and Financing Companies", Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) enforced by the Public Oversight, Accounting and Auditing Standards Authority (KGK), together with their appendices and comments, and regulations, communiqués, explanations and circulars on accounting and reporting principles issued by the BRSA. The said data are published on the BRSA website in a consolidated manner (sector's total).
- Material event disclosures 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 material event disclosures are signed by the Assistant General Manager responsible for Investor Relations and the Accounting Manager; however should these be not in the office, they are being signed by authorized signatories to be determined by the General Manager and submitted to the PDP. Material event disclosures are submitted to electronically reported under PDP system. Within 1 business day after the information is disclosed to the public, material event disclosures 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.
- When shareholders, creditors, rating agencies and organizations issuing research reports about our Company request information, relevant information is e-mailed by the Investor Relations Unit.
- Within the framework of corporate governance principles, in the section "Investor Relations" 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 website 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 websites, 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 material events, then the disclosure is made in the form of material event disclosure.

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 material events. In order to ensure confidentiality until the declaration of material events, 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

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
- j) not to derive personal benefits from their own business relations or from opportunities of customers by using their personal positions; and

Company Ethical Principles

- 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

Istanbul, 03 March 2021

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.

Under this context, being listed under the corporate governance index of Borsa İstanbul, as a result of the rating process performed by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. in 2020, considering the emphasis on corporate governance rules, the willingness to perform this process consistently and dynamically and the improvement realized in the process since the previous rating score, corporate governance rating score of our company has been rated as 9.21 (92.13) and the rating report has been announced to public. This rating report has also been shared with the public under our company website (www.isleasing.com.tr), concerning to increase this corporate governance rating score, the protection of rights of shareholders, informing the public and maintaining transparency, Sustainability Strategy and the adjustment to the said rules in decisions and transactions concerning stakeholders and Board of Directors are aimed and in this context, effort for corporate governance compliance is maintained under the supervision of our committee.

It is targeted to achieve maximum compliance with these principles in the protection of our shareholders' rights, public disclosures, ensuring transparency, and decisions and transactions concerning stakeholders and the Board of Directors.

To this end, activities for ensuring compliance with corporate governance principles are carried on under the supervision of our Committee. Within this framework, Corporate Governance Principles Compliance Report and Corporate Governance Information Form for 2020 fiscal year, which incorporates the aspects of those principles that can and cannot be implemented, has been prepared in line with our Company's priorities in this respect, and attached hereto.

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

Sincerely,

İş Finansal Kiralama A.Ş.
Corporate Governance Committee

Neslihan Oruç
Member

Doruk Yurtkuran
Member

M. Ertan Tanrıyakul
Member

Prof. Dr. Selim Yazıcı
Chairman

Corporate Governance Principles Compliance Report

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

Information explaining reporting through templates is presented below.

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

PART II - SHAREHOLDERS

1. Investor Relations Unit

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

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

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

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

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

The Investor Relations Department responded to 35 verbal and 17 written inquiry received from the shareholders during the reporting period, and records on shareholders were kept up-to-date.

Corporate Governance Principles Compliance Report

2. Exercise of Shareholders' Right to Information

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

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

Pursuant to legislation, minority shareholders are entitled to request appointment of a special auditor from the General Assembly of Shareholders for inspecting some specific events. The Company's shareholders did not request appointment of a special auditor from the General Assembly during 2020. 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 2019 Ordinary General Assembly Meeting. The said meeting was held both physically and electronically on 24 March 2020. 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. 2019 Ordinary General Assembly Meeting was convened with a quorum of 60.92% 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 2020, 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 2019 has been distributed in accordance with the resolution passed in the Ordinary General Assembly Meeting held in 2020.

6. Share Transfer

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

7. Information Policy

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

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

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

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

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

9. Annual Report

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

PART IV - STAKEHOLDERS

10. Keeping Stakeholders Informed

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

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

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

11. Stakeholder Participation in Management

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

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

Corporate Governance Principles Compliance Report

12. Human Resources Policy

The Company's Human Resources Policy is outlined below:

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

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

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

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

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

13. Code of Ethics and Social Responsibility

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

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

PART IV – BOARD OF DIRECTORS

14. Structure and Formation of the Board of Directors

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

First & Last Name	Position	Executive/Non-Executive	Term of Office
Murat Bilgiç	Chairman	Non-Executive	2 years
O. Tufan Kurbanoğlu	Deputy Chairman	Non-Executive	2 years
Mehmet Karakılıç	General Manager/Member	Executive	2 years
A. Botan Berker	Independent Member	Non-Executive	2 years
Selim Yazıcı	Independent Member	Non-Executive	2 years
Ertan Tanrıyakul	Independent Member	Non-Executive	2 years
Hasan Hepkaya	Member	Non-Executive	2 years
Necati Çağlar	Member	Non-Executive	2 years
Doruk Yurtkuran	Member	Non-Executive	2 years

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

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

INDEPENDENCE STATEMENT

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

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

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

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

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

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

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

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

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

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

Name & Surname: Dr. A. Botan Berker

Date: 24.03.2020

Signature:



Corporate Governance Principles Compliance Report

INDEPENDENCE STATEMENT

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

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

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

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

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

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

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

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

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

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

Name & Surname: Prof. Dr. Selim Yazıcı

Date: 24.03.2020

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;

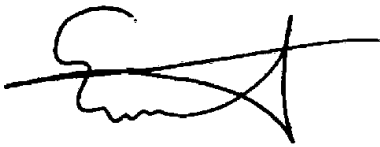
That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration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

Date: 24.03.2020

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 Georgia/ Group company	Chairman of the Board of Directors
O. Tufan Kurbanoğlu	Türkiye İş Bankası A.Ş. /Group company	Manager, Commercial Loans Underwriting Division
Mehmet Karakılıç	Association of Financial Institutions / Out of the Group	Deputy Chairperson of the Association of Financial Institutions
A. Botan Berker	Merit Risk Yönetimi ve Danışmanlık Ltd./ Out of the Group	Founding Partner
	Odeabank/ Out of the Group	Member of the Board of Directors
Selim Yazıcı	İş Girişim Sermayesi A.Ş. /Group company	Independent Member of the Board of Directors
M. Ertan Tanrıyakul		
Hasan Hepkaya	Türkiye Sınai Kalkınma Bankası A.Ş./ Group company	Deputy Chief Executive
Necati Çağlar	Türkiye İş Bankası A.Ş. /Group company	Manager, Commercial Banking Products Division
	İş Faktoring A.Ş. / Group company	Member of the Board of Directors
Doruk Yurtkuran	Türkiye İş Bankası A.Ş./ Group company	Manager, Subsidiaries Division
	Moka Ödeme Kuruluşu A.Ş./ Group company	Member of the Board of Directors
	Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş./ Group company	Member of the Board of Directors
	İş Faktoring A.Ş./ Group company	Member of the Board of Directors

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

15. Operating Principles of the Board of Directors

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

During 2020, four Board meetings took place; full attendance was secured in all the meetings that were held in April, June, September and December. All decisions in the meetings were passed unanimously. The Board of Directors passed 102 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 2020.

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 2020, 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 2020. 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 three members, the Audit Committee is headed by Ms. M. Ertan Tanrıyakul, a non-executive independent Board member. The other members of the Committee are Ms. Botan Berker and Mr. Selim Yazıcı, non-executive independent Board members.

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

Duties and Operating Principles of the Audit Committee

Article 1 Purpose and Scope

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

Article 2 Justification

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

Article 3 Establishment of the Audit Committee

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

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

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

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

Article 4 Duties and Responsibilities of the Audit Committee

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

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

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

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

The Audit Committee determines the methods and criteria to apply to the processing and settling of the complaints sent to the

Corporate Governance Principles Compliance Report

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 2020, the Audit Committee met 4 times and passed 18 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.

- The Independent Audit Firm has been designated and presented for approval to the Board of Directors.
- 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, as also confirmed by the opinions of responsible managers in the Company, that unconsolidated financial statements and their notes have been drawn up accurately and in accordance with the applicable legislation and generally-accepted principles and standards, and they have been presented for approval to the Board of Directors.
- Information Systems Regulatory Compliance Report that has been prepared by the Internal Audit Department and Internal Control and Risk Management Department has been approved and presented for approval to the Board of Directors.
- 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.
- 2021 audit plan and 2021 Internal Control and Risk Management Activity Plan developed by the Company have been discussed and approved.

Corporate Governance Committee

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

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

Duties and Operating Principles of the Corporate Governance Committee

Article 1 Purpose and Scope

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

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

Article 2 Justification

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

Article 3 Establishment of the Corporate Governance Communiqué

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

Corporate Governance Principles Compliance Report

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

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

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

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

Article 4 Duties and Responsibilities of the Corporate Governance Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance Principles Compliance Report

During 2020, the Corporate Governance Committee met 4 times and passed 6 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

- Corporate governance principles compliance report, which was prepared by the Company and covers the 2020 operating period, has been studied and presented for the approval of the Board of Directors.
- Salary rises for 2020 for Company employees have been determined and presented for the approval of the Board of Directors.
- Distribution of duties within the Committee has been decided and the Head of the Committee has been elected.
- Proposed nominees for the independent member seats on the Board of Directors have been evaluated, giving due consideration to whether they satisfy the independence criteria, and the report thereon has been presented to the Board of Directors.
- The operation and efficiency of the Investor Relations Department has been discussed, and it has been established that activities were carried out duly with respect to informing the investors and public disclosure.
- It has been established that activities were carried out duly across the Company with respect to implementation of Corporate Governance Principles, and that there are no material complaints that the Company received from stakeholders.

Early Detection of Risk Committee

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

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

Duties and Operating Principles of the Early Detection of Risk Committee

Article 1 Purpose and Scope

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

Article 2 Justification

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

Article 3 Establishment of the Early Detection of Risk Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 6 Validity

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

Corporate Governance Principles Compliance Report

Relevant Board Decisions

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

During 2020, the Corporate Governance Committee met 4 times and passed 14 decisions. In the meetings held, the Committee discussed and evaluated the following topics:

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

17. Risk Management and Internal Control Mechanism

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

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

18. Strategic Goals of the Company

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

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

19. Financial Rights

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

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

During 2019, benefits, allowances, resources in cash and in kind, insurance and similar benefits provided to the members of the Board of Directors and the Company's senior executives amounted to TL 5,468 thousand.

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No such transaction took place in 2020.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Since the Company's Articles of Association do not contain any provisions regarding participation of stakeholders other than shareholders and media in General Shareholders' Meetings, stakeholders other than media, shareholders and employees are not admitted to General Shareholders' Meetings.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4.2 - The company does not have shares that carry privileged voting rights.			X			Pursuant to the Articles of Association, each share entitles its holder to one vote. While the shares constituting the Company's capital do not possess any voting privileges, Class (A) shareholders have the privilege of nominating candidates for the seats on the Board of Directors and pursuance of their consent for amendments to the Articles of Association.
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The Company's Articles of Association do not grant minority rights to those holding less than one twentieth of the Company's capital.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.		X				Since we do not have access to our shareholders' data, the related update is made by the MKK (Central Securities Depository) on PDP (Public Disclosure Platform).

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.					X	No surveys/consultations were deemed necessary since there are no material decisions that significantly affect stakeholders. Such studies will naturally be carried out in the event that there is such a decision.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				The Company has adopted an employment policy ensuring equal opportunities. Under the Company's organizational structure and current practice, the subordinate working under each managerial position is trained for the relevant managerial position and is considered a management trainee; the Board of Directors is authorized to make the appointments to key management positions.
3.3.2 - Recruitment criteria are documented.	X					

Corporate Governance Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Employees are notified of decisions made about them or developments that might impact them. The Company develops mechanisms to involve employees in decision-making processes, and ensures the same through periodic questionnaires administered.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.			X			There are no internal regulations on this topic.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				A "Directors and Officers Liability Insurance" has been obtained for indemnification of potential losses that the Company's Board of Directors members and executives might cause to the Company and/or third parties. The sum insured is not more than 25% of the capital.

Corporate Governance Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				One woman member serves on the Board of Directors. While the Company does not have a specific policy about the matter, the structure of the Board of Directors is reviewed annually and this point is taken into consideration when identifying nominees.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				Information, documents and presentations relevant to the Board meeting agenda are made available for review by Board of Directors members 3 to 5 days in advance of the meeting date, by ensuring equal information flow.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	No such situation occurred to date. In the event that a member who is unable to attend the meeting but provides his/her opinions in writing, the same will naturally be presented for the information of other members.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				While no restrictions are imposed on external commitments of the members of the Board of Directors, the duties assumed by the Board members are shared with the shareholders in General Shareholders' Meetings.

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Three independent members serve on the Company's Board of Directors. Since the Corporate Governance Communiqué mandates the presence of independent members on each committee, Board members necessarily serve on more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	During 2020, the committees did not receive any consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.		X				The committee members informed the Board members about the matters discussed and the decisions passed in committee meetings. The Internal Audit Department and Internal Control and Risk Management Department presented 21 reports to the Audit Committee and 12 to the Early Detection of Risk Committee.
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Although the Company's annual and medium-term targets are not publicly disclosed, The Board of Directors conducts financial performance evaluations at certain intervals. The Board of Directors members are not individually assessed.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations, benefits and allowances provided to the Board of Directors members and the Company's executives are disclosed collectively.

Corporate Governance Principles Compliance Report

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	The Company neither organized nor attended an investor conference.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/909887
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Not provided.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no transactions that are not approved by the majority of independent Board members or by unanimous votes of present Board members in the context of Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There are no related party transactions in the context of Article 9 of the Communiqué on Corporate Governance.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	There are no common and continuous transactions requiring public disclosure in the context of Article 10 of the Communiqué on Corporate Governance.
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.isleasing.com.tr/investor-relations/corporate-governance/donation-policy/
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/269935
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Stakeholder participation in the General Assembly are set out in Article 20 of the Articles of Association and Article 5 of the General Assembly Internal Directive.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Besides shareholders and their proxies, Board of Directors members and the representative of the independent audit firm participated in the 2019 General Assembly meeting. Some stakeholders such as the Company employees attended the meeting as observers within our Company's knowledge.

1.4. Voting Rights	
Whether the shares of the company have differential voting rights	Yes
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Class (A) shareholders have the privilege to nominate candidates for seats on the Board of Directors and pursuance of their consent for amendments to the Articles of Association. Class (A) shareholders have 600,000,000 votes for each Class (A) share.
The percentage of ownership of the largest shareholder	29.46%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	https://www.isleasing.com.tr/investor-relations/corporate-governance/profit-distribution-policy/
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	It was decided not to distribute, but to set it aside as extraordinary reserves, the distributable net profit for the period in the amount of TL 54,627 thousand, which is calculated by deducting prior year losses in the amount of TL 24,537 thousand from the net profit for the period in the amount of TL 84,292 thousand that is the basis of profit distribution that arises pursuant to the CMB legislation and after setting aside first legal reserves in the amount of TL 5,128 thousand which is calculated based on the profit figure of TL 102,557 thousand descended in the Company's legal records. It was also decided to set off the deferred tax expenses in the amount of TL 1,552 thousand, which is included within the Company's net profit for the period according to legal records, from the deferred tax provisions which consist of the Company's deferred tax income in prior periods and which are not allowed to be distributed, and to transfer the same to the extraordinary reserves account.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/831789

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
24.03.2020	0	60.92%	0.02%	60.90%	https://www.isleasing.com.tr/yatirimci-iliskileri/genel-kurul/genel-kurul-tutanaklari-ve-hazirun-cetveli/	https://www.isleasing.com.tr/yatirimci-iliskileri/genel-kurul/	None	0	https://www.kap.org.tr/tr/Bildirim/831789

Corporate Governance Principles Compliance Report

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.

<https://www.isleasing.com.tr/investor-relations/>

If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.

The Shareholding Structure is posted at <https://www.isleasing.com.tr/investor-relations/company-information/partnership-structure/>
Information about Real or Legal Persons Directly or Indirectly Holding 5% or More Shares in the Capital as disclosed by the Central Registry Agency (MKK) is posted at <https://www.kap.org.tr/tr/sirket-bilgileri/genel/988-is-finansal-kiralama-a-s>

List of languages for which the website is available

Turkish and English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members

Corporate Governance Practices/ Board of Directors

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure

Corporate Governance Practices/ Number, Structure and Independence of the Board of Directors Committees

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings

Corporate Governance Practices/ Board of Directors / Operating Principles of the Board of Directors

ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation

Corporate Governance Practices/ Brief Annual Report of the Board of Directors

d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof

Corporate Governance Practices/ Brief Annual Report of the Board of Directors

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest

Corporate Governance Practices/ Brief Annual Report of the Board of Directors

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%

There are no cross ownership relationships.

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results

General Assessment/ Human Resources and Training

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy

<https://www.isleasing.com.tr/investor-relations/corporate-governance/compensation-policy-for-employees/>

The number of definitive convictions the company was subject to in relation to breach of employee rights

None.

The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)

Audit Committee- Corporate Governance Committee

The contact detail of the company alert mechanism	Any conduct subject to reporting can be directly communicated by the related stakeholder to the respondents, Internal Audit, Investor Relations Department or the Company's Executive Management. Any such reports are forwarded to the Corporate Governance Committee and the Audit Committee.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	https://www.isleasing.com.tr/investor-relations/corporate-governance/stakeholders-policy/
Corporate bodies where employees are actually represented	Employee participation in management is provided through annual performance assessment meetings, the internal suggestion system, CEO messaging line, and the internal annual meetings.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The role of the Board of Directors with respect to developing a succession plan for key managerial positions consists of the Company's organizational structure and existing practices; training the subordinate working under each managerial position for that relevant managerial position and considering each such individual as a management trainee; the Board of Directors is authorized to make the appointments to key management positions.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	https://www.isleasing.com.tr/investor-relations/corporate-governance/ethical-principles/ https://www.isleasing.com.tr/investor-relations/corporate-governance/stakeholders-policy/
Whether the company provides an employee stock ownership program	None
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	https://www.isleasing.com.tr/investor-relations/corporate-governance/ethical-principles/
The number of definitive convictions the company is subject to in relation to health and safety measures	None.
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	https://www.isleasing.com.tr/investor-relations/corporate-governance/ethical-principles/
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	The Company does not prepare corporate social responsibility reports. The Company carries out various activities within the frame of its corporate social responsibility understanding with the aim of contributing to social life and the environment; the Company extends support to projects addressing matters falling under social responsibility such as education, health, and environmental protection, etc., in addition to sectoral initiatives conducted along this line.
Any measures combating any kind of corruption including embezzlement and bribery	Within the framework of international norms and national regulatory framework, the Company espouses it as an important principle to combat the laundering of proceeds of crime, corruption and similar crimes, and takes care to cooperate with other Association-member companies, other related organizations, institutions and authorities. To this end, the Company has internally published an "Anti-Bribery and Anti-Corruption Policy". The Company also takes necessary measures related to this matter and organizes training programs for employees.

Corporate Governance Principles Compliance Report

4. BOARD OF DIRECTORS -I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	22.12.2020
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Murat Bilgiç (Chairman), O. Tufan Kurbanoğlu (Vice Chairman)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	Internal Audit, Internal Control and Risk Management Department presented 21 reports to the Audit Committee, and 12 to the Committee of Early Detection of Risk.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance Practices/ Brief Annual Report of the Board of Directors
Name of the Chairman	Murat Bilgiç
Name of the CEO	Mehmet Karakılıç
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The functions of the Chairman of the Board and the General Manager who is the Chief Executive Officer are fulfilled by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	This information is provided in the section titled "Operating Principles of the Board of Directors" of the Corporate Governance Compliance Report which is incorporated in the annual report.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	1 person, 9.09%

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
MURAT BİLGİÇ	Non-executive	Not independent director	09.06.2016			No	Yes
OLGUN TUFAN KURBANOĞLU	Non-executive	Not independent director	26.03.2014			No	Yes
MEHMET KARAKILIÇ	Executive	Not independent director	05.05.2017			No	Yes
AYŞE BOTAN BERKER	Non-executive	Independent director	23.03.2018	Provided in the Annual Report	Considered	No	Yes
SELİM YAZICI	Non-executive	Independent director	23.03.2018	Provided in the Annual Report	Considered	No	Yes
MUSTAFA ERTAN TANRIYAKUL	Non-executive	Independent director	24.03.2020	Provided in the Annual Report	Considered	No	Yes
HASAN HEPKAYA	Non-executive	Not independent director	10.01.2017			No	Yes
NECATİ ÇAĞLAR	Non-executive	Not independent director	18.08.2020			No	Yes
DORUK YURTKURAN	Non-executive	Not independent director	17.08.2018			No	Yes

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	4
Director average attendance rate at board meetings	100.00%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Care is taken to provide the information and documents relevant to the Board of Directors meeting to all Board members at least 3 days in advance of the meeting date, as a rule.
The name of the section on the corporate website that demonstrates information about the board charter	The related information is provided in Article 11 of the Company's Articles of Association which is available on the corporate website, under the tab Investor Relations / Company Information.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance Compliance Report / Number, Structure and Independence of the Board of Directors Committees
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/363138

Composition of Board Committees -I

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

Corporate Governance Principles Compliance Report

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The functions of the Nomination Committee are fulfilled by the Corporate Governance Committee. Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices/Corporate Governance Compliance Report/Committee of Early Detection of Risk
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	The functions of the Remuneration Committee are fulfilled by the Corporate Governance Committee. Corporate Governance Practices/Corporate Governance Compliance Report/Corporate Governance Committee
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Corporate Governance Practices/Brief Annual Report of the Board of Directors
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	https://www.isleasing.com.tr/investor-relations/corporate-governance/remuneration-policy/
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Corporate Governance Practices/Corporate Governance Compliance Report / Financial Rights

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.
Corporate Governance Committee		75%	50%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.
Committee of Early Detection of Risk		100%	50%	4	Decisions passed by the committee are communicated, and information is provided verbally in BoD meetings.

Compliance with Sustainability Principles

Sustainability

İş Leasing addresses sustainability as a whole with all the economic, environmental and social aspects the concept embodies

İş Leasing acts with a dedication to create sustainable value for its customers, shareholders, employees and all other stakeholders, and integrates this approach in all of its ways of doing business. In keeping with its corporate culture and identity, İş Leasing addresses sustainability as a whole with all the economic, environmental and social aspects the concept embodies, and is committed to tackling sustainability-related matters in its operations together with all relevant laws and regulatory arrangements. As a part of the long-lived sustainability journey that it has started conscious of its responsibilities towards the society and the environment, İş Leasing took a major step with the Environmental and Social Risk Management System Project by year-end 2020. The Project focuses on sustainable growth and value creation, and is intended to ensure integration of leasing activities with environmental and social risk management issues.

In this framework, an Environmental and Social Risk Management System Project (ESMS) has been initiated, which is advised by ESCARUS. The Project objectives are to make sure that environmental, economic and social sustainability factors are pursued as a

whole within the company management and product/service processes; to effectively manage risks and opportunities associated with these factors, and to create value through sustainable growth. With the Project that İş Leasing launched for the purpose of making business processes that will be erected upon sustainability foundation as a part of the corporate culture, it is aimed to devise a system pursuing also environmental and social sustainability in leasing processes, besides economic sustainability. The Project will be instrumental in the integration of İş Leasing's financial leasing activities with environmental and social risk management matters. Hence, sustainability will be placed at the heart of the way of doing business through initiatives that will be carried out with the motive of social benefit, and it will become an important component of the strategy. Thus, all activities will be addressed holistically, and will be followed up within the frame of related policies and procedures. The Project will also increase leasing customers' awareness of environmental and social issues, and total value will be created for sustainability.

As called for by its sustainability understanding, İş Leasing aims to be a part of the solution in the combat against all environmental issues. In this scope, the Company's goals for the period 2020-2023 have also been set in accordance with sustainable growth and value creation principles. Under the sustainability approach, the Sustainability Committee was set up in 2020 in order to focus on the needs of the future, environment, operations and its human resources, and to take

concrete steps; the related initiatives are carried on with the Environmental and Social Risk Management System Project. Within the scope of the Project in which various sub-headings including energy and climate change, financial inclusion, digital transformation, corporate governance, financial performance and profitability, diversity and inclusion, talent management, and environmental impact management will be placed at the focal point and will be reflected in work processes; İş Leasing will transparently disclose its management approach, strategy and performance in relation to environmental and social impacts, as well as its economic performance, in its Sustainability Report planned to be published in the second quarter of 2021, and targets to lead the sector in this respect as well.

It is among the key goals of İş Leasing to look out for the benefit of all of its stakeholders and contributing at the maximum extent to social life by conducting corporate social responsibility projects. In line with the Company's environmental sensitivity, services targeted at energy efficiency and renewable energy investments are offered, and necessary measures are intended to be adopted for resource efficiency and energy consumption in a bid to help protect the natural balance. İş Leasing will uninterruptedly carry on with its sustainability initiatives that it has launched with the purpose of leaving a more livable world to future generations and to help build a sustainable and good future.

Compliance with Sustainability Principles

Corporate Social Responsibility

As it moves forward to achieve its goals in line with its “Sustainable, High-Quality and Profitable Growth” strategy, İŞ Leasing carries out various initiatives to contribute to the social life and the environment within the framework of its corporate social responsibility understanding.

As it aims to contribute at the maximum extent to social life, the Company believes that corporate social responsibility is a pivotal element in line with its policy to realize investments that will produce concrete benefits and serve as a model for all the segments of the society, the sector and the business world, while looking out for the interests of all its stakeholders.

Based on the fact that the society and the country cannot be served in the absence of social welfare, İŞ Leasing recreates the “quality” seal it prints on the services it renders on its social responsibility initiatives, and moves ahead solidly towards a sustainable future with the support of its stakeholders as well. In addition, the Company regards it as a main principle of its social responsibility understanding to support those in need through donations and aids in every area called for by social solidarity.

Pandemic Management at İŞ Leasing

Believing that human health is of the utmost importance, İŞ Leasing implemented a number of measures to protect its employees, customers and all other stakeholders and to minimize the risks ever since the emergence of the first COVID-19 case. Besides all swift actions taken during the COVID -19 pandemic, İŞ Leasing urgently delivered its support

aimed at the protection of healthcare workers to the hospitals that had a need for them based on its commitment to corporate social responsibility.

Seeking to raise awareness in order to enhance the education level in Turkey and to make sure that all children have equal access to quality education and training, İŞ Leasing strives to contribute to the education of students through donations made to the Turkish Educational Foundation (TEV).

8 March International Women’s Day

İŞ Leasing, believing in the power of equal representation, attaches importance to reducing inequalities and to greater involvement of women in social and economic life to achieve inclusive and sustainable development, and plays an active role in balancing the number of women in the finance sector.

İŞ Leasing cares about our planet and cherishes our forests, one of the main sources of oxygen. Accordingly, the Company extended support to the reforestation drive to contribute to the reforestation efforts in the aftermath of the forest fire in Hatay in 2020.

Unused electronic devices that result from our upgrading investments compelled by the rapidly advancing technology are donated to underprivileged schools.

İŞ Leasing will not hold back but will spend every effort to fulfill its share of the responsibility to contribute sustainable value and benefit to all its stakeholders and the society on the back of policies and initiatives entailing plain and transparent corporate governance.

Social contribution

As it aims to contribute at the maximum extent to social life, the Company believes that corporate social responsibility is a pivotal element in line with its policy while looking out for the interests of all its stakeholders.

Declaration of Audit Committee on Internal Control Environment

İş Finansal Kiralama A.Ş.

Declaration of Audit Committee on Internal Control Environment

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

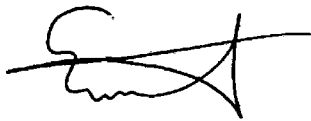
The internal control system of the company targets to establish and maintain a company-wide internal control culture internalized by all employees, as a contributing approach covering all operations. The internal audit system on the other hand, comprises the identification and application of precautions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

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

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

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

İstanbul, 01 February 2021



Chairman of the Audit Committee and
Board Member

M. Ertan TANRIYAKUL



Audit Committee and Board
Member

A. Botan BERKER



Audit Committee and Board
Member

Selim YAZICI

General Meeting Agenda

THE ORDINARY ASSEMBLY MEETING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 26 MARCH 2021

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 2020 activities and operations;
3. Reading, discussing and approval of Financial Statements of 2020;
4. Approval of Directors elected as per article 363 of the Turkish Commercial Code and article 9 of the Articles of Association for the seats vacated in the Board of Directors during the period;
5. Release of the Directors;
6. Discussing and deciding the Profit Distribution Proposal of the Board of Directors, determining the Profit Distribution Date;
7. Election of Directors and determination of their term of office, and information of the shareholders about the outside duties and jobs of the Directors and their justification, according to the existing registered Articles of Association;
8. Determination of remunerations payable to the Directors;
9. Giving permission to persons named by the relevant applicable laws for performance of the transactions referred to in articles 395 and 396 of the Turkish Commercial Code;
10. Giving information about the transactions mentioned in article 1.3.6 of the Corporate Governance Principles;
11. Presentation of the revised Disclosure Policy and Remuneration Policy to the General Assembly for information purposes
12. Election of Independent Audit Firm.
13. Presentation to the General Assembly for approval purposes of the proposed amendments in article 6 of the Corporate Articles of Association,
14. Informing the General Assembly about the donations made in 2020;
15. Determination of the upper limit for donations to be made within the year 2021 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: 26 March 2021, 10:00 hours

Profit Distribution Proposal

İŞ FİNANSAL KİRALAMA A.Ş. 2020 Profit Distribution Table (TL thousand)		
1.	Paid in/Issued Share Capital	695,303
2.	General Legal Reserves (According to Statutory Records)	46,197
Information on profit distribution privileges according to Articles of Association		
	As per SPK	As per Statutory Books
3.	Profit for the Period	260,760
4.	Taxes (-)	63,174
5.	Net Profit for the Period (=)	197,586
6.	Previous Years' Losses (-)	18,264
7.	General Legal Reserve (-)	7,717
8.	NET DISTRIBUTABLE PROFIT (=)	171,605
9.	Donation Made During the Year (+)	107
10.	Net Distributable Profit Determined with the Addition of Donations Made during the Year	171,712
11.	First Dividend to Shareholders	-
	- Cash	-
	- Stocks	-
	- Total	-
12.	Dividends to Holders of Preferred Shares	-
13.	Other Dividend	-
	- To Board of Directors,	-
	- To Employees,	-
	- To Persons other than Shareholders	-
14.	Dividend to Holders of Usufruct Shares	-
15.	Second Dividend to Shareholders	-
16.	General Legal Reserves	-
17.	Statutory Reserves	-
18.	Other Reserves	-
19.	EXTRAORDINARY RESERVES	171,605
20.	Other Sources Planned to be Distributed	146,613

(*) Banking Regulation and Supervision Agency considered that the income amount associated with deferred tax assets cannot qualify as cash or internal funds, and that therefore, the portion of the net profit for the period stemming from the said assets must not be subjected to profit distribution or capital increase. Hence, deferred tax income in the amount of TL 15,683 thousand included in the Company's consolidated net profit for the period is included within TL 171,605 thousand, which is set aside as extraordinary reserves.

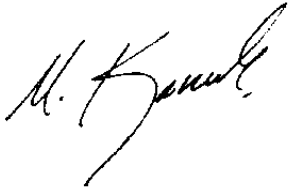
İŞ FİNANSAL KİRALAMA A.Ş. 2020 DIVIDEND RATIO TABLE					
GROUP		TOTAL DIVIDEND		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND FOR EACH TL 1 NOMINAL SHARE
		CASH (TL THOUSAND)	BONUS (TL THOUSAND)	RATIO (%)	AMOUNT (TL THOUSAND) RATIO (%)
GROSS	A	-	-	-	-
	B	-	-	-	-
	TOTAL	-	-	-	-

Board Decision Regarding Financial Statements

İstanbul, 29 January 2021

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

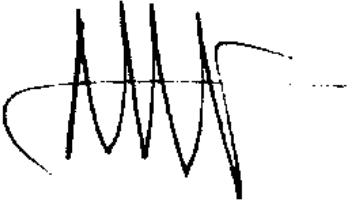
I submit the subjects regarding the approval and disclosure of the audited consolidated financial statements and notes for the period 01.01.2020 - 31.12.2020 for your approval.



Mehmet KARAKILIÇ
General Manager

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

Decision Number: 2819 Decision Date: 29.01.2021



Murat BİLGİÇ
Chairman



O. Tufan KURBANÖĞLU
Vice President



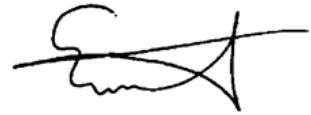
Mehmet KARAKILIÇ
Member



A. Botan BERKER
Member



Selim YAZICI
Member



M. Ertan TANRIYAKUL
Member



Hasan HEPKAYA
Member



Necati ÇAĞLAR
Member



Doruk YURTKURAN
Member

Audit Committee Decision

İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

Decision No: 182

Decision Date : 29.01.2021

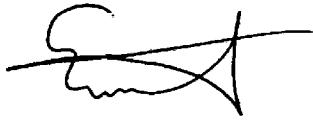
Decision No : 2021.182

Meeting Hour : 11:00

Agenda Item No : 2.

SUBJECT: Regarding financial statements of the period 01.01.2020 - 31.12.2020

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2020 - 31.12.2020 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. Ertan TANRIYAKUL
Chairman of the Committee



A. Botan BERKER
Member



Selim YAZICI
Member

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2020 WITH

INDEPENDENT AUDITOR’S REPORT THEREON

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

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	98
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	102
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS	104
CONSOLIDATED STATEMENT OF PROFIT/LOSS	105
CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	107
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	108
CONSOLIDATED STATEMENT OF CASH FLOWS	110
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION	111
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	112-167
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY	112
NOTE 2 BASIS OF THE FINANCIAL STATEMENTS	112
NOTE 3 SIGNIFICANT ACCOUNTING POLICIES	119
NOTE 4 CASH AND CASH EQUIVALENTS	127
NOTE 5 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	128
NOTE 6 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	128
NOTE 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	129
NOTE 8 FACTORING RECEIVABLES	129
NOTE 9 LEASE RECEIVABLES	132
NOTE 10 RELATED PARTIES	139
NOTE 11 TANGIBLE ASSETS	145
NOTE 12 INTANGIBLE ASSETS	146
NOTE 13 DEFERRED TAX ASSETS AND LIABILITIES	147
NOTE 14 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	148
NOTE 15 OTHER ASSETS	148
NOTE 16 FUNDS BORROWED	149
NOTE 17 OTHER LIABILITIES	150
NOTE 18 LEASE PAYABLES	151
NOTE 19 DEBT SECURITIES ISSUED	151
NOTE 20 PROVISIONS	152
NOTE 21 CURRENT PERIOD TAX ASSET AND PAYABLE	154
NOTE 22 NON-CONTROLLING INTERESTS	154
NOTE 23 PAID-IN CAPITAL AND CAPITAL RESERVES	155
NOTE 24 PROFIT RESERVES	156
NOTE 25 PRIOR YEARS' PROFIT/LOSS	156
NOTE 26 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	157
NOTE 27 SEGMENT REPORTING	159
NOTE 28 EVENTS AFTER THE REPORTING PERIOD	161
NOTE 29 OPERATING INCOME	161
NOTE 30 OPERATING EXPENSES	162
NOTE 31 OTHER OPERATING INCOME	162
NOTE 32 FINANCE EXPENSES	163
NOTE 33 PROVISIONS	163
NOTE 34 OTHER OPERATING EXPENSES	163
NOTE 35 TAXATION	164
NOTE 36 EARNINGS PER SHARE	166
NOTE 37 OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS	166
NOTE 38 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS	167

INDEPENDENT AUDITOR'S REPORT



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 K: 2-3-4
34485 Sarıyer/İstanbul - TÜRKİYE

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Shareholders of İş Finansal Kiralama A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama A.Ş. ("the Company") and its subsidiary (all together referred to as "the Group"), which comprise the consolidated statement of balance sheet as at December 31, 2020 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, 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, 2020 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring and Finance companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" which includes provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by the aforementioned regulations.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Accounting of TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures</i></p> <p>As present in disclosure 3,8 and 9, the Group recognizes expected credit losses for the financial assets. We considered the impairment of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> - Financial assets in balance sheet and off-balance sheet that are subject to expected credit loss calculation is material for the consolidated financial statements. - Complex and comprehensive requirements of TFRS 9 - The policies that is established by the Group management to calculate the expected credit losses has the legislation and other required risks - The new, important and complex judgments and estimations in the calculation of expected credit losses and - The complex disclosure requirements of TFRS. 	<ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, and global and local requirements - Evaluating the reasonableness of management's key estimates and judgements in expected credit loss calculations including the responses to COVID-19, through selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice - Involving Financial risk management specialists to challenge significant assumptions/judgements relating to credit risk grading, significant increase in credit risk, definition of default probability of default, macro-economic variables, and recovery rates - Evaluating the impact of the COVID-19 outbreak on staging of financial assets and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss - Testing mathematical accuracy of Expected credit loss by using samples. - Evaluating the reasonableness and the accuracy of post-model adjustments.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

As part of an audit in accordance with InASs, we exercise professional judgment and maintain professional skepticism 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 on the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company of January 29, 2021.
- 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, 2020 are not in compliance with the TCC and provisions of the company's articles of association in relation to financial reporting.
- 3) In accordance with article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Additional paragraph for convenience translation into English of financial statements as of December 31, 2020 and independent auditors' report originally issued in Turkish

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

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



January 29, 2021
İstanbul, Turkey

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020

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

ASSETS	Notes	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH, CASH EQUIVALENTS and CENTRAL BANK	4	17.169	365.156	382.325	2.078	419.650	421.728
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	3.186	-	3.186	951	-	951
III. DERIVATIVE FINANCIAL ASSETS	6	-	6.098	6.098	-	1.388	1.388
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	319.297	-	319.297	86.279	-	86.279
V. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		5.783.681	5.788.145	11.571.826	3.966.344	4.319.071	8.285.415
5.1 Factoring Receivables	8	3.258.710	1.158.430	4.417.140	2.545.266	614.482	3.159.748
5.1.1 Discounted Factoring Receivables (Net)		1.126.688	415.468	1.542.156	623.702	141.297	764.999
5.1.2 Other Factoring Receivables		2.132.022	742.962	2.874.984	1.921.564	473.185	2.394.749
5.2 Financing loans		-	-	-	-	-	-
5.2.1 Consumer Loans		-	-	-	-	-	-
5.2.2 Credit Cards		-	-	-	-	-	-
5.2.3 Installment Commercial Loans		-	-	-	-	-	-
5.3 Lease Receivables (Net)	9	2.383.394	4.778.593	7.161.987	1.253.324	3.754.306	5.007.630
5.3.1 Finance Lease Receivables		2.995.236	5.272.830	8.268.066	1.540.524	4.189.793	5.730.317
5.3.2 Opeeralional Lease Receivables		-	-	-	-	-	-
5.3.3 Unearned Income (-)		(611.842)	(494.237)	(1.106.079)	(287.200)	(435.487)	(722.687)
5.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5 Non-Performing Loans	8,9	541.249	9.488	550.737	563.946	15.894	579.840
5.6 Expected Credit Loss (-)/Specific Provisions (-)		(399.672)	(158.366)	(558.038)	(396.192)	(65.611)	(461.803)
VI. EQUITY INVESTMENTS		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Subsidiaries (Net)		-	-	-	-	-	-
6.3 Joint Ventures (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	11	18.126	-	18.126	12.417	-	12.417
VIII. INTANGIBLE ASSETS (Net)	12	4.718	-	4.718	3.965	-	3.965
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSET	21	3.601	-	3.601	18.019	-	18.019
XI. DEFERRED TAX ASSET	13	48.677	-	48.677	33.071	-	33.071
XII. OTHER ASSETS	15	169.454	231.246	400.700	70.510	152.567	223.077
SUB TOTAL		6.367.909	6.390.645	12.758.554	4.193.634	4.892.676	9.086.310
XIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	2.058	-	2.058	1.989	-	1.989
XI Held for Sale		2.058	-	2.058	1.989	-	1.989
XII Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		6.369.967	6.390.645	12.760.612	4.195.623	4.892.676	9.088.299

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020

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

LIABILITIES		Notes	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	16	3.616.879	5.790.629	9.407.508	3.217.423	3.953.221	7.170.644
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE PAYABLES	18	3.519	115	3.634	383	457	840
IV.	SECURITIES ISSUED (Net)	19	1.146.096	-	1.146.096	369.966	-	369.966
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITY	6	-	5.915	5.915	-	10.723	10.723
VII.	PROVISIONS	20	17.147	6.412	23.559	13.844	4.704	18.548
7.1	Restructuring Provisions		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		14.217	-	14.217	11.434	-	11.434
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		2.930	6.412	9.342	2.410	4.704	7.114
VIII.	CURRENT PERIOD TAX LIABILITY	21	18.660	-	18.660	20.637	-	20.637
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITY	17	104.419	333.123	437.542	97.570	125.438	223.008
	SUB TOTAL		4.906.720	6.136.194	11.042.914	3.719.823	4.094.543	7.814.366
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDER'S EQUITY		1.717.698	-	1.717.698	1.273.933	-	1.273.933
13.1	Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2	Capital Reserves	23	1.938	-	1.938	1.938	-	1.938
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	23	(263)	-	(263)	(588)	-	(588)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	263.459	-	263.459	55.960	-	55.960
13.5	Profit Reserves	24	474.100	-	474.100	396.081	-	396.081
13.5.1	Legal Reserves		56.130	-	56.130	51.004	-	51.004
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		417.970	-	417.970	345.077	-	345.077
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		179.322	-	179.322	59.755	-	59.755
13.6.1	Prior Periods Profit/Loss	25	(18.264)	-	(18.264)	(24.537)	-	(24.537)
13.6.2	Current Period Profit/Loss		197.586	-	197.586	84.292	-	84.292
	Non-Controlling Interests	22	103.839	-	103.839	65.484	-	65.484
	TOTAL LIABILITIES		6.624.418	6.136.194	12.760.612	4.993.756	4.094.543	9.088.299

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

AS AT 31 DECEMBER 2020

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

OFF-BALANCE SHEET ITEMS			Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
			Notes	TL	FC	TOTAL	TL	FC
I.	IRREVOCABLE FACTORING TRANSACTIONS		61.791	410.811	472.602	58.645	253.234	311.879
II.	REVOCABLE FACTORING TRANSACTIONS		225.283	119.935	345.218	126.107	80.548	206.655
III.	COLLATERALS RECEIVED	38	46.662.956	73.920.723	120.583.679	37.002.683	56.303.541	93.306.224
IV.	COLLATERALS GIVEN	26	945.079	31.821	976.900	109.903	39.345	149.248
V.	COMMITMENTS		297.757	824.940	1.122.697	111.157	372.388	483.545
5.1	Irrevocable Commitments		-	220.765	220.765	-	53.434	53.434
5.2	Revocable Commitments		297.757	604.175	901.932	111.157	318.954	430.111
5.2.1	Lease Commitments		297.757	604.175	901.932	111.157	318.954	430.111
5.2.1.1	Finance Lease Commitments		297.757	604.175	901.932	111.157	318.954	430.111
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	26	182.765	184.312	367.077	797.431	886.085	1.683.516
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		182.765	184.312	367.077	797.431	886.085	1.683.516
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		182.765	184.312	367.077	797.431	886.085	1.683.516
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		781.364	137.396	918.760	444.387	112.766	557.153
TOTAL OFF-BALANCE SHEET ITEMS			49.156.995	75.629.938	124.786.933	38.650.313	58.047.907	96.698.220

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

PROFIT OR LOSS STATEMENT		Notes	Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01- 31.12.2019
I.	OPERATING INCOME	29	884.338	958.285
	FAKTORING INCOME		348.306	477.229
1.1	Factoring Interest Income		337.177	462.780
1.1.1	Discounted		106.553	73.557
1.1.2	Other		230.624	389.223
1.2	Factoring Commission Income		11.129	14.449
1.2.1	Discounted		4.801	2.572
1.2.2	Other		6.328	11.877
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest income from Financing Loans		-	-
1.4	Fees and Commission Income from Financing Loans		-	-
	LEASE INCOME		536.032	481.056
1.5	Finance Lease Income		535.043	480.187
1.6	Operational Lease Income		989	869
1.7	Fees and Commission Income from Lease Operations		-	-
II.	FINANCING EXPENSES (-)	32	(505.291)	(799.155)
2.1	Interest Expense on Funds Borrowed		(411.117)	(467.275)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		(523)	(327)
2.4	Interest Expense on Securities Issued		(76.416)	(295.902)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(17.235)	(35.651)
III.	GROSS PROFIT/LOSS (I+II)		379.047	159.130
IV.	OPERATING EXPENSES (-)	30	(90.297)	(80.161)
4.1	Personal Expenses		(58.738)	(51.783)
4.2	Employee Severance Indemnity Expense		(2.180)	(1.273)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(29.328)	(27.105)
4.5	Other		(51)	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		288.750	78.969
VI.	OTHER OPERATING INCOME	31	259.167	557.714
6.1	Interest Income on Bank Deposits		1.565	8.169
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		6.812	4.380
6.4	Gains on Securities Trading		131	213
6.5	Income From Derivative Financial Instruments		46.453	291.492
6.6	Foreign Exchange Gains		116.418	175.055
6.7	Other		87.788	78.405
VII.	PROVISION EXPENSES (-)	33	(196.876)	(312.295)
7.1	Specific Provisions		-	-
7.2	Expected Credit Losses		(196.876)	(312.295)
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(78.245)	(215.844)
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment Losses on Tangible and Intangible Assets		-	-
8.3	Losses on Securities Trading		-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

			Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01- 31.12.2019
	PROFIT OR LOSS STATEMENT	Notes		
8.4	Losses From Derivative Financial Instruments		(61.674)	(197.634)
8.5	Foreign Exchange Losses		(7.881)	-
8.6	Other		(8.690)	(18.210)
IX.	NET OPERATING PROFIT (V+...+VIII)		272.796	108.544
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN/LOSS		-	-
XIII.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		272.796	108.544
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(63.175)	(29.334)
14.1	Current Tax Provision		(78.858)	(34.738)
14.2	Deferred Tax Income Effect (+)		-	(1.625)
14.3	Deferred Tax Expense Effect (-)		15.683	7.029
XV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		209.621	79.210
XVI.	INCOME ON DISCONTINUED OPERATIONS		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expense on Discontinued Operations		-	-
XVIII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
	NON-CONTROLLING INTEREST		12.035	(5.082)
XXI.	NET PROFIT FOR THE PERIOD (XV+XX)		197.586	84.292
	EARNINGS PER SHARE (**)	36	0,28	0,12
	Earnings Per Share from Continued Operations		0,28	0,12
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	36	0,28	0,12
	Earnings Per Share from Continued Operations		0,28	0,12
	Earnings Per Share from Discontinued Operations		-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
I.	CURRENT PERIOD PROFIT/LOSS	209.621	79.210
II.	OTHER COMPREHENSIVE INCOME	234.144	44.143
2.1	Items that will not be Reclassified to Profit or Loss	325	(515)
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	402	(650)
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	(77)	135
2.2	Items that may be Reclassified subsequently to Profit or Loss	233.819	44.658
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	233.819	44.658
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	-	-
III.	Current Tax Income/Expense	443.765	123.353

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

						Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss		
						1	2	3
CHANGES IN EQUITY	Dipnot	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves			
Prior Period (01.01 - 31.12.2019) (Audited)								
I. Balance at the Beginning of the Period		695.303	-	-	1.938	-	(73)	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-
III. New Balance (I+II)	23	695.303	-	-	1.938	-	(73)	-
IV. Total Comprehensive Income		-	-	-	-	-	(515)	-
V. Cash Capital Increase		-	-	-	-	-	-	-
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-
11.1 Dividend Paid		-	-	-	-	-	-	-
11.2 Transfer to Reserves		-	-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-
Balance at the End of the Period (III+IV+.....+XI)		695.303	-	-	1.938	-	(588)	-
Current Period (01.01 - 31.12.2020) (Audited)								
I. Balance at the Beginning of the Period		695.303	-	-	1.938	-	(588)	-
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)	23	695.303	-	-	1.938	-	(588)	-
IV. Total Comprehensive Income		-	-	-	-	-	325	-
V. Cash Capital Increase		-	-	-	-	-	-	-
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-
11.1 Dividend Paid		-	-	-	-	-	-	-
11.2 Transfer to Reserves		-	-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-
Balance at the End of the Period (III+IV+.....+XI+XII)		695.303	-	-	1.938	-	(263)	-

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			Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
4	5	6					
-	16.300	-	214.092	(40.085)	197.537	65.568	1.150.580
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16.300	-	214.092	(40.085)	197.537	65.568	1.150.580
-	39.660	-	-	-	84.292	(84)	123.353
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	181.989	15.548	(197.537)	-	-
-	-	-	-	-	-	-	-
-	-	-	181.989	15.548	(197.537)	-	-
-	-	-	-	-	-	-	-
-	55.960	-	396.081	(24.537)	84.292	65.484	1.273.933
-	55.960	-	396.081	(24.537)	84.292	65.484	1.273.933
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	55.960	-	396.081	(24.537)	84.292	65.484	1.273.933
-	207.499	-	-	-	197.586	38.355	443.765
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	78.019	6.273	(84.292)	-	-
-	-	-	-	-	-	-	-
-	-	-	78.019	6.273	(84.292)	-	-
-	-	-	-	-	-	-	-
-	263.459	-	474.100	(18.264)	197.586	103.839	1.717.698

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020

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

		Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
	Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		399.201	253.288
1.1.1 Interests Received/Lease Income		850.981	946.466
1.1.2 Interest Paid/Lease Expenses		(472.993)	(822.253)
1.1.3 Dividends Received		6.812	4.380
1.1.4 Fees and Commissions Received		11.129	14.449
1.1.5 Other Income		29.114	40.982
1.1.6 Collections from Non-performing Receivables	31	58.674	37.423
1.1.7 Payments to Personnel and Service Suppliers		(52.601)	(47.379)
1.1.8 Taxes Paid	21	(79.944)	(42.409)
1.1.9 Others		48.029	121.629
1.2 Changes in Operating Assets and Liabilities		(1.188.182)	1.783.688
1.2.1 Net (Increase) Decrease in Factoring Receivables		(1.299.022)	(665.414)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(1.006.141)	502.794
1.2.4 Net (Increase) Decrease in Other Assets		(170.141)	29.678
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		2.794	840
1.2.7 Net Increase (Decrease) in Funds Borrowed		1.070.046	1.901.300
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		214.282	14.490
I. Net Cash Provided from/(Used in) Operating Activities		(788.981)	2.036.976
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		800	-
2.3 Purchases of Tangible and Intangible Assets	11,12	(14.205)	(4.774)
2.4 Proceeds From Sale of Tangible and Intangible Assets	11,12	526	293
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		(12.879)	(4.481)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		1.486.941	2.711.972
3.2 Cash used for repayment of funds borrowed and securities issued		(730.033)	(4.595.964)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		756.908	(1.883.992)
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		5.550	667
V. Net Increase/(Decrease) in Cash and Cash Equivalents		(39.402)	149.170
VI. Cash and Cash Equivalents at the Beginning of the Period	4	421.727	272.557
VII. Operating Profit Before Changes In Operating Assets And Liabilities	4	382.325	421.727

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2020

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

İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE ^(*)		Current Period 31 December 2020 ^(*)	Prior Period 31 December 2019
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	Current Year Income	260.760	113.626
1.2	Taxes And Duties Payable(-)	(63.174)	(29.334)
1.2.1	Corporate Tax (Income tax)	(78.865)	(34.738)
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties	15.683	5.404
A.	NET INCOME FOR THE YEAR (1.1-1.2)	197.586	84.292
1.3	Prior Year Losses(-)	(18.264)	(24.537)
1.4	First Legal Reserves (-)	(7.717)	(5.128)
1.5	Other Statutory Reserves(-) ^(**)	-	-
B	NET INCOME AVAILABLE FOR DISTRIBUTION [(a)-(1.3+1.4+1.5)]	171.605	54.627
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Preferred Shares	-	-
1.6.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And loss sharing certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Preferred Shares	-	-
1.9.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	54.627
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	DISTRIBUTION OF RESERVES	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	Second Legal Reserves(-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Preferred Shares	-	-
2.3.3	To Owners Of Preferred Shares (pre-emptive rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
III.	EARNINGS PER SHARE	-	-
3.1	To Owners Of Ordinary Shares	0,28	0,12
3.2	To Owners Of Ordinary Shares (%)	28%	12%
3.3	To Owners Of Preferred Shares	-	-
3.4	To Owners Of Preferred Shares (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Preferred Shares	-	-
4.4	To Owners Of Preferred Shares (%)	-	-

^(*) Since the Company's Ordinary General Assembly Meeting has not been held as of the date of these financial statements, only distributable net profit period amount is specified in the statement of profit appropriation of 2020.

^(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified cash or internal resources, and therefore, the part of the period profit arising from the aforementioned assets should not be subject to profit distribution and capital increase. There is deferred tax income of TL 15.693 thousand, which will not be subject to distribution (December 31, 2019: TL 5.404).

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The Company has purchased nominal shares of İş Faktoring A.Ş. ("İş Faktoring") amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements. The Company and its subsidiary run their operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with 29,46% participation. The Company's 41,77% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 December 2020, the Company and its subsidiary ("the Group") have 250 employees (31 December 2019: 249 employees).

Dividend Payable

As at 31 December 2020, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 31 December 2020 have been approved by the Board of Directors of the Group and authorized for issue as at 29 January 2021. The General Assembly and/or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

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

The COVID-19 pandemic, which spread globally in the first half of 2020 in China, had effects on both economic and social life. In addition to the social life impacts of the cautions taken to ensure that the other content pandemic is taken under control, the consequences of adversely affecting the limited global economic activity continue. In order to reduce this negativity and in the economic environment, various measures have been reported by cycling within the normalization process in our country as well as in other cases where the pandemic is effective. The Company, together with the company included in the consolidation, continues the segments to this period, with the deferment of the customer's debts that are due for sale, a grace period and the allocation of existing/ additional limits. During the calculation of estimated loan provisions in the financial statements dated 31.12.2020, it was evaluated for the impact of the COVID-19 outbreak, third Section note "G. Financial Instruments" is given instead.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

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

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

Note 8 - Factoring receivables

Note 9 - Lease receivables

Note 20 - Provisions

Note 26 - Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group's subsidiary as at 31 December 2020 and 31 December 2019 are as follows:

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

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

(i) Subsidiaries

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

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

As at 31 December 2020 and 31 December 2019, the Company owns 78,23% of İş Faktoring A.Ş. As the Company has the power to control the operations of the İş Faktoring A.Ş., the financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying consolidated financial statements.

(ii) Transactions eliminated on consolidation

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(iii) Non-controlling interests

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Accounting policies taken as the basis in preparing the financial statements of the accounting periods ended on December 31, 2020 are applied consistently with the financial statements prepared as of December 31, 2019.

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, 2020 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments did not have a significant impact on the financial position or performance of the Company/the Group

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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

Amendments to TFRS 16 - Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met::

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after June 1, 2020. Early application is allowed. The amendment in question did not have a significant impact on the financial status 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

(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)

ii) Standards issued but not yet effective and not early adopted (Continued)

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

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

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early 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 TFRS 3 - Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Amendments to TAS 16 - Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform - Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform (Continued)

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

Annual Improvements - 2018-2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018-2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter*: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments - Fees in the "10 per cent test" for derecognition of financial liabilities*: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture - Taxation in fair value measurements*: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Group is in the process of assessing the impact of the improvements 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 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

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

Other interest income: The outstanding amount of the principal and cash inflows to be calculated over the expected life of the asset is reduced to the related period at the effective interest rate. Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend. Fee and commissions collected or paid on any transactions are recorded on accrual basis.

b. Tangible Assets

Tangible assets, acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful life, residual values and amortization method of tangible assets are reviewed at each reporting period and corrected if necessary.

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

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

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

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

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the consolidated statement of income.

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Computer software and licenses acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The useful lives of computer software and licenses are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized in the statement of income as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives, not exceeding five years.

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

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

g. Financial Instruments

Financial Assets

As of 1 January 2018, the Group within the scope of "IFRS 9 Financial Instruments", classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to IFRS 9 "Recognition and Derecognition in the financial statements" requirements. The Company recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason. Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. Gains or losses arising from the valuation are related to profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the group has the intention and ability to held to the maturity, fixed or determinable payment plan, fixed-term debt instruments. Financial assets measured at amortized cost by using the effective interest rate method, net of any provision for impairment.

Financial Assets at Fair Value Through Other Comprehensive Income

The Group has equity investments and debt securities quoted on an active market and investments in fair values are classified as financial assets carried at fair value through other comprehensive income. The Group has equity instruments that are not traded and not quoted in an active market whose fair value differences are reflected in other comprehensive income and are measured at cost, since their fair value cannot be measured reliably.

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

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

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

Under IFRS 9, the expected credit loss and specific provision is calculated according to the "three-stage" impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with IFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument's lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

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

Stage 2: (Continued)

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is reclassified as stage 2.

Stage 3

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

Specific provision is provided for factoring receivables in Stage 3.

On the other hand, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period foreseen for classifying financial assets as non-performing loans, effective from 17.03.2020, has been implemented as 180 days until 30.06.2021. The Group allocates provisions in accordance with its risk policies.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. The change in fair value is accounted under the statement of profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to net present value of financial liabilities

Derivative financial instruments and hedge accounting

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

h. Business Combinations

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

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

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

i. Effects of Changes in Exchange Rates

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

(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)

The foreign currency exchange rates used by the Group as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
USD	7,3405	5,9402
EUR	9.0079	6,6506
GBP	9,9438	7,7765
CHF	8,2841	6,0932
100 JPY	7,0930	5,4291
AUD	5,6076	4,1433

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.

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

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

k. Events After the Reporting Period

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with IAS 10 "Events After Reporting Period Date"; subsequent balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Events that does not require adjustment of financial statements are disclosed in the notes when material.

l. Provisions, Contingent Liabilities and Contingent Assets:

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 27).

n. Taxes on Income

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

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

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

o. Employee Benefits/Reserve for Employee Termination Benefits

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits/Reserve for Employee Termination Benefits (Continued)

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

	30 December 2020	31 December 2019
Discount rate	4,07%	4,20%
Expected rate of salary/limit increase	8,00%	7,20%
Probability of retirement	100%	100%

p. Statement of Cash Flows

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

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

r. Share Capital and Dividends

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

s. Related Parties

In accordance with IAS 24 "Related Party Disclosures" shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge. For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/ associated with them, key management and the Board members of the Company are referred to as related parties (Note 10).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

4. CASH AND CASH EQUIVALENTS

As at 31 December 2020 and 31 December 2019, the details of the banks are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Demand Deposits	17.169	20.943	2.078	24.615
Time Deposits	-	344.213	-	395.034
Interest accrual	-	-	-	1
	17.169	365.156	2.078	419.650

The details of the time deposits as at 31 December 2020 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2020
USD	0,05%	4.01.2021	73.970
Euro	0,01% - 1,25%	04.01.2021-19.01.2021	270.243
			344.213

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

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

As at 31 December 2020, TL 347.353 portion of total foreign currency deposits (31 December 2019: TL 415.265) and TL 5.775 portion of total TL deposits (31 December 2019: TL 1.863) consist of accounts at the Group's main shareholder, Türkiye İş Bankası A.Ş.

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

	31 December 2020	31 December 2019
Demand deposits	38.112	26.693
Time deposits (1-3 months) (excluding accrual)	344.213	395.034
Cash and cash equivalents	382.325	421.727

As at 31 December 2020 and 31 December 2019, there is no blockage on cash and cash equivalents.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

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

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

As at 31 December 2020 and 31 December 2019, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	31 December 2020	
	TL	FC
Debt securities issued by private sector ^(*)	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	3.186	-
	3.186	-
	31 December 2019	
	TL	FC
Debt securities issued by private sector ^(*)	400	-
Specific provisions/Expected Credit Loss(-)	(400)	-
Mutual funds	951	-
	951	-

^(*) 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 3.186 (31 December 2019: TL 951).

6. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

Derivative Financial Assets

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Swap Transactions	-	6.098	-	1.388
	-	6.098	-	1.388

Derivative Financial Liabilities

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Swap Transactions	-	5.915	-	10.723
	-	5.915	-	10.723

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 and 31 December 2019, details of financial assets at fair value through other comprehensive income are as follows:

				Ownership Rate (%)		Carrying Amount	
Name of the investment	Core business	Incorporation and location	Voting right (%)	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	304.786	78.959
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	10.472	2.595
Unquoted investments:							
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	0,00	0,00	1,00	-	686
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	5,72	5,72	10,00	4.000	4.000
TOTAL						319.297	86.279

8. FACTORING RECEIVABLES

As at 31 December 2020 and 31 December 2019 details of factoring receivables are as follows:

	31 December 2020	31 December 2019
Factoring receivables	4.464.208	3.173.684
Factoring interest income accrual (-)	(47.068)	(13.936)
Total factoring receivables	4.417.140	3.159.748
Stage 1 (Expected Credit Loss)	(31.688)	(23.486)
Stage 2 (Expected Credit Loss)	(2.393)	(4.674)
Total factoring receivables	4.383.059	3.131.588
Non-performing factoring receivables	227.049	227.541
Specific provisions- Stage 3	(190.251)	(180.388)
Factoring receivables, net	4.419.857	3.178.741

As at 31 December 2020, the rating of factoring receivables are as follows:

Ratings 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Total portfolio	4.357.472	59.668	227.049	4.644.189
Very good	1.921.786	-	-	1.921.786
Standard	2.435.686	-	-	2.435.686
Substandard	-	59.668	227.049	286.717
Expected credit losses	(31.688)	(2.393)	(190.251)	(224.332)
Factoring receivables, net	4.325.784	57.275	36.798	4.419.857

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

8. FACTORING RECEIVABLES (Continued)

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

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

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

	1 January- 31 December 2020	1 January- 31 December 2019
Provision at the beginning of the period	(208.548)	(36.114)
Additions	(55.685)	(202.286)
Collections	39.584	18.827
Write-off (*)	317	11.025
Provision at the end of the period	(224.332)	(208.548)

(*) It consists of the provisions amounting to TL 11.025, which was allocated for the assets written-off as a result of the sale of the selected non-performing factoring receivables of the Group amounting to TL 11.897 to Sümer Varlık Yönetim A.Ş. on 26.12.2019 for 20 TL.

The Group's non-performing factoring receivables amounting to TL 317 was written-of from the assets regarding the protocol signed and the provision amounting to TL 317 allocated for the mentioned receivables.

As at 31 December 2020, the average interest rates applicable for the factoring receivables are 20,70% for TL, for 6,13% USD, 4,07% for EUR and 2,98% for GBP (31 December 2019: 15,03% for TL, for 6,26% USD, 2,76% for EUR and 5,50% for GBP).

As of 31 December 2020, TL 479.408 thousand, EUR 259.171 thousand, USD 38.403 thousand and GBP 44.432 thousand factoring receivables have variable interest rates, (31 December 2019: TL 449,874 thousand, EUR 7.583 thousand, USD 4.111 thousand and GBP 1.695 thousand), TL 2.794.164 thousand, EUR 537.754 thousand, USD 266.439 thousand, GBP 26 thousand factoring receivable have stable interest rates (31 December 2019: TL 2.117.293 thousand, EUR 52.244 thousand, USD 29.640 thousand, GBP 2 thousand).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

8. FACTORING RECEIVABLES (Continued)

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

	31 December 2020	31 December 2019
Domestic irrevocable	2.479.710	1.992.268
Foreign irrevocable	268.312	130.767
Domestic revocable	1.377.729	919.905
Foreign revocable	294.106	135.801
	4.419.857	3.178.741

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

	31 December 2020	31 December 2019
Up to 90 days	854	15.402
Between 90 - 180 days	2.537	64
Between 180 - 360 days	7.066	192.698
Over 360 days	216.592	19.377
	227.049	227.541

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

As at 31 December 2020, standard and close monitoring factoring receivables and the close monitoring factoring receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	152
Extended for 3,4 or 5 Times	-	14.784
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	-
6 Months - 12 Months	-	152
1 - 2 Years	-	-
2 - 5 Years	-	14.784
5 Years and More	-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

8. FACTORING RECEIVABLES (Continued)

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	1.125
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
	Standard R eceiveables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months - 12 Months	-	1.125
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

9. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 31 December 2020, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	3.450.997	4.817.069	8.268.066
Unearned interest income (-)	(558.192)	(547.887)	(1.106.079)
Subtotal	2.892.805	4.269.182	7.161.987
Expected Credit Loss- Stage 1	(1.605)	(20.293)	(21.898)
Expected Credit Loss - Stage 2	(17.794)	(130.733)	(148.527)
Total Financial Lease Receivables	2.873.406	4.118.156	6.991.562
Non- Performing Lease Receivables	320.278	3.410	323.688
Specific provision- Stage 3	(161.561)	(1.720)	(163.281)
Net finance lease receivables	3.032.123	4.119.846	7.151.969

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial Assets	382.325	-	-	(126)	-	-
Financial Lease Receivables	6.335.453	826.533	323.688	(21.898)	(148.527)	(163.281)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As per amendment published in the Official Gazette dated November 27, 2019 and numbered 30961, which was made to the Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies ("Regulation") dated December 24, 2013 and numbered 28861, the receivables of TL 41,651, which followed under "Uncollectible Loans" account and calculated lifetime expected credit loss due to the default of the debtor, have been written-off. The effect of this Bad Debt record on non-performing loans ratio is 0.57%.

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

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

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

As at 31 December 2020, the rating of finance lease receivables are as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	25.645	-	-	25.645
A (Very good))	17.754	-	1	17.755
A- (Good)	336.896	9.895	17	346.808
B+ (Enough)	1.264.507	122.461	146.066	1.533.034
B (Reasonable)	1.447.092	212.377	10.321	1.669.790
B- (Close Monitoring)	1.388.437	65.774	107.503	1.561.714
C+ (Insufficient)	809.582	69.029	10.986	889.597
C (Suspicious)	604.119	331.963	17.763	953.845
Scoring				
Y (High)	89.476	2.333	3.824	95.633
O (medium)	294.852	10.695	18.095	323.642
D (Low)	57.093	2.006	9.113	68.212
Expected Loss Provisions	(21.898)	(148.527)	(163.281)	(333.706)
Leasing receivables	6.313.555	678.006	160.408	7.151.969

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	250	-	-	250
A (Very good))	9.709	11.430	1	21.140
A- (Good)	150.770	1.108	8.046	159.924
B+ (Enough)	1.104.653	79.496	118.480	1.302.629
B (Reasonable)	1.081.994	72.818	14.820	1.169.632
B- (Close Monitoring)	1.206.796	93.578	126.501	1.426.875
C+ (Insufficient)	614.524	64.297	18.291	697.112
C (Suspicious)	257.995	51.570	28.678	338.243
Scoring				
Y (High)	54.806	94	3.964	58.864
O (medium)	111.153	7.121	23.826	142.100
D (Low)	28.180	5.288	9.692	43.160
Expected Loss Provisions and specific provision	(21.095)	(47.397)	(184.763)	(253.255)
Leasing receivables	4.599.735	339.403	167.536	5.106.674

As at 31 December 2020, standard and close monitoring leasing receivables and the close monitoring leasing receivable amendments made related to the extension of the payment plan as follows:

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	14.426
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	-
6 Months - 12 Months	-	14.426
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES(Continued)

A. Financial Lease Receivables(Continued)

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	139.240
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months - 12 Months	-	139.240
1 - 2 Years	-	-
2 -5 Years	-	-
5 Years and More	-	-

As at 31 December 2020, analysis of finance lease receivables according to their maturities is as follows:

	2021	2022	2023	2024	2025	2026 and after	Toplam
Finance lease receivables (gross)	3.437.568	2.255.037	1.449.577	737.954	271.933	105.979	8.258.048
Unearned interest	(558.192)	(302.353)	(162.362)	(53.825)	(14.647)	(14.700)	(1.106.079)
Finance lease receivables (net)	2.879.376	1.952.684	1.287.215	684.129	257.286	91.279	7.151.969

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

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

As at 31 December 2020, the average compound interest rates applicable for the finance lease receivables are 16,94% for TL, 7,11% for USD, 4,88% for EUR and 3,92% for CHF (31 December 2019: 20,44% for TL, 7,61% for USD, 5,27% for EUR and 3,99% for CHF).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

As at 31 December 2020, 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	120.619.728	885.409	17.861.740	131.114
EUR	416.586.571	3.752.570	40.303.216	363.047
CHF	468.464	3.881	9.139	76
TL	-	2.510.109	-	611.842
Total		7.151.969		1.106.079

As at 31 December 2019, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal ^(*) (Net) (TL)	Unearned interest in foreign currency	Unearned interest (TL)
USD	123.949.673	736.286	20.332.217	120.777
EUR	446.282.000	2.968.043	47.281.976	314.454
CHF	1.068.000	6.508	42.068	256
TL	-	1.395.837	-	287.200
Total		5.106.674		722.687

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 2020</u>	<u>31 December 2019</u>
Mortgages	370.340	229.258
Sureties of credit guarantee fund	115.521	123.518
Pledged equity	94.628	75.049
Pledged shares	26.149	33.502
Pledged movable	6.102	7.047
Letters of guarantee	7.925	3.250
Cash blockages	1.584	1.625
Share certificates	-	328
Guarantors	-	11
	622.249	473.588

In addition to collaterals above, the Group also has sureties amounting to TL 6.187.761, pledged vehicles amounting to TL 31.460, pledged accounts receivable to TL 240.356 (31 December 2019: sureties amounting to TL 4.256.379, pledged vehicles amounting to TL 22.483, pledged accounts receivable to TL 200.881).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

As at 31 December 2020 and 31 December 2019 details of overdue finance lease receivables are as follows:

	31 December 2020	31 December 2019
Up to 30 days	70.963	50.015
Between 30 - 60 days	8.880	7.105
Between 60 - 90 days	5.749	8.767
Between 90 - 180 days ^(*)	15.047	-
Total overdue	<u>100.639</u>	<u>65.887</u>

^(*) Based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period foreseen for classifying financial assets as non-performing loans, effective from 17.03.2020, has been implemented as 180 days until 30.06.2021. The Group allocates provisions in accordance with its risk policies.

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

<u>Collateral type</u>	31 December 2020	31 December 2019
Mortgages	107.251	66.397
Pledged equity	19.321	18.091
Commercial Enterprise Pledge	16.149	-
Sureties of credit guarantee fund	6.783	17.004
Letters of guarantee	908	426
	<u>150.412</u>	<u>101.918</u>

In addition to above guarantees, the Group also has sureties amounting to TL 632.754, pledged vehicles amounting to TL 6.949, 1 December 2019: sureties amounting to TL 432.123, pledged vehicles amounting to TL 8.103, pledged accounts receivable to TL 4.593).

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 38.

As at 31 December 2020 and 31 December 2019, the aging of non-performing finance lease receivables is as follows:

	30 December 2020	31 December 2019
Between 90 - 240 days	5.136	52.591
Between 240 - 360 days	8.294	3.285
Over 360 days	122.038	94.448
Uninvoiced non-performing finance lease receivables	185.376	205.743
Unearned interest of non-performing finance lease receivables	2.884	(3.768)
	<u>323.688</u>	<u>352.299</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

Collaterals obtained for non-performing finance lease receivables as at 31 December 2020 and 31 December 2019 are as follows:

<u>Guarantee type:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Mortgages	5.832	12.490
Letter of Guarantee	2	-
Guarantor	-	1
	<u>5.834</u>	<u>12.491</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 163.280, pledged vehicles amounting to TL 1.597 and leased equipments amounting to TL 152.977 (31 December 2019: sureties amounting to TL 194.485, pledged vehicles amounting to TL 74.582 and leased equipments amounting to TL 70.371).

Movement of expected loss provision for financial lease receivables is as follows:

<u>Movement of expected credit losses:</u>	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
Provision at the beginning of the period	(253.255)	(162.591)
Provision set during the period	(141.191)	(59.025)
Write-off (*)	41.651	749
Collections	19.089	15.441
Provision at the end of the period	<u>(333.706)</u>	<u>(206.175)</u>

(*) Consists of amount written-off in accordance with Article 4/A of the Regulation Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies, which was published in the Official Gazette dated 27 November 2019 and numbered 30961 and began to enact as of 19/07/2019.

B. Operating Lease Receivables

	<u>31 December 2020</u>	<u>31 December 2019</u>
Operating Lease Receivables	-	1
	<u>-</u>	<u>1</u>

As at 31 December 2020 and 31 December 2019 analysis of time lease receivables occurred from operating lease receivables according to their maturities is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
2020 Year	-	626
2021 Year	1.215	381
2022 Year	744	-
2023 Year	650	-
	<u>2.609</u>	<u>1.007</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES

As at 31 December 2020 and 31 December 2019, details of related party receivables and payables are as follows:

	31 December 2020	31 December 2019
<u>Finance lease receivables from related parties</u>		
Radore Veri Merkezi Hizm.A.Ş	5.617	2.233
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	2.635	6.492
KKB Kredi Kayıt Bürosu A.Ş.	100	6.681
Toksöz Spor Malzemeleri Ticaret A.Ş.	188	511
Numnum Yiyecek ve İçecek A.Ş.	-	827
Total	8.540	16.744
<u>Factoring receivables from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	4.068	9.852
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	1.461	2.796
Toksöz Spor Malzemeleri Ticaret A.Ş.	-	2.381
Total	5.529	15.029
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	23.790	16.066
Softtech Yazılım Teknolojileri	200	-
Türkiye İş Bankası A.Ş.	227	189
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	102	26
İş Merkezleri Yönetim ve İşletim A.Ş.	26	96
İş Faktoring A.Ş	4	-
KKB Kredi Kayıt Bürosu A.Ş.	4	4
Anadolu Hayat Emeklilik A.Ş	1	-
Total	24.354	16.381

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES (Continued)

	31 December 2020	31 December 2019
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. Vadeli Mevduat	332.070	395.036
Türkiye İş Bankası A.Ş. Vadesiz Mevduat	21.058	22.093
İşbank AG Vadesiz Mevduat	143	193
Türkiye Sınai Kalkınma Bankası A.Ş. Vadesiz Mevduat	85	28
Total	353.356	417.350
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	-	1.351
Türkiye Sınai Kalkınma Bankası A.Ş.	348	-
Total	348	1.351
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	-	3.041
Total	-	3.041
<u>Finance lease liability to related parties</u>		
Türkiye İş Bankası A.	137	238
İş Gayrimenkul Yatırım Ort.A.Ş.	5	9
Total	142	247

As at 31 December 2020 and 31 December 2019, details of borrowings from related parties are as follows:

Borrowings from related parties

<u>Türkiye İş Bankası A.Ş.</u>			
Currency	Interest Rate %	Maturity	31 December 2020
TL	8,84% - 19,75%	14.01.2021-06.09.2021	1.175.274
EUR	2,78% - 4,00%	05.01.2021-01.03.2021	632.804
Avro	1,75%-4,75%	04.01.2021-23.08.2021	1.509.689
			3.317.767
<u>Türkiye İş Bankası A.Ş.</u>			
Currency	Interest Rate %	Maturity	31 December 2019
TL	11,20% - 29,40%	31.01.2020-31.12.2021	1.149.178
EUR	3,45%	23.06.2020	118.860
Avro	0,75%-3,44%	03.01.2020-26.06.2020	553.764
			1.821.802

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES (Continued)

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2020
ABD Doları	1,99%-3,79	17.12.2021-01.06.2026	130.725
EUR	2,79%	29.06.2026	497.582
			<u>628.307</u>

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

İş Bank AG

Currency	Interest Rate %	Maturity	31 December 2020
TL	1,15% - 2,77%	26.02.2021-17.11.2023	159.843
			<u>159.843</u>

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES (Continued)

For the periods ended 31 December 2020 and 31 September 2019, finance income and expenses from related parties are as follows:

	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
<u>Finance lease interest income from related parties</u>		
Radore Veri Merkezi Hizm.A.Ş	950	452
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	738	4.579
KKB Kredi Kayıt Bürosu A.Ş.	132	457
Toksöz Spor Malzemeleri Ticaret A.Ş.	126	101
Tukaş Gıda San. Ve Tic.A.Ş.	-	2.051
Numnum Yiyecek ve İçecek A.Ş.	-	56
Bankalararası Kart Merkezi A.Ş.	-	17
T.İş Bankası Gm İnşaat Emlak Müd.	-	4
Total	1.946	7.717
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	841	677
TSKB Gayrimenkul Değerleme A.Ş.	144	184
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	4	8
Total	989	869
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	105	1.216
Total	105	1.216
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	6.810	4.378
Yatırım Finansman Menkul Değerler A.Ş.	2	2
Total	6.812	4.380
<u>Finance expense</u>		
Türkiye İş Bankası A.Ş.	104.259	54.385
Türkiye Sınai Kalkınma Bankası A.Ş.	26.970	18.618
İş Yatırım Menkul Değerler A.Ş.	3.243	7.293
İşbank AG	760	631
Total	135.232	80.927
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	3.018	2.700
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	41	-
Total	3.059	2.700

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES (Continued)

	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
<u>Factoring commission income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	100	307
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	14	32
Toksöz Spor Malzemeleri	10	29
Total	124	368
<u>Factoring interest income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	690	2.570
Toksöz Spor Malzemeleri	220	240
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	124	232
Anadolu Cam Sanayii A.Ş	80	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	3.527
Total	1.114	6.569
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	4.219	4.574
<u>Finansal Kiralama Gideri</u>		
Türkiye İş Bankası A.Ş.	137	238
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	5	9
Total	142	247
<u>Mutual funds income</u>		
Türkiye İş Bankası A.Ş.	298	1.787

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

10. RELATED PARTIES (Continued)

As at 31 December 2020 and 31 December 2019, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	31 December 2020		31 December 2019	
	Purchase	Sale	Purchase	Sale
Swap Transactions	-	-	312.894	310.202
Total	-	-	312.894	310.202

As at 31 December 2020 and 31 December 2019, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	31 December 2020		31 December 2019	
	Purchase	Sale	Purchase	Sale
Swap Transactions	7.912	7.341	-	-
Total	7.912	7.341	-	-

As at 31 December 2020 and 31 December 2019, the amount of the Group's issued debt securities in related parties' securities portfolio are as follows:

	31 December 2020	31 December 2019
Anadolu Hayat Emeklilik A.Ş.	105.100	-
Millî Reasürans T.A.Ş.	59.269	-
Anadolu Anonim Türk Sigorta Şirketi	14.852	-
Türkiye İş Bankası A.Ş.	5.687	-
İş Gayrimenkul Yatırım Oratklığı A.Ş.	260	-
İş Yatırım Menkul Değerler A.Ş.	26	-
Total	185.194	-

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

For the periods ended 31 December 2020 and 31 December 2019, total salary and benefits paid to the key management during year comprised the following:

	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
Salaries and other short-term benefits ^(**)	10.559	9.643
	10.559	9.643

^(*) 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 2020

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

11. TANGIBLE ASSETS

For the periods ended 31 December 2020 and 31 December 2019, movements in tangible assets are as follows:

	Furniture and Fixtures	Improvements	Assets Subject to Operational Lease	Vehicles	Other Tangible Assets	Right of Use	Real Estate	Total
Cost								
Opening balance at 1 January 2020	6.860	4.269	1.511	410	1.456	3.294	8.750	26.550
Additions	3.346	138	2.099	872	-	5.349	-	11.804
Disposals	(706)	-	(430)	-	-	(1.122)	-	(2.258)
Closing balance at 31 December 2020	<u>9.500</u>	<u>4.407</u>	<u>3.180</u>	<u>1.282</u>	<u>1.456</u>	<u>7.521</u>	<u>8.750</u>	<u>36.096</u>
Accumulated depreciation								
Opening balance at 1 January 2020	(5.040)	(3.855)	(804)	(52)	(1.456)	(2.721)	(205)	(14.133)
Depreciation for the period	(895)	(146)	(731)	(363)	-	(3.259)	(175)	(5.569)
Disposals	190	-	430	-	-	1.112	-	1.732
Closing balance at 31 December 2020	<u>(5.745)</u>	<u>(4.001)</u>	<u>(1.105)</u>	<u>(415)</u>	<u>(1.456)</u>	<u>(4.868)</u>	<u>(380)</u>	<u>(17.970)</u>
Carrying amounts at 31 December 2020	<u>3.755</u>	<u>406</u>	<u>2.075</u>	<u>867</u>	<u>-</u>	<u>2.653</u>	<u>8.370</u>	<u>18.126</u>
Carrying amounts at 1 January 2020	<u>1.820</u>	<u>414</u>	<u>707</u>	<u>358</u>	<u>-</u>	<u>573</u>	<u>8.545</u>	<u>12.417</u>
Cost								
Opening balance at 1 January 2019	7.281	4.263	2.138	-	1.456	-	8.750	23.888
Transfer	(183)	-	-	183	-	-	-	-
Additions	206	6	-	227	-	3.400	-	3.839
Disposals	(444)	-	(627)	-	-	(106)	-	(1.177)
Closing balance at 31 December 2019	<u>6.860</u>	<u>4.269</u>	<u>1.511</u>	<u>410</u>	<u>1.456</u>	<u>3.294</u>	<u>8.750</u>	<u>26.550</u>
Accumulated depreciation								
Opening balance at 1 January 2019	(4.461)	(3.674)	(781)	-	(1.456)	-	(30)	(10.402)
Depreciation for the period	(772)	(181)	(651)	(49)	-	(2.787)	(175)	(4.615)
Transfer	3	-	-	(3)	-	-	-	-
Disposals	190	-	628	-	-	66	-	884
Closing balance at 31 December 2019	<u>(5.040)</u>	<u>(3.855)</u>	<u>(804)</u>	<u>(52)</u>	<u>(1.456)</u>	<u>(2.721)</u>	<u>(205)</u>	<u>(14.133)</u>
Carrying amounts at 31 December 2019	<u>1.820</u>	<u>414</u>	<u>707</u>	<u>358</u>	<u>-</u>	<u>573</u>	<u>8.545</u>	<u>12.417</u>
Carrying amounts at 1 January 2019	<u>2.820</u>	<u>589</u>	<u>1.357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8.720</u>	<u>13.486</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

12. INTANGIBLE ASSETS

For the periods ended 31 December 2020 and 31 December 2019, movements in intangible assets except goodwill are as follows:

	31 December 2020	31 December 2019
Cost		
Opening balance at 1 January	9.901	8.966
Additions	2.401	935
Disposals	-	-
Closing balance at the end of the period	<u>12.302</u>	<u>9.901</u>
Amortization		
Opening balance at 1 January	(6.102)	(4.694)
Amortization for the period	(1.648)	(1.408)
Disposals	-	-
Closing balance at the end of the period	<u>(7.750)</u>	<u>(6.102)</u>
Carrying amounts^(*)	<u>4.552</u>	<u>3.799</u>

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

Goodwill

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 31 December 2020, net amount of goodwill is TL 166 (31 December 2019: TL 166). Based on TFRS 3, for the annual periods beginning on 1 January 2005, after the reporting period ended on 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2020 and 31 December 2019, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary time differences subject to deferred tax	31 December 2020	31 December 2019
Expected Credit Losses for Doubtful Receivables	264.076	175.635
Unearned factoring income	47.068	13.936
Provision for lawsuit	8.816	6.874
Provision for lawsuit	8.816	6.874
Reserve for employee benefits	6.633	5.449
Employee bonus accrual	5.533	4.538
Unused vacation provision	2.051	1.447
Expense accruals	344	171
Prepaid expenses	1.039	725
Expected credit losses of financial assets	182	68
Financial Tax loss	-	9.511
Financial assets valuation difference	(183)	9.334
Tax base differences in tangible and intangible assets	(3.860)	(3.675)
Finance lease adjustment	(7.254)	(5.463)
Finance lease income accruals	(81.057)	(55.043)
	243.388	163.507
Deferred tax assets/(liabilities)	31 December 2020	31 December 2019
Expected Credit Loss for Doubtful Receivables	52.815	35.690
Unearned factoring income	9.414	3.066
Provision for lawsuit	1.763	1.512
Reserve for employee benefits	1.327	1.114
Employee bonus accrual	1.107	998
Unused vacation provision	410	301
Expense accruals	208	159
Prepaid expenses	68	38
Provision for expected loss	36	15
Financial Tax loss	-	2.092
Valuation differences on financial instruments	(37)	2.054
Tax base differences in tangible and intangible assets	(772)	(776)
Finance lease adjustment	(1.451)	(1.093)
Finance lease income accruals	(16.211)	(12.109)
Deferred tax asset	48.677	33.071

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2019 and 2020 and 20% for the following years (31 December 2019: Calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2019 and 2020 and 20% for the following years).

Movements in deferred tax assets are as follows:

	31 December 2020	31 December 2019
Opening balance at 1 January	33.071	27.532
Deferred tax income/(expense)	15.683	5.404
Classified in Equity	(77)	135
Closing balance at at 31 December	48.677	33.071

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2020 and 31 December 2019, details of assets held for sale and discontinued operations are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Assets held for sale (*)	2.058	-	1.989	-
	2.058	-	1.989	-

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

15. OTHER ASSETS

As at 31 December 2020 and 31 December 2019, details of other assets are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Leasing Contracts in Progress	108.493	36.605	39.531	39.822
Advances Given for Lease Transactions	22.715	187.996	2.372	106.638
Commissions expense on debt securities issued and funds borrowed	11.029	-	13.158	-
Other Finance Lease Receivables	14.477	5.957	8.423	5.866
Amounts to be invoiced	2.545	37	1.323	109
Advanced given	40	-	30	-
Deposits given	30	-	23	-
Others	10.125	651	5.650	132
	169.454	231.246	70.510	152.567

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

16. FUNDS BORROWED

As at 31 December 2020 and 31 December 2019, details of funds borrowed are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Short-term borrowings	3.594.768	3.699.037	3.084.383	2.450.769
Short-term portion of long-term borrowings	14.740	302.445	18.743	241.146
Total short-term borrowings	3.609.508	4.001.482	3.103.126	2.691.915
Long-term borrowings	7.371	1.789.147	114.297	1.261.306
Total long-term borrowings	7.371	1.789.147	114.297	1.261.306
Total borrowings	3.616.879	5.790.629	3.217.423	3.953.221

As at 31 December 2020 and 31 December 2019, borrowings has no collateral.

As at 31 December 2020 and 31 December 2019, details of short term borrowings based on types of currency are as follows:

Currency ^(*)	Interest rate %	Original Currency Amount	31 December 2020
TL	7,14%-26,53%	3.537.420.000	3.537.420
USD	0,75%-4,13%	124.924.113	917.005
Euro	0,40%-4,84%	301.429.345	2.715.246
GBP	1,21%-2,06%	4.618.457	45.925
Interest accruals			78.209
TOTAL			7.293.805

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

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

As at 31 December 2020 and 31 December 2019, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

Currency	Interest rate %	Original Currency Amount	31 December 2020
USD	1,75% - 2,79%	27.827.059	204.265
Euro	0,80% - 4,24%	211.973.740	1.909.438
TOTAL			2.113.703

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

As at 31 December 2020 and 31 December 2019, compounded interest rates have been presented.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

16. FUNDS BORROWED (Continued)

As 31 December 2020 and 31 December 2019, details of borrowings based on types of interest rate are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Fixed rate	3.494.113	4.040.343	2.194.456	2.108.167
Variable rate	122.766	1.750.286	1.022.967	1.845.054
	3.616.879	5.790.629	3.217.423	3.953.221

Fair values of the funds borrowed are presented in Note 38.

As at 31 December 2020 the Group has available credit limit of TL 14.939.105 which has fulfilled all necessary conditions but has not been used. (31 December 2019: TL 14.772.424).

17. OTHER LIABILITIES

As at 31 December 2020 and 31 December 2019, details of miscellaneous payables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Advances received (**)	67.340	61.097	22.870	41.742
Payables to suppliers for lease transactions	10.137	252.110	60.491	62.087
Banking and Insurance Transaction Tax	4.723	-	2.636	-
Social Security Premium Liability	916	-	750	-
Income Tax Liability	827	-	723	-
Deferred Income	434	-	554	-
Other Tax and Liabilities	77	-	55	-
Value Added Tax	47	-	36	-
Other ^(*)	19.918	19.916	9.454	21.609
	104.419	333.123	97.569	125.438

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

18. LEASE PAYABLES

	31 December 2020	31 December 2019
Lease Payables	3.634	840
	3.634	840

As of 31 December 2020 and 31 December 2019, the group's forward-looking debt arising from leasing transactions is as follows:

	31 December 2020	31 December 2019
2020	-	656
2021	1.631	184
2022	1.465	-
2023	538	-
	3.634	840

19. DEBT SECURITIES ISSUED

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Bills bonds	1.119.597	-	362.689	-
Interest accruals	26.499	-	7.277	-
	1.146.096	-	369.966	-

As of 31 December 2020, The characteristics of financing bills issued by the group are as follows:

ISIN CODE	Maturity Starting Date	Nominal Value of Capital		Maturity Date	Sale Type	Coupon Period
		Market	Instrument Sold			
TRFISFN12115	25.06.2020	20.500		13.01.2021	Qualified Investor	Payment at maturity
TRFISFN12123	08.10.2020	175.000		27.01.2021	Qualified Investor	Payment at maturity
TRFISFN22114	26.11.2020	100.000		24.02.2021	Qualified Investor	Payment at maturity
TRFISFN32113	09.12.2020	50.000		09.03.2021	Qualified Investor	Payment at maturity
TRFISFN32121	17.12.2020	60.000		17.03.2021	Qualified Investor	Payment at maturity
TRFISFN42112	30.12.2020	110.000		24.04.2021	Qualified Investor	Payment at maturity

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

20. PROVISIONS

As at 31 December 2020 and 31 December 2019, reserve for employee benefits are as follows:

	31 December 2020	31 December 2019
Reserve for employee severance indemnity	6.633	5.449
Vacation pay provision	2.051	1.447
Provision for employee bonus	5.533	4.538
	14.217	11.434

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

IAS 19 - "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As at 31 December 2020 and 31 December 2019, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2020	31 December 2019
Discount rate	4,07%	4,20%
Inflation	8,00%	7,20%
Estimated probability of retirement	100%	100%

For the periods ended 31 December 2020 and 31 December 2019, movements in reserve for employee severance indemnity are as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	5.449	4.510
Interest cost	675	520
Service cost	1.176	732
Actuarial difference	(402)	650
Reversed severance indemnity provision	328	21
Amounts paid to employee severance indemnity	(593)	(984)
Balance at the end of the year	6.633	5.449

The movement of the vacation pay liability for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	1.447	1.581
Increase during the period	604	(134)
Balance at the end of the year	2.051	1.447

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

20. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	4.538	4.138
Increase during the period	5.533	4.538
Reversals	(1.842)	(1.684)
Payment made during the period	(2.696)	(2.454)
Balance at the end of the year	5.533	4.538

As at 31 December 2020 and 31 December 2019, other provisions are as follows:

	31 December 2020	31 December 2019
Provision for lawsuits	8.816	6.874
Provision for general administrative expenses	182	171
Expected Credit Loss for Financial Assets	344	69
	9.342	7.114

Movements in other provisions for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
31 December 2020				
At the beginning of the year	-	6.874	171	69
Period Expense	-	1.942	1.421	182
Payments	-	-	(1.241)	-
Cancellations	-	-	(7)	(69)
At the end of the period	-	8.816	344	182
31 December 2019				
At the beginning of the year	-	4.823	237	74
Period Expense	-	2.393	171	7
Payments	-	-	(237)	-
Cancellations	-	(342)	-	(12)
At the end of the period	-	6.874	171	69

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

21. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Refundable Deferred Tax	-	12.819
Refundable VAT	3.322	4.323
Income taxes withheld	279	877
Total	3.601	18.019

As at 31 December 2020 and 31 December 2019, details of current year tax liability are as follows:

	31 December 2020	31 December 2019
Current period corporate tax provision (Note:35)	78.858	34.738
Previous period corporate tax provision	(891)	-
Taxes paid for the current period	(59.307)	(26.920)
Refundable Corporate Tax	-	12.819
Corporate tax payable	18.660	20.637

For the periods ended 31 December 2020 and 31 December 2019, movements of corporate tax payable are as follows:

	31 December 2020	31 December 2019
Corporate Tax Payable at the Beginning of the Term	20.637	15.489
Current Period Expense	78.858	34.738
Payments During the Term	(79.944)	(42.409)
Corporate Tax To Be Refunded	(891)	-
Corporate tax payable	18.660	20.637

22. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring A.Ş. As at 31 December 2020, the non-controlling interests amounting to 103.839 (31 December 2019: TL 65.484) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 12.035 (31 December 2019: TL (5.082)) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	65.484	65.568
Fair value changes of marketable securities	26.320	4.998
From the Profit/Loss of the year	12.035	(5.082)
Balance at the end of the year	103.839	65.484

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

23. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2020 nominal capital of the Company is 695.303 TL, the share capital of the Company consists 69.530.264.500 of shares Kurus 1 price.

As at 31 December 2020 and 31 December 2019, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	204.850	29,46	198.578
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	193.253
Trakya Yatırım Holding A.Ş.	0,90	6.483	0,90	6.258
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	306	0,08	531
Publicly traded	41,77	290.411	41,77	296.683
TOTAL	100,00	695.303	100,00	695.303

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;

Shareholders	31 December 2020	31 December 2019
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
Trakya Yatırım Holding A.Ş.	45.000.000	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

	31 December 2020	31 December 2019
Other Capital Reserves ^(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive Income/Expenditure</i>		
<i>Reclassified in Profit/Loss</i>	(263)	(588)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss ^(**)	263.459	55.960
Total	263.196	55.372

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

24. PROFIT RESERVES

As at 31 December 2020 and 31 December 2019, details of profit reserves are as follows:

	31 December 2020	31 December 2019
Legal reserves	56.130	51.004
Extraordinary reserves	417.970	345.077
Total	474.100	396.081

^(*) 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 22.626 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 31 December 2020 (31 December 2019: TL 24.177).

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

25. PRIOR YEARS' PROFIT/LOSS

As of 31 December 2020, the group has profit to TL 18.264 for the year (31 December 2019: 24.537).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2020, TL 976.900 of letters of guarantee are given to customs, authorities and banks (31 December 2019: TL 149.248).

As at 31 December 2020, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 15.246 (31 December 2019: TL 13.141). The Group has provided a provision amounting to TL 8.816 for litigations (31 December 2019: TL 6.874) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2020, the Group has letter of credit commitments of USD 7.337.324, EUR 18.528.743 (TL 220.765) (31 December 2019: USD 4.009.298, EUR 4.453.500 (TL 53.434)).

As at 31 December 2020 has no factoring commitment. (31 December 2019: None)

As at 31 December 2020, the Group has lease commitments of USD 31.604.511, EUR 41.317.302 and full TL 297.756.781 (TL 901.932) (31 December 2019: USD 8.901.950, EUR 40.007.625 and full TL 111.157.327 (TL 430.111)).

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 2020 details of derivatives are as follows:

	31 December 2020	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	396.912	3.575
TL	182.765.000	182.765
		186.340
Currency Swap Sales:		
USD	18.000.000	132.129
EUR	5.000.000	45.040
CHF	430.650	3.568
		180.737

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

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

Group's derivative transactions performed with related parties are presented in Note 10.

As of 31 December 2020, there is an unrealized gain amounting to TL 6.098, unrealized loss amounting to TL 5.915 (Note 6) consisting of changes in the fair value of derivative contracts and associated with profit and loss (31 December 2019: TL 1.388 unrealized gain and TL 10.723 unrealized loss).

As at 31 December 2020 analysis of derivative transactions according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	186.340	-	186.340
Currency Swap Sales	180.737	-	180.737

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

27. SEGMENT REPORTING

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

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

Business segments

The Group comprises the following main business segments:

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

31 December 2020	Leasing	Factoring	Consolidation Adjustments	Consolidated
Total assets	8.169.136	4.645.242	(53.766)	12.760.612
Total liabilities	6.874.241	4.168.673	-	11.042.914
Net profit for the year	154.330	55.291	(12.035)	197.586
31 December 2019	Leasing	Factoring	Consolidation Adjustments	Consolidated
Total assets	5.876.819	3.265.246	(53.766)	9.088.299
Total liabilities	4.849.612	2.964.754	-	7.814.366
Net profit for the year	102.557	(23.347)	5.082	84.292

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

27. SEGMENT REPORTING (Continued)

<u>31 December 2020</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Operating Income	536.033	348.305	-	884.338
Financial Expenses (-)	(253.550)	(251.741)	-	(505.291)
Gross Profit/Loss	282.483	96.564	-	379.047
Operating Expense (-)	(52.816)	(37.481)	-	(90.297)
Gross Operating Profit/Loss	229.667	59.083	-	288.750
Other Operating Income	182.231	76.936	-	259.167
Provisions (-)	(141.135)	(55.741)	-	(196.876)
Other operating Expenses (-)	(69.609)	(8.636)	-	(78.245)
Net Operating Profit/Loss	201.154	71.642	-	272.796
Profit or Loss from Continuing Operations before tax	201.154	71.642	-	272.796
Provision for Taxes from Continuing Operations (±)	(46.824)	(16.351)	-	(63.182)
Net Profit or Loss from Continuing Operations	154.330	55.291	-	209.621
Non-controlling Interests	-	-	(12.035)	(12.035)
Net Profit or Loss for the Period	154.330	55.291	(12.035)	197.586
Fixed Asset Additions	10.239	3.966	-	14.205
Depreciation and Amortisation	(3.846)	(3.371)	-	(7.217)

<u>31 December 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidatin Adjustmets</u>	<u>Total</u>
Operating Income	481.056	477.229	-	958.285
Financial Expenses (-)	(441.373)	(357.782)	-	(799.155)
Gross Profit/Loss	39.683	119.447	-	159.130
Operating Expense (-)	(46.490)	(33.671)	-	(80.161)
Gross Operating Profit/Loss	(6.807)	85.776	-	78.969
Other Operating Income	456.112	101.602	-	557.714
Provisions (-)	(110.001)	(202.294)	-	(312.295)
Other operating Expenses (-)	(200.457)	(15.387)	-	(215.844)
Net Operating Profit/Loss	138.847	(30.303)	-	108.544
Profit or Loss from Continuing Operations	138.847	(30.303)	-	108.544
Provision for Taxes from Continuing Operations (±)	(36.290)	6.956	-	(29.334)
Net Profit or Loss from Continuing Operations	102.557	(23.347)	-	79.210
Non-controlling Interests	-	-	5.082	5.082
Net Profit or Loss for the Period	102.557	(23.347)	5.082	84.292
Fixed Asset Additions	2.323	2.451	-	4.774
Depreciation and Amortisation	(3.399)	(2.624)	-	(6.023)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

28. EVENTS AFTER THE REPORTING PERIOD

İş Finansal Kiralama A.Ş. The redemption payment of the bond issued by the ISIN code TRFISFN12115 with a nominal amount of TL 20,500 and a maturity date of 13.01.2021 was made.

İş Finansal Kiralama A.Ş. The financing bond with a nominal amount of 100.000 TL issued by the Capital Markets Board has been registered by the Capital Markets Board with the decision dated 25.06.2020 and numbered 58/1324, and the issuance of the bond was realized as private placement on 15.01.2021 and the maturity is 13.04.2021.

İş Finansal Kiralama A.Ş. The redemption payment of the bond with the ISIN code TRFISFN12123 and a nominal amount of TL 175,000 with a maturity date of 27.01.2021 was made.

İş Finansal Kiralama A.Ş. The financing bond with a nominal amount of 150.000 TL issued by the Capital Markets Board has been registered by the Capital Markets Board with the decision number 58/1324 dated 25.06.2020, and the issuance of the bond was realized as a private placement on 27.01.2021 and the maturity is 28.04.2021.

İş Faktoring A.Ş. The financing bills with a nominal amount of 355,250 TL issued by the Capital Markets Board were registered by the Capital Markets Board with the decision dated 31 December 2020 and numbered 79/1614. The issuance of the bond took place on 08.01.2021 and its maturity is 08.04.2021.

İş Faktoring A.Ş. The redemption payment of the bond with the ISIN code TRFISFA12112 and a nominal amount of 345.000 TL with a maturity date of 08.01.2021 was made.

İş Faktoring A.Ş. The redemption payment of the bond issued by the ISIN code TRFISFA12120 with a nominal amount of 87.150 TL with a maturity date of 18.01.2021 was made

29. OPERATING INCOME

For the periods ended 31 December 2020 and 31 December 2019, details of operating income are as follows:

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Finance Lease income	535.043	480.187
Operating lease income	989	869
Factoring income	348.306	477.229
	884.338	958.285

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

30. OPERATING EXPENSES

For the periods ended 31 December 2020 and 31 December 2019, operating expenses are as follows:

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Personnel expenses	(58.738)	(51.783)
Depreciation and amortization expenses	(7.217)	(6.023)
Office rent expenses	(4.718)	(4.229)
Information technology expenses	(4.236)	(3.355)
Board of Directors attendance fee	(2.867)	(2.789)
Provision for employee severance	(2.180)	(1.273)
Taxes, duties and charges	(1.979)	(1.882)
BRSA participation fee	(1.730)	(2.047)
Consultancy expenses	(964)	(820)
Travel and car expenses	(820)	(1.551)
Advertising expense	(558)	(284)
Communication expense	(431)	(513)
Insurance expense	(197)	(200)
Capital increase expense	(81)	(224)
Write-off expense	(51)	-
Expenses of Keeping on the Rank	(17)	(127)
Other general administrative expenses	(3.513)	(3.061)
	<u>(90.297)</u>	<u>(80.161)</u>

31. OTHER OPERATING INCOME

For the periods ended 31 December 2020 and 31 December 2019, details of other operating income are as follows:

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Income from derivative financial transactions	116.418	175.055
Collections from prior period non-performing receivables and cancellation income	58.674	38.172
Foreign exchange gains	46.453	291.492
Dividend income	6.812	4.380
Commission income	4.219	4.574
Interest income	1.696	8.382
Other	24.895	35.659
	<u>259.167</u>	<u>557.714</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

32. FINANCE EXPENSES

For the periods ended 31 December 2020 and 31 December 2019, details of finance expenses are as follows:

	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Interest expense related to rents	(411.117)	(467.275)
Interest expense on debt securities issued	(76.416)	(295.902)
Fees and commissions expense	(17.235)	(35.651)
Interest expense on funds borrowed	(523)	(327)
	<u>(505.291)</u>	<u>(799.155)</u>

33. PROVISIONS

For the periods ended 31 December 2020 and 31 December 2019, details of provision for non-performing receivables are as follows:

	01.01.2020 - 31.12.2020	01.07.2019 - 31.12.2019
Specific Provisions	(196.876)	(312.295)
	<u>(196.876)</u>	<u>(312.295)</u>

34. OTHER OPERATING EXPENSES

For the periods ended 31 December 2020 and 31 December 2019, details of other operating expenses are as follows:

	01.01.2020 - 31.12.2020	01.07.2019 - 31.12.2019
Losses From Derivative Financial Instruments	(61.674)	(197.634)
Foreign Exchange Losses	(7.881)	-
Other	(8.690)	(18.210)
	<u>(78.245)</u>	<u>(215.844)</u>

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

The difference as foreign currency expenses difference between loss is at amounting TL 2.560 from measurement difference of such transactions in the Group's financial statements as at 31 December 2020 (31 December 2019: TL 2.127 foreign exchange loss). The difference is expected to be substantially expired at the maturity of transactions.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

35. TAXATION

For the periods ended 31 December 2020 and 31 December 2019, details of tax expense are as follows:

	01.01.2020 - 31.12.2020	01.07.2019 - 31.12.2019
Current corporate tax charge	(78.858)	(34.738)
Deferred tax income/(expense)	15.683	5.404
	(63.175)	(29.334)

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

	%	1 January- 31 December 2020	%	1 January- 31 December 2019
Net profit for the period		209.621		79.210
Total tax expense		63.175		29.334
Profit before tax		272.796		108.544
Income tax using the Group's tax rate	22,00	60.015	22,00	23.880
Non-deductible expenses	0,98	2.667	5,51	5.986
Tax exempt income	(0,55)	(1.499)	(0,89)	(963)
Other	0,73	1.992	0,40	431
Total income tax expense	23,16	63.175	27,02	29.334

Corporate Tax

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

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

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

As at 31 December 2020, corporate income tax rate is 22% (31 December 2019: 20%).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

35. TAXATION (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 30 April of the following year (between 1st and 30th of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Transfer Pricing

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

36. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Earnings per share is calculated by dividing net income distributable to shareholders by the weighted average number of shares issued.

The weighted average number of shares of the Group and earnings per share for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
Weighted average number of outstanding shares ^(*)	69.530.264.500	69.530.264.500
Net profit for the year (TL)	197.586	84.292
Basic earnings per share (full TL)	0,28	0,12

^(*) As at 31 December 2020, the share capital of the Company consists 69.530.264.500 of shares having Kurus 1 nominal price.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Number of shares at beginning of the year	69.530.264.500	69.530.264.500
Capital increase	-	-
Number of shares at end of the year	<u>69.530.264.500</u>	<u>69.530.264.500</u>

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

None.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2020, the debt/equity ratio is 16% (31 December 2019: 17%). As at 31 December 2020 and 31 December 2019, the leverage ratios are as follows:

	31 December 2020	31 December 2019
Funds borrowed	9.407.508	7.170.644
Debt securities issued	1.146.096	369.966
Other liabilities	437.542	223.007
Total liabilities	10.991.146	7.763.617
Cash and Cash Equivalents (-)	(382.325)	(421.728)
Net liabilities	10.608.821	7.341.889
Total shareholders' equity	1.717.698	1.273.934
Shareholders' equity/liabilities	16%	17%

According to the credit rating reports of Fitch issued at 02.09.2020, credit ratings of the Company are as follows:

Foreign Currency

Long term	B+
Short term	B
Outlook	Negative

TL

Long term	B+
Short term	B
Outlook	Negative

National

Long term	A+(tur)
Outlook	Stable
Support	4

(b) Significant accounting policies

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 December 2020	31 December 2019
Financial Assets:		
Cash and Cash Equivalents	382.325	421.728
Financial Assets at Fair Value Through Profit or Loss	3.186	951
Derivative Financial Assets	6.098	1.388
Finance lease receivables and non-performing receivables, net	7.151.969	5.106.674
Leasing Contracts in Progress	145.098	79.353
Advances Given for Lease Transactions	210.711	109.010
Other Finance Lease Receivables	20.434	14.289
Factoring receivables and non-performing factoring receivables, Net	4.419.857	3.178.740
Financial Assets at Fair Value Through Other Comprehensive Income	319.297	86.279
Financial Liabilities:		
Derivative financial liabilities at fair value	(5.915)	(10.723)
Finance Lease Obligations	(3.634)	(840)
Other liabilities	(437.542)	(223.007)
Funds borrowed	(9.407.508)	(7.170.644)
Debt securities issued	(1.146.096)	(369.966)

(*) 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 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

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

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

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

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

(f) Currency risk management

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

As 31 December 2020 and 31 December 2019, details of foreign currency denominated assets and liabilities are as follows:

	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
31 December 2020 ^(*)							
Banks	10.950	31.073	1	489	26	-	365.156
Finance lease receivables	120.620	416.587	468	-	-	-	4.641.860
Factoring receivables ^(*)	41.538	88.469	-	4.471	-	-	1.146.285
Advances given for lease transactions	6.733	15.233	12	126	-	-	187.996
Leasing contracts in progress	357	3.773	-	-	-	-	36.605
Other receivables from leasing transactions	112	570	-	-	-	-	5.957
Other assets	21	59	-	-	-	-	688
Total assets ^(**)	180.331	555.764	481	5.086	26	-	6.384.547
Funds borrowed ^(*)	(153.856)	(516.000)	-	(4.620)	-	-	(5.823.394)
Lease Obligations	-	(13)	-	-	-	-	(115)
Other provisions	(2)	(709)	-	(1)	-	-	(6.412)
Other Liabilities	(12.986)	(26.303)	(2)	(84)	(115)	-	(333.123)
Total liabilities ^(**)	(166.844)	(543.025)	(2)	(4.705)	(115)	-	(6.163.044)
Balance sheet position	13.487	12.739	479	381	(89)	-	221.503
Off balance sheet position	(18.000)	(4.603)	(431)	-	-	-	(177.162)
Net foreign currency position	(4.513)	8.136	48	381	(89)	-	44.341

^(*) As at 31 December 2020, foreign currency indexed borrowings amounting to EUR 3.637 (Total: TL 50.140) are presented in TL column in the accompanying consolidated statement of financial position.

^(**) As at 31 December 2020, derivative liabilities amounting to TL 5.915 and derivative financial assets amounting to TL 0 are not included.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

31 December 2019 ^(*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	3.919	59.473	-	99	26	16	419.650
Finance lease receivables	123.950	446.282	1.068	-	-	-	3.710.836
Factoring receivables ^(*)	33.751	59.826	-	1.698	-	-	611.573
Advances given for lease transactions	10.106	7.008	-	-	-	-	106.638
Leasing contracts in progress	646	5.411	-	-	-	-	39.822
Other receivables from leasing transactions	175	726	-	-	-	-	5.866
Other assets	19	19	-	-	-	-	241
Total assets ^(**)	172.566	578.745	1.068	1.797	26	16	4.894.626
Funds borrowed ^(*)	(109.900)	(501.324)	-	(1.576)	-	-	(3.999.187)
Lease Obligations	-	(69)	-	-	-	-	(457)
Other provisions	(3)	(705)	-	-	-	-	(4.704)
Other Liabilities	(6.203)	(13.276)	-	(38)	-	-	(125.438)
Total liabilities ^(**)	(116.106)	(515.373)	-	(1.614)	-	-	(4.129.787)
Balance sheet position	56.460	63.372	1.068	183	26	16	764.840
Off balance sheet position	(55.700)	(67.324)	(1.005)	-	-	-	(784.738)
Net foreign currency position	760	(3.952)	63	183	26	16	(19.898)

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

^(**) As at 31 December 2019, derivative assets amounting to TL 1.338 and derivative liabilities amounting to TL 10.723 are not included.

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

31 December 2020	Profit/(Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	14.850	(14.850)	14.850	(14.850)
2- Hedged portion of TL against USD risk (-)	(19.819)	19.819	(19.819)	19.819
3- Net effect of USD (1+ 2)	(4.969)	4.969	(4.969)	4.969
15% change of the Euro against TL				
4- Net Euro asset/liability	17.213	(17.213)	17.213	(17.213)
5- Hedged portion of TL against Euro risk (-)	(6.220)	6.220	(6.220)	6.220
6- Net effect of Euro (4+5)	10.993	(10.993)	10.993	(10.993)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	627	(627)	627	(627)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	627	(627)	627	(627)
TOTAL (3+6+9)	6.651	(6.651)	6.651	(6.651)

^(*) Includes profit/loss effect.

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

^(*) Includes profit/loss effect.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group's exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 31 December 2020 and 31 December 2019, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	<u>31 December 2020</u>	<u>30 December 2019</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	344.213	395.035
Finance lease receivables	7.136.244	5.077.819
Other Finance Lease Receivables	-	-
Factoring receivables	3.598.443	2.640.831
Financial liabilities:		
Funds borrowed	7.534.456	4.302.623
Debt securities issued	1.146.096	369.966
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables	15.725	28.855
Factoring receivables	821.414	537.909
Financial liabilities:		
Borrowings	1.873.052	2.868.021

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

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

Interest income from finance leases with variable interest rates would be higher at an amount of TL 187 (31 December 2019: TL 324).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 8.102 (31 December 2019: TL 3.978).

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

TL 17.401 (31 December 2019: TL 27.821).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

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

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

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

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 41.882 (31 December 2019: TL 1.753).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

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

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

Sectoral allocation of finance lease receivables is as follows:

	31 December 2020 (%)	31 December 2019 (%)
Construction	18,10	19,00
Textile	16,48	13,00
Metal industry	12,39	12,15
Transportation	9,85	14,07
Mining	6,81	7,36
Energy	5,33	7,77
Chemical and plastic	3,99	3,73
Food and beverage	3,46	3,65
Healthcare	3,02	4,11
Forestry products and paper	2,61	2,33
Agriculture and forestry	2,32	1,76
Finance	1,90	2,50
Retail and wholesale	1,45	1,68
Machinery and equipment	1,33	1,57
Tourism	0,59	1,03
Other	5,92	4,29
	100,00	100,00

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2020, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables							
	Finance Lease Receivables		Factoring Receivables				Financial Assets at Fair Value Through Other Comprehensive Income ^(***)	Derivative Financial Assets
	Related party	Third party	Related party	Third party	Cash and Cash Equivalents	Financial Assets at Fair value through profit/loss		
31 December 2020								
Exposure to maximum credit risk as at reporting date ^(*)	8.540	7.143.429	5.529	4.414.328	3.186	2.881.082	319.297	4.417.140
- The portion of maximum risk covered by guarantee	-	628.083	-	781.980	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	8.540	6.363.333	5.529	4.187.165	3.186	2.881.082	319.297	4.417.140
- The portion covered by guarantee	-	471.837	-	781.926	-	-		
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	60	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	790.114	-	54	-	-	-	-
- The portion covered by guarantee	-	150.412	-	54	-	-	-	-
D. Net carrying value of impaired assets	-	(10.018)	-	227.049	-	-	-	-
- Overdue (gross book value)	-	318.320	-	227.049	-	-	-	-
- Impairment (-)	-	(333.267)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) ^(**)	-	5.834	-	-	-	-	-	-
- Not past due (gross book value)	-	5.368	-	-	-	-	-	-
- Impairment (-)	-	(439)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) ^(**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2019, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables							
	Finance Lease Receivables		Factoring Receivables				Financial Assets at Fair Value Through Other Comprehensive Income ^(***)	Derivative Financial Assets
31 December 2019	Related party	Third party	Related party	Third party	Cash and Cash Equivalents	Financial Assets at Fair value through profit/loss		
Exposure to maximum credit risk as at reporting date ^(*)	57.511	5.049.163	15.029	3.163.711	951	2.396.137	86.279	3.159.747
- The portion of maximum risk covered by guarantee	-	486.079	-	471.747	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	57.511	4.403.382	15.029	2.936.096	951	2.396.137	86.279	3.159.747
- The portion covered by guarantee		371.670	-	471.731				
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	58	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	546.737		16	-	-	-	-
- The portion covered by guarantee	-	101.918	-	16	-	-	-	-
D. Net carrying value of impaired assets	-	99.044	-	227.541	-	-	-	-
- Overdue (gross book value)	-	337.776	-	227.541	-	-	-	-
- Impairment (-)	-	(246.469)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) ^(**)	-	12.491	-	-	-	-	-	-
- Not past due (gross book value)	-	14.523	-	-	-	-	-	-
- Impairment (-)	-	(6.786)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) ^(**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	31 December 2020		31 December 2019	
	Nominal Değeri	Gerçeğe Uygun Değeri ^(*)	Nominal Değeri	Gerçeğe Uygun Değeri ^(*)
Sureties	98.019.666	9.988.918	76.954.532	7.158.227
Collaterals of factoring transaction	13.211.260	643.880	10.470.687	396.934
Mortgage	4.789.727	449.268	3.398.634	316.061
Share certificates	1.495.459	240.357	860.446	200.881
Guaranties of factoring transaction	1.032.695	26.149	210.000	33.502
Pledged shares	868.065	-	647.199	-
Pledged commercial	473.636	94.628	278.520	75.049
Sureties of credit guarantee fund	229.846	115.521	184.930	123.518
Pledged vehicles	140.141	33.058	122.870	97.065
Guarantors	80.724	-	61.991	12
Pledged movable	66.276	-	30.420	-
Commercial receivable insurance	64.504	64.504	-	-
Letters of guarantee	30.367	6.102	31.096	7.047
Ship mortgage	35.067	-	5.773	-
Collaterals given by vendors	18.351	-	14.851	-
Cash blockages	17.490	8.425	21.190	3.750
Funds bonds as collateral	6.627	1.584	8.519	1.625
Collaterals of leasing transaction	3.276	-	799	-
Pledged machines	502	-	2.450	328
	120.583.679	11.672.394	93.306.224	8.413.999

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

(j) Liquidity risk management

The Group management formed liquidity risk management policy for the Group's short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Liquidity risk table

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

(j) Liquidity risk table

31 December 2020 Sözleşme Uyarınca Vadeler	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	382.325	382.327	371.764	10.563	-	-
Financial Assets at Fair value through profit and Loss	3.186	3.186	3.186	-	-	-
Lease Receivables (*)	7.151.969	8.176.991	951.654	2.404.858	4.714.500	105.979
Factoring Receivables	4.419.857	4.539.338	3.475.768	1.045.567	18.003	-
Other Lease Receivables	20.434	20.434	20.434	-	-	-
Total Assets	11.977.771	13.122.276	4.822.806	3.460.988	4.732.503	105.979
Non-derivative Financial Liabilities:						
Funds Borrowed	9.407.508	9.656.615	5.481.683	2.280.939	1.856.037	37.956
Debt Securities Issued	1.146.096	1.163.840	1.053.840	110.000	-	-
Lease Obligations	3.634	4.255	582	1.451	2.222	-
Other Liabilities	437.542	437.541	433.241	4.251	49	-
Total Liabilities	10.994.780	11.262.251	6.969.346	2.396.641	1.858.308	37.956
31 December 2019						
Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	421.728	421.730	413.932	7.798	-	-
Financial Assets at Fair value through profit and Loss	951	951	951	-	-	-
Lease Receivables (*)	5.106.674	5.774.318	781.267	1.659.673	3.259.947	73.431
Factoring Receivables	3.178.740	3.232.424	2.847.544	381.756	3.124	-
Other Lease Receivables	14.289	14.289	14.289	-	-	-
Total Assets	8.722.382	9.443.712	4.057.983	2.049.227	3.263.071	73.431
Non-derivative Financial Liabilities:						
Funds Borrowed	7.170.644	7.405.712	3.671.981	2.317.978	1.303.403	112.350
Debt Securities Issued	369.966	380.000	161.000	219.000	-	-
Lease Obligations	840	873	333	350	190	-
Other Liabilities	223.007	223.007	218.913	2.148	1.946	-
Total Liabilities	7.764.457	8.009.592	4.052.227	2.539.476	1.305.539	112.350

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2020 and 31 December 2019.

31 December 2020 Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Y ears (III)	More than 5 Years (IV)
Cash inflows from derivatives	5.603	186.340	118.326	68.014	-	-
Cash outflows from derivatives	-	180.737	110.107	70.630	-	-
30 December 2019 Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Cash inflows from derivatives	12.692	848.104	347.293	494.652	6.159	-
Cash outflows from derivatives	-	835.412	348.402	480.887	6.123	-

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. 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 2020	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
Financial Assets								
Cash and Cash Equivalents	-	382.325	-	-	-	382.325	382.325	4
Financial Assets at Fair Value Through Profit or Loss	3.186	-	-	-	-	3.186	3.186	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	319.297	-	319.297	319.297	7
Derivative financial assets	6.098	-	-	-	-	6.098	6.098	6
Finance lease receivables and non-performing lease receivables	-	-	7.151.969	-	-	7.151.969	7.096.693	9
Factoring receivables and non-performing factoring receivables	-	-	4.419.857	-	-	4.419.857	4.419.857	8
Financial liabilities								
Derivative financial Liabilities	5.915	-	-	-	-	5.915	5.915	6
Other liabilities	-	-	-	-	437.542	437.542	437.542	17
Lease Payables	-	-	-	-	3.634	3.634	3.634	18
Funds borrowed	-	-	-	-	9.407.508	9.407.508	9.373.845	16
Debt securities issued	-	-	-	-	1.146.096	1.146.096	1.147.837	19

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(I) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	3.186	-	3.186
Derivative financial assets	-	6.098	-	6.098
Financial Assets at Fair Value Through Other Comprehensive Income	315.258	-	-	315.258
Total financial assets carried at fair value	315.258	9.284	-	324.542
Derivative financial liabilities	-	5.915	-	5.915
Total financial liabilities carried at fair value	-	5.915	-	5.915
31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	951	-	951
Derivative financial assets	-	1.388	-	1.388
Financial Assets at Fair Value Through Other Comprehensive Income	81.554	-	686	82.240
Total financial assets carried at fair value	81.554	2.339	686	84.579
Derivative financial liabilities	-	10.723	-	10.723
Total financial liabilities carried at fair value	-	10.723	-	10.723

Directory

Head Office

İş Kuleleri Kule 1 Kat: 6 4.
Levent 34330 İstanbul
Tel: (+90 212) 350 74 00
Fax: (+90 212) 350 74 99

Akdeniz Branch

Yeşilbahçe Mah. 1460 Sok. Turunç Plaza
No: 6/17(AKS) Muratpaşa Antalya
Tel: (+90 242) 316 91 34 / 316 91 38
Fax: (+90 242) 316 91 78

Ankara - Ostim Şube

100. Yıl Bulv. OFİM No: 99/88 Kat: 4
Ostim Yenimahalle Ankara
Tel: (+90 312) 354 62 15 / 354 62 16
Fax: (+90 312) 354 62 17

Çukurova Branch

Çınarlı Mah. Turhan Cemal Beriker Bulv.
No: 31 Seyhan Adana
Tel: (+90 322) 363 04 81
Fax: (+90 322) 363 04 82

Diyarbakır Branch

Fırat Mah. Urfa Bulv. Altınşehir 1 Sitesi
No: 152/1 Kat: 1 Kayapınar Diyarbakır
Tel: (+90 412) 252 51 33
Fax: (+90 412) 252 51 32

Ege Branch

Çınarlı Mah. Ozan Abay Cad. B Blok
No: 10/011 Konak İzmir
Tel: (+90 232) 483 22 04 / 483 39 20
Fax: (+90 232) 483 12 38

Güney Anadolu Branch

İncilipınar Mah. 36017 Nolu Sok.
Kepkepzade Park İş Merkezi C Blok
No: 6/26 Şehitkamil Gaziantep
Tel: (+90 342) 230 44 49 / 230 17 15
Fax: (+90 342) 220 92 62

İç Anadolu Branch (Corporate)

Yıldızevler Mah. 714. Sok. No: 6
Kumru Ankara Projesi D: 21
Ankara Çankaya
Tel: (+90 312) 446 68 30 / 446 68 34

İstanbul - Avcılar Branch

Bahçelievler Mah. Yanyol D-100 Sokağı
Metroport Busidence No: 14B D: 609
34180 Bahçelievler İstanbul
Tel: (+90 212) 442 05 21
Fax: (+90 212) 442 05 97

İstanbul - Kartal Branch

Esentepe Mah. Cevizli D-100 Güney Yanyol
Lapis Han No: 25/101 Kartal İstanbul
Tel: (+90 216) 374 55 68 / 306 96 23 /
517 10 54
Fax: (+90 216) 353 80 77

İstanbul - Kozyatağı Branch (Corporate)

19 Mayıs Mah. Bayar Cad. Şakacı Sok.
No: 16 Baytur Kozyatağı Konutları G Blok
D: 1 Kozyatağı Kadıköy İstanbul
Tel: (+90 216) 688 75 58

İstanbul - Şişli Branch

Esentepe Mah. Büyükdere Cad. Levent
Loft Residence No: 201 C Blok K: 5 D: 96
Şişli İstanbul
Tel: (+90 212) 987 04 00
Fax: (+90 212) 283 09 17

Marmara Branch

Odunluk Mah. Akademi Cad. Zeno
Business Center No: 2 C-17 Nilüfer Bursa
Tel: (+90 224) 452 56 52 / 452 32 40
Fax: (+90 224) 451 41 55

Kayseri Branch

Barbaros Mah. Oymak Cad. Sümer
Hukuk Plaza A Blok No: 8 Kat: 2 Daire: 10
Kocasinan Kayseri
Tel: (+90 352) 240 77 00 / 245 38 00
Fax: (+90 352) 240 99 66

Konya Branch

Fevzi Çakmak Mah. 10633. Sok. No: 4/106
Karatay Konya
Tel: (+90 332) 345 44 27
Fax: (+90 332) 345 44 28

Trabzon Branch

Kahramanmaraş Cad. No: 28/A 61200
Merkez Trabzon
Tel: (+90 462) 321 14 22
Fax: (+90 462) 321 14 23

www.isleasing.com.tr