

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

**İş Finansal Kiralama
Anonim Şirketi and Its Subsidiary**

**Consolidated Financial Statements as at and for the
interim period ended 1 January - 30 September 2019**

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2019

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

	ASSETS	Notes	Unaudited Current Period 30 September 2019			Audited Prior Period (*) 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	4	4.944	326.565	331.509	3.581	268.988	272.569
II	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	38.329	-	38.329	859	-	859
III.	DERIVATIVE FINANCIAL ASSETS	6	-	12.009	12.009	-	72.110	72.110
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	73.031	-	73.031	41.622	-	41.622
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		3.321.168	3.984.888	7.306.056	3.800.153	4.246.622	8.046.775
5.1	Factoring Receivables	8	1.927.661	384.407	2.312.056	2.201.496	528.479	2.729.975
5.1.1	Discounted Factoring Receivables (Net)		373.323	92.541	465.864	315.924	101.991	417.915
5.1.2	Other Factoring Receivables		1.554.338	291.866	1.846.204	1.885.572	426.488	2.312.060
5.2	Financing loans		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	Lease Receivables (Net)	9	1.123.817	3.622.839	4.746.656	1.495.532	3.722.565	5.218.097
5.3.1	Finance Lease Receivables		1.379.559	4.049.933	5.429.942	1.824.423	4.146.586	5.971.009
5.3.2	Operational Lease Receivables		-	-	-	-	1	1
5.3.3	Unearned Income (-)		(255.742)	(427.094)	(682.836)	(328.891)	(424.022)	(752.913)
5.4	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5	Non-Performing Loans	8,9	567.462	15.151	582.613	270.608	26.800	297.408
5.6	Expected Credit Loss (-) / Specific Provisions (-)		(297.772)	(37.509)	(335.281)	(167.483)	(31.222)	(198.705)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	11	13.256	-	13.256	13.486	-	13.486
VIII.	INTANGIBLE ASSETS (Net)	12	4.074	-	4.074	4.438	-	4.438
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSET	21	822	-	822	61.384	-	61.384
XI.	DEFERRED TAX ASSET	13	19.331	-	19.331	27.532	-	27.532
XII.	OTHER ASSETS	15	52.551	122.403	174.954	56.066	83.880	139.946
	SUB TOTAL		3.527.506	4.445.865	7.973.371	4.009.121	4.671.600	8.680.721
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	989	-	989	939	-	939
XI	Held for Sale		989	-	989	939	-	939
XII	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.528.495	4.445.865	7.974.360	4.010.060	4.671.600	8.681.660

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2019

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

	LIABILITIES	Notes	Unaudited Current Period 30 September 2019			Audited Prior Period (*) 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	16	1.949.908	3.791.150	5.741.058	2.067.201	2.838.023	4.905.224
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE PAYABLES	18	634	644	1.278	-	-	-
IV.	SECURITIES ISSUED (Net)	19	756.749	-	756.749	2.352.041	-	2.352.041
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITY	6	-	205	205	-	96.521	96.521
VII.	PROVISIONS	20	13.380	4.396	17.776	11.088	4.275	15.363
7.1	Restructuring Provisions		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		9.932	-	9.932	10.229	-	10.229
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		3.448	4.396	7.844	859	4.275	5.134
VIII.	CURRENT PERIOD TAX LIABILITY	21	10.927	-	10.927	15.489	-	15.489
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITY	17	52.200	100.572	152.772	48.163	98.279	146.442
	SUB TOTAL		2.783.798	3.896.967	6.680.765	4.493.982	3.037.098	7.531.080
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDER'S EQUITY		1.293.595	-	1.293.595	1.150.580	-	1.150.580
13.1	Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2	Capital Reserves	23	1.938	-	1.938	1.938	-	1.938
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	23	(73)	-	(73)	(73)	-	(73)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	44.247	-	44.247	16.300	-	16.300
13.5	Profit Reserves	24	396.081	-	396.081	214.092	-	214.092
13.5.1	Legal Reserves		51.004	-	51.004	44.321	-	44.321
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		345.077	-	345.077	169.771	-	169.771
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		78.362	-	78.362	157.452	-	157.452
13.6.1	Prior Periods Profit/Loss	25	(24.537)	-	(24.537)	(40.085)	-	(40.085)
13.6.2	Current Period Profit/Loss		102.899	-	102.899	197.537	-	197.537
	Non-Controlling Interests	22	77.737	-	77.737	65.568	-	65.568
	TOTAL LIABILITIES		4.077.393	3.896.967	7.974.360	5.644.562	3.037.098	8.681.660

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS AT 31 DECEMBER 2018 AND 30 SEPTEMBER 2019

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 30 September 2019			Audited Prior Period 31 December 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		54.465	239.180	293.645	58.178	65.715	123.893
II.	REVOCABLE FACTORING TRANSACTIONS		133.688	58.979	192.667	223.224	47.935	271.159
III.	COLLATERALS RECEIVED	38	35.597.668	54.654.546	90.252.214	33.795.392	52.589.160	86.384.552
IV.	COLLATERALS GIVEN	26	874.838	12.385	887.223	1.680.759	4.397	1.685.156
V.	COMMITMENTS		109.376	323.545	432.921	42.222	235.335	277.557
5.1	Irrevocable Commitments		-	86.689	86.689	-	63.806	63.806
5.2	Revocable Commitments		109.376	236.856	346.232	42.222	171.529	213.751
5.2.1	Lease Commitments		109.376	236.856	346.232	42.222	171.529	213.751
5.2.1.1	Finance Lease Commitments		109.376	236.856	346.232	42.222	171.529	213.751
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	26	500.147	502.959	1.003.106	1.705.290	1.652.342	3.357.632
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		500.147	502.959	1.003.106	1.705.290	1.652.342	3.357.632
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		500.147	502.959	1.003.106	1.705.290	1.652.342	3.357.632
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		306.396	122.214	428.610	186.991	123.886	310.877
	TOTAL OFF-BALANCE SHEET ITEMS		37.576.578	55.913.808	93.490.386	37.692.056	54.718.770	92.410.826

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SEMİ ANNUAL PERIOD ENDED 30 SEPTEMBER SEPTEMBER 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	PROFIT OR LOSS STATEMENT	Notes	Unaudited Current Period 01.01-30.09.2019	Unaudited Prior Period 01.07-30.09.2019	Restated Unaudited Prior Period (*) 01.01-30.09.2018	Restated Unaudited Prior Period (*) 01.07-30.09.2018
I.	OPERATING INCOME	29	754.994	243.498	756.106	296.762
	FAKTORİNG INCOME		399.043	127.719	406.180	163.382
1.1	Factoring Interest Income		386.561	128.126	375.066	148.985
1.1.1	Discounted		55.009	21.562	75.348	21.293
1.1.2	Other		331.552	106.564	299.718	127.692
1.2	Factoring Commission Income		12.482	(407)	31.114	14.397
1.2.1	Discounted		1.726	762	4.009	1.021
1.2.2	Other		10.756	(1.169)	27.105	13.376
	INCOME FROM FINANCING LOANS		-	-	-	-
1.3	Interest income from Financing Loans		-	-	-	-
1.4	Fees and Commission Income from Financing Loans		-	-	-	-
	LEASE INCOME		355.951	115.779	349.926	133.380
1.5	Finance Lease Income		355.239	115.561	349.500	133.191
1.6	Operational Lease Income		712	218	426	189
1.7	Fees and Commission Income from Lease Operations		-	-	-	-
II.	FINANCING EXPENSES (-)	32	(684.017)	(189.693)	(664.177)	(266.912)
2.1	Interest Expense on Funds Borrowed		(371.602)	(115.085)	(444.515)	(176.596)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Interest Expense of Finance Leasing Expenses		(289)	(68)	-	-
2.4	Interest Expense on Securities Issued		(280.374)	(61.781)	(194.283)	(80.437)
2.5	Other Interest Expenses		-	-	-	-
2.6	Fees and Commissions Paid		(31.752)	(8.759)	(25.379)	(9.879)
III.	GROSS PROFIT / LOSS (I-II)		70.977	57.805	91.929	29.850
IV.	OPERATING EXPENSES (-)	30	(60.697)	(19.021)	(54.254)	(17.551)
4.1	Personal Expenses		(39.461)	(12.325)	(35.229)	(11.115)
4.2	Employee Severance Indemnity Expense		(1.443)	(364)	(1.036)	(539)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administration Expenses		(19.793)	(6.332)	(17.989)	(5.897)
4.5	Other		-	-	-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		10.280	38.784	37.675	12.299
VI.	OTHER OPERATING INCOME	31	491.375	32.998	548.590	291.330
6.1	Interest Income on Bank Deposits		7.642	1.160	4.896	2.006
6.2	Interest Income on Marketable Securities Portfolio		69	69	-	(145)
6.3	Dividend Income		4.380	-	5.391	-
6.4	Gains on Securities Trading		-	-	-	-
6.5	Income From Derivative Financial Instruments		293.046	63.868	166.874	47.724
6.6	Foreign Exchange Gains		133.345	(42.253)	332.311	230.360
6.7	Other		52.893	10.154	39.118	11.385
VII.	PROVISION EXPENSES (-)	33	(166.825)	(20.090)	(24.290)	(5.621)
7.1	Specific Provisions		-	-	-	-
7.2	Expected Credit Losses		(166.825)	(20.090)	(24.290)	(5.621)
7.3	General Provisions		-	-	-	-
7.4	Other		-	-	-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(187.283)	31.511	(353.929)	(221.840)
8.1	Impairment Losses on Securities Portfolio		-	-	-	-
8.2	Impairment Losses on Tangible and Intangible Assets		-	-	-	-
8.3	Losses on Securities Trading		-	-	-	-
8.4	Losses From Derivative Financial Instruments		(183.227)	32.019	(349.721)	(230.364)
8.5	Foreign Exchange Losses		-	-	-	9.900
8.6	Other		(4.056)	(508)	(4.408)	(1.376)
IX.	NET OPERATING PROFIT (V+...+VIII)		147.547	83.203	208.046	76.168
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-	-	-
XI.	NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XII.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		147.547	83.203	208.046	76.168
XIII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(35.943)	(16.921)	(76.986)	(40.177)
14.1	Current Tax Provision		(27.742)	(12.374)	-	-
14.2	Deferred Tax Income Effect (+)		(8.201)	(4.547)	-	-
14.3	Deferred Tax Expense Effect (-)		-	-	54.828	39.524
XIV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		111.604	66.282	131.060	35.991
XV.	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		-	-	-	-
XVI.	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		-	-	-	-
XVII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-	-	-
XVIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
19.1	Current Tax Provision		-	-	-	-
19.2	Deferred Tax Expense Effect (+)		-	-	-	-
19.3	Deferred Tax Income Effect (-)		-	-	-	-
XIX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-	-	-
	NON-CONTROLLING INTERESTS		8.705	5.828	22.894	11.034
XX.	NET PROFIT FOR THE PERIOD (XV+XX)		102.899	60.454	108.166	24.957
	EARNINGS PER SHARE (**)	36	0,15	0,15	0,14	0,03
	Earnings Per Share from Continued Operations		0,15	0,15	0,14	0,03
	Earnings Per Share from Discontinued Operations		-	-	-	-
	DILUTED EARNINGS PER SHARE	36	0,15	0,15	0,14	0,03
	Earnings Per Share from Continued Operations		0,15	0,15	0,14	0,03
	Earnings Per Share from Discontinued Operations		-	-	-	-

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

(**) Shown in exact TL.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Unaudited	Unaudited	Restated	Restated
		Current Period	Current Period	Unaudited Prior Period(*)	Unaudited Prior Period(*)
		01.01-30.09.2019	01.07-30.09.2019	01.01-30.09.2018	01.07-30.09.2018
I.	CURRENT PERIOD PROFIT/LOSS	111.604	66.282	131.060	35.991
II.	OTHER COMPREHENSIVE INCOME	31.411	16.270	(22.089)	(10.913)
2.1	Items that will not be Reclassified to Profit or Loss	-	-	-	-
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	-	-	-	-
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	-	-	-	-
2.2	Items that may be Reclassified subsequently to Profit or Loss	31.411	16.270	(22.089)	(10.913)
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	31.411	16.270	(22.089)	(10.913)
2.2.3	Cash Flow Hedge Income/Losses	-	-	-	-
2.2.4	Net Investment Hedge Income/Losses	-	-	-	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
2.2.6.1	Current Tax Income/Expense	-	-	-	-
2.2.6.2	Deferred Tax Income/Expense	-	-	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	143.015	82.552	108.971	25.078

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

CHANGES IN EQUITY	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			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	
						1	2	3	4	5	6						
I. Prior Period (01.01 – 30.09.2018) (Unaudited) (*)																	
II. Balance at the Beginning of the Period		650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	-	112.948	41.088	974.668	
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	(40.085)	-	(3.806)	(43.891)		
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	(40.085)	-	(3.806)	(43.891)		
IV. New Balance (I+II)	24	650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	(40.085)	112.948	37.282	930.777	
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	(18.454)	-	-	-	108.166	19.259	108.971	
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Increase from internal reserves		45.000	-	-	-	-	-	-	-	-	-	(45.000)	-	-	-	-	
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XII)		695.303	-	-	1.938	-	58	-	-	3.755	-	214.992	(40.085)	108.166	56.541	1.039.748	
I. Current Period (01.01 – 30.09.2019) (Unaudited)																	
II. Balance at the Beginning of the Period		695.303	-	-	1.938	-	(73)	-	-	16.300	-	214.992	(40.085)	197.537	65.568	1.150.580	
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	(15.548)	15.548	-	-	-	
3.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	(15.548)	15.548	-	-	-	
IV. New Balance (I+II)	24	695.303	-	-	1.938	-	(73)	-	-	16.300	-	198.544	(24.537)	197.537	65.568	1.150.580	
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	27.947	-	-	-	102.899	12.169	143.015	
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	197.537	-	(197.537)	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	197.537	-	(197.537)	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XII)		695.303	-	-	1.938	-	(73)	-	-	44.247	-	396.081	(24.537)	102.899	77.737	1.293.595	

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

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

		Unaudited Current Period	Restated Unaudited Prior Period(*)
	Notes	01.01-30.09.2019	01.01-30.09.2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		120.659	355.953
1.1.1 Interests Received/Lease Income		725.325	707.732
1.1.2 Interest Paid / Lease Expenses		(714.020)	(619.456)
1.1.4 Dividends Received		4.380	5.391
1.1.5 Fees and Commissions Received		12.482	31.114
1.1.6 Other Income		22.713	15.370
1.1.7 Collections from Non-performing Receivables	31	30.249	3.025
1.1.8 Payments to Personnel and Service Suppliers		(36.080)	(32.119)
1.1.9 Taxes Paid		(30.143)	(74.569)
1.1.10 Others	21	105.753	319.465
1.2 Changes in Operating Assets and Liabilities		1.460.284	(733.918)
1.2.1 Net (Increase) Decrease in Factoring Receivables		233.944	2.032.610
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		492.656	(274.623)
1.2.4 Net (Increase) Decrease in Other Assets		48.135	(11.449)
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		1.278	-
1.2.7 Net Increase (Decrease) in Funds Borrowed		745.510	(2.511.375)
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		(61.239)	30.919
I. Net Cash Provided from / (Used in) Operating Activities		1.580.943	(377.965)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	(1.020)
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	11,12	(4.164)	(15.536)
2.4 Proceeds From Sale of Tangible and Intangible Assets	11,12	188	12.387
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		-	(13.580)
II. Net cash used in investing activities		(3.976)	(17.749)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		4.046.526	3.420.766
3.2 Cash used for repayment of funds borrowed and securities issued		(5.563.746)	(3.029.544)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		(1.517.220)	391.222
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(800)	(894)
V. Net Increase / (Decrease) in Cash and Cash Equivalents		58.947	(5.386)
VI. Cash and Cash Equivalents at the Beginning of the Period	4	272.557	247.874
VII. Cash and Cash Equivalents at the End of the Period	4	331.504	242.488

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

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

Dividend Payable

As at 30 September 2019, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 30 September 2019 have been approved by the Board of Directors of the Group and authorized for issue as at 31 October 2019. The General Assembly and / or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

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

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

Note 8 – Factoring receivables

Note 9 – Lease receivables

Note 20 – Provisions

Note 26 – Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group’s subsidiary as at 30 September 2019 and 31 December 2018 are as follows:

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

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

(i) Subsidiaries

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

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

As at 30 September 2019 and 31 December 2018, the Company owns 78,23% of İş Faktoring A.Ş.. As the Company has the power to control the operations of the İş Faktoring A.Ş., the financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying consolidated financial statements.

(ii) Transactions eliminated on consolidation

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

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

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

Offsetting

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

2.2 Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current period. Material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated.

The Company has started to apply TFRS 9 as of 1 January 2018; The opening effect resulting from the transition to TFRS 9 is reflected in the financial statements as of 31 December 2018. Furthermore, TFRS 9 has been restated in the statement of profit or loss of 30 September 2018 due to the publication of the interim report dated 30 September 2018 and its effects on the financial statements are as follows.

	Reported 30 September 2018	Restatement	Restated Amount 30 September 2018
Shareholder's equity	1.070.497	(30.749)	1.039.748
Prior Periods Profit/loss	-	(40.085)	(40.085)
Profit/loss on continuing operations before tax	187.323	20.723	208.046
Non-controlling interests	(19.872)	(3.022)	(22.894)
Tax provision for continuing operations	-	-	-
Other operating income	527.867	20.273	548.590
Other operating expenses (-)	(353.929)	-	(353.929)
Provision expenses (-)	(24.290)	-	(24.290)
Net profit for the period	95.024	13.142	(108.166)

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

i) **The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows:**

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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

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

Transition to TFRS 16:

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

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

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

Assets

Tangible Assets (Right-of-use assets)	1.498
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Liabilities

Lease Liabilities	1.566
Deferred Lease Expenses	(68)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (continued):

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

Right-of-use assets

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

Lease liabilities

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

- i) **The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (continued):**

Short-term leases and leases of low-value assets

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

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

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

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

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

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

Annual Improvements – 2015–2017 Cycle

In January 2019 the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment will not have a major impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On January 2019, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The amendment will not have a major impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment will not have a major impact on the financial position or performance of the Group.

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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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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

TFRS 17 - The new Standard for insurance contracts

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

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

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

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

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

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

b. Tangible Assets

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

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

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

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

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

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

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

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Financial Assets

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

Financial Assets at Fair Value Through Profit or Loss

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

Financial Assets Measured at Amortised Cost

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial Assets (Continued)

Financial Lease Receivables, Factoring Receivables and Expected Credit Loss

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

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

Stage 1:

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

Stage 2:

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

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

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

Stage 3

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

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

Specific provision is provided for factoring receivables in Stage 3.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

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

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

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

i. Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Group as at 30 September 2019 and 31 December 2018 are as follows:

	<u>31 September 2019</u>	<u>31 December 2018</u>
USD	5,6591	5,2609
EUR	6,1836	6,0280
GBP	6,9487	6,6528
CHF	5,6857	5,3352
100 JPY	5,2294	4,7547
AUD	3,8156	3,7026

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

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

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

k. Events After the Reporting Period

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

l. Provisions, Contingent Liabilities and Contingent Assets:

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

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

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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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

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

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Discount rate	4,22%	4,22%
Expected rate of salary/limit increase	11,30%	11,30%
Probability of retirement	100%	100%

p. Statement of Cash Flows

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

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

r. Share Capital and Dividends

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

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).

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4. CASH AND CASH EQUIVALENTS

As at 30 September 2019 and 31 December 2018, the details of the banks are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Demand Deposits	4.944	27.218	3.581	26.198
Time Deposits	-	299.344	-	242.778
Interest accrual	-	3	-	12
	4.944	326.565	3.581	268.988

The details of the time deposits as at 30 September 2019 are as follows:

Currency	Interest Rate (%)	Maturity	30 September 2019
USD	1,85%	01.10.2019	28.336
Euro	0,10%-0,70%	01.10.2019-18.10.2019	271.011
			299.347

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

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

As at 30 September 2019, TL 314.811 portion of total foreign currency deposits (31 December 2018: TL 258.024) and TL 4.545 portion of total TL deposits (31 December 2018: TL 3.151) consist of accounts at the Group’s main shareholder, Türkiye İş Bankası A.Ş.

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

	30 September 2019	31 December 2018
Demand deposits	31.162	29.779
Time deposits (1-3 months) (excluding accrual)	299.344	242.778
Cash and cash equivalents	331.506	272.557

As at 30 September 2019 and 31 December 2018, there is no blockage on cash and cash equivalents

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

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

As at 30 September 2019 and 31 December 2018, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	30 September 2019	
	TL	FC
Debt securities issued by private sector(*)	400	-
Specific provisions/ Expected Credit Loss(-)	(400)	-
Mutual funds	38.329	-
	38.329	-

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

(*) In its meeting held on 11 February 2016, Borsa İstanbul A.Ş. (Istanbul Stock Exchange) Board of Directors has decided to delist the debt instruments coded TRSAYNS51619, TRSAYNSK1619 and TRSAYNS21711 ISIN of Aynes Gıda Sanayi ve Ticaret A.Ş., the debt instruments of which are listed in BIST Debt Instruments Market Definite Trading Market, due to failure of the named Company in its coupon payment of 2 February 2016 relating to its debt instrument coded TRSAYNS51619 ISIN. The coupon payments and the principal payment of the debt instrument coded TRSAYNSK1619 ISIN included in the assets of the Group have not been made by Aynes Gıda Sanayi ve Ticaret A.Ş., the Group has recognized allowance for impairment losses on the debt instrument amounting to its total carrying amount.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 38.329 (31 December 2018: TL 859).

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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

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	12.009	-	72.110
	-	12.009	-	72.110

Derivative Financial Liabilities

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	205	-	96.521
Total	-	205	-	96.521

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

As at 30 September 2019 and 31 December 2018, details of financial assets at fair value through other comprehensive income (formerly known as financial assets available for sale) are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				30 September 2019	31 December 2018	30 September 2019	31 December 2018
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	66.559	35.559
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.747	1.338
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services Asset	İstanbul	1,00	1,00	1,00	686	686
Efes Varlık Yönetimi A.Ş.	Management	İstanbul	10,00	10,00	10,00	4.000	4.000
TOTAL						73.031	41.622

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8. FACTORING RECEIVABLES

As at 30 September 2019 and 31 December 2018 details of factoring receivables are as follows:

	30 September 2019	31 December 2018
Factoring receivables	2.326.166	2.738.891
Factoring interest income accrual (-)	(14.098)	(8.916)
Total factoring receivables	2.312.068	2.729.975
Stage 1 (Expected Credit Loss)	(13.053)	(9.412)
Stage 2 (Expected Credit Loss)	(1.186)	(2.875)
Total factoring receivables	2.297.829	2.717.688
Non-performing factoring receivables	215.971	31.016
Specific provisions- Stage 3	(98.645)	(23.827)
Factoring receivables, net	2.415.155	2.724.877

As at 30 September 2019, the rating of factoring receivables are as follows:

Ratings – 30 September 2019	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.215.903	96.165	215.971	2.528.039
Very good	1.244.036	-	-	1.244.036
Standard	971.867	-	-	971.867
Substandard	-	96.165	215.971	312.136
Expected credit loss and specific provisions	(13.053)	(1.186)	(98.645)	(112.884)
Factoring receivables, net	2.202.850	94.979	117.326	2.415.155

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

Ratings – 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.471.235	258.740	31.016	2.760.991
Very good	1.714.790	-	-	1.714.790
Standard	756.445	-	-	756.445
Substandard	-	258.740	31.016	289.756
Expected credit loss and specific provisions	(9.412)	(2.875)	(23.827)	(36.114)
Factoring receivables, net	2.461.823	255.865	7.189	2.724.877

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8. FACTORING RECEIVABLES (Continued)

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

	1 January- 30 September 2019	1 January- 30 September 2018
Provision at the beginning of the period (*)	(36.114)	(79.841)
Provision reversed during the period	(92.061)	(6.191)
Collections	15.291	19.049
Provision at the end of the period	(112.884)	(66.983)

As at 30 September 2019, the average interest rates applicable for the factoring receivables are 20,44% for TL, for 8,19% USD, 4,23% for EUR and 5,65% for GBP (31 December 2018: 34,75% for TL, 14,24% for USD, 5,83% for EUR and 6,51% for GBP).

As of 30 September 2019, TL 492.093 thousand, EUR 68.805 thousand, USD 26.076 thousand and GBP 13.467 thousand factoring receivables have variable interest rates, (31 Aralık 2018: TL 593.136 thousand, EUR 34.952 thousand, USD 55.672 thousand and GBP 12 thousand), TL 1.534.518 thousand, EUR 164.715 thousand, USD 115.468 thousand, GBP 13 thousand faktoring receivable have stabil interest rates (31 Aralık 2018: TL 1.607.396 thousand, EUR 34.952 thousand, USD 55.672 thousand, GBP 13.667).

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

	30 September 2019	31 December 2018
Domestic irrevocable	1.208.688	1.564.723
Foreign irrevocable	111.354	223.994
Domestic revocable	989.716	817.688
Foreign revocable	105.397	118.472
	2.415.155	2.724.877

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8. FACTORING RECEIVABLES (Continued)

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Up to 90 days	86	-
Between 90 – 180 days	6.653	10.897
Between 180 – 360 days	186.993	5.725
Over 360 days	22.239	14.394
	<u>215.971</u>	<u>31.016</u>

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

As at 30 September 2019, standard and close monitoring factoring receivables and the close monitoring factoring receivable amendments made related to the extension of the payment plan as follows:

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	13.021
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	-
6 Months – 12 Months	-	1.491
1 – 2 Years	-	12.655
2 –5 Years	-	-
5 Years and More	-	-

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

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	190.109
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	<u>Standard Receivables</u>	<u>Receivables Under Close Monitoring</u>
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	617
6 Months – 12 Months	-	180.917
1 – 2 Years	-	8.575
2 –5 Years	-	-
5 Years and More	-	-

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9. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 30 September 2019, details of finance lease receivables are as follows:

	Short Term	Long Term	Total
Financial Lease Receivables	2.254.028	3.715.464	5.429.492
Unearned interest income (-)	(318.793)	(364.043)	(682.836)
Subtotal			
Expected Credit Loss– Stage 1	(683)	(9.140)	(9.823)
Expected Credit Loss – Stage 2	(24.411)	(4.307)	(28.718)
Total Financial Lease Receivables	1.910.141	2.797.974	4.708.115
Non- Performing Lease Receivables	360.453	6.189	366.642
Specific provision– Stage 3	(180.752)	(3.104)	(183.856)
Net finance lease receivables	2.089.842	2.801.059	4.890.901

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial Assets	331.509	-	-	62	-	-
Financial Lease Receivables	4.338.292	408.364	366.642	(9.823)	(28.718)	(183.856)

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

	Short Term	Long Term	Total
Financial Lease Receivables	2.511.476	3.459.533	5.971.009
Unearned interest income (-)	(369.320)	(383.593)	(752.913)
Expected Credit Loss– Stage 1	(2.943)	(7.724)	(10.667)
Expected Credit Loss – Stage 2	(3.861)	(11.455)	(15.316)
Total Financial Lease Receivables	2.135.352	3.056.761	5.192.113
Non- Performing Lease Receivables	250.803	15.589	266.392
Specific provision– Stage 3	(128.613)	(7.994)	(136.607)
Net finance lease receivables	2.257.542	3.064.356	5.321.898

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

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

As at 30 September 2019, the rating of finance lease receivables are as follows:

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	-	-	-	-
A (Very good))	7.912	10.651	1	18.564
A- (Good)	180.315	3.948	8.046	192.309
B+ (Enough)	1.000.696	66.520	118.221	1.185.437
B (Reasonable)	963.315	95.492	16.626	1.075.433
B- (Close Monitoring)	1.102.451	142.159	134.882	1.379.492
C+ (Insufficient)	656.363	44.904	22.325	723.592
C (Suspicious)	222.583	24.548	27.991	275.122
Scoring				
Y (High)	58.580	2.387	4.302	65.269
O (medium)	120.332	8.950	24.731	154.013
D (Low)	28.038	6.511	9.518	44.067
Expected Loss Provisions and specific provision	(9.823)	(28.718)	(183.856)	(222.397)
Leasing receivables	4.330.762	377.352	182.787	4.890.901

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	-	-	-	-
A (Very good))	204.916	46.118	8.121	259.155
A- (Good)	1.105.649	190.938	18.416	1.315.003
B+ (Enough)	901.674	152.720	27.736	1.082.130
B (Reasonable)	1.245.006	62.074	111.474	1.418.554
B- (Close Monitoring)	647.080	31.680	11.720	690.480
C+ (Insufficient)	257.638	8.281	22.068	287.987
C (Suspicious)	11.634	9.352	6.012	26.998
Scoring				
Y (High)	94.453	4.184	3.359	101.996
O (medium)	207.619	15.304	17.100	240.023
D (Low)	49.018	5.314	7.831	62.163
Expected Loss Provisions and specific provision	(10.668)	(15.316)	(136.607)	(162.591)
Leasing receivables	4.714.019	510.649	97.230	5.321.898

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9. LEASE RECEIVABLES(Continued)

A. Financial Lease Receivables(Continued)

As at 30 September 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	-	124.696
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	-	124.696
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	396.834
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months – 12 Months	-	396.834
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

As at 30 September 2019, analysis of finance lease receivables according to their maturities is as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 and after</u>	<u>Toplam</u>
Finance lease receivables (gross)	867.014	1.981.204	1.361.459	785.415	397.724	180.921	5.573.737
Unearned interest	<u>(100.594)</u>	<u>(303.864)</u>	<u>(163.023)</u>	<u>(69.103)</u>	<u>(38.636)</u>	<u>(7.616)</u>	<u>(682.836)</u>
Finance lease receivables (net)	<u>766.420</u>	<u>1.677.340</u>	<u>1.198.436</u>	<u>716.312</u>	<u>359.088</u>	<u>173.305</u>	<u>4.890.901</u>

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

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

As at 30 September 2019, the average compound interest rates applicable for the finance lease receivables are 20,44% for TL, 7,61% for USD, and 5,27% for EUR (31 December 2018: 17,08 % for TL, 6,83 % for USD, and 5,01 %for EUR).

As at 30 September 2019, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net) (TL)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	135.984.707	769.551	21.503.684	121.691
EUR	457.296.000	2.827.736	49.339.610	305.096
CHF	1.217.000	6.919	53.912	307
TL	-	1.286.695	-	255.742
Total		<u>4.890.901</u>		<u>682.836</u>

As at 31 December 2018, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net) (TL)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	176.798.430	930.118	22.364.042	117.039
EUR	461.740.000	2.783.368	50.839.497	306.461
CHF	1.648.000	8.792	97.891	522
TL	-	1.599.620	-	328.891
Total		<u>5.321.898</u>		<u>752.913</u>

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

<u>Collateral type:</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
Mortgages	223.353	262.482
Sureties of credit guarantee fund	125.663	140.457
Pledged equity	74.305	74.329
Pledged shares	37.089	51.369
Pledged movable	13.266	19.983
Letters of guarantee	4.615	7.123
Cash blockages	1.044	3.085
Share certificates	364	1.356
Guarantors	42	129
	479.741	560.313

In addition to collaterals above, the Group also has sureties amounting to TL 4.137.134 , pledged vehicles amounting to TL 24.298, pledged accounts receivable to TL 57.724. (31 December 2018: sureties amounting to TL 4.510.688, pledged vehicles amounting to TL 45.430, pledged accounts receivable to TL 61.540).

As at 30 September 2019 and 31 December 2018 details of overdue finance lease receivables are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Up to 30 days	49.184	93.954
Between 30 – 60 days	9.712	7.006
Between 60 – 90 days	7.651	3.218
Total overdue	66.547	104.178

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

<u>Collateral type</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
Mortgages	47.347	20.174
Sureties of credit guarantee fund	17.832	9.175
Pledged equity	17.545	17.494
Letters of guarantee	1.651	2.327
Cash Bloackage	258	-
Pledged Shares	-	1.356
	84.633	50.526

In addition to above guarantees, the Group also has sureties amounting to TL 437.972, pledged vehicles amounting to TL 7.201, pledged accounts receivable to TL 4.766 (31 December 2018: sureties amounting to TL 882.876 , pledged vehicles amounting to TL 3.281, pledged accounts receivable to TL 1.118).

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 35.

As at 30 September 2019 and 31 December 2018, the aging of non-performing finance lease receivables is as follows:

	30 September 2019	31 December 2018
Between 90 – 240 days	53.682	16.073
Between 240 – 360 days	9.730	5.693
Over 360 days	88.654	71.569
Uninvoiced non-performing finance lease receivables	290.670	168.034
Unearned interest of non-performing finance lease receivables	(4.906)	(5.023)
	366.642	266.392

Collaterals obtained for non-performing finance lease receivables as at 30 September 2019 and 31 December 2018 are as follows:

Guarantee type:	30 September 2019	31 December 2018
Mortgages	13.056	12.544
	13.056	12.544

In addition to the above collaterals, the Group also has sureties amounting to TL 178.351, pledged vehicles amounting to TL 4.244 and leased equipments amounting to TL 170.990 (31 December 2018: sureties amounting to TL 166.880, pledged vehicles amounting to TL 83.785 and leased equipments amounting to TL 3.182).

Movement of specific provisions:

	1 January- 30 September 2019	1 January- 30 September 2018
Provision at the beginning of the period	(162.591)	(160.380)
Provision set during the period	(74.764)	(18.099)
Collections	14.958	4.582
Provision at the end of the period	(222.397)	(173.897)

B. Operating Lease Receivables

	30 September 2019	31 December 2018
Operating Lease Receivables	-	1
	-	1

As at 30 September 2019 and 31 December 2018 analysis of time lease receivables occurred from operating lease receivables according to their maturities is as follows :

	30 September 2019	31 December 2018
2019 Year	218	938
2020 Year	596	554
2021 Year	363	338
	1.177	1.830

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10. RELATED PARTIES

As at 30 September 2019 and 31 December 2018, details of related party receivables and payables are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
<u>Finance lease receivables from related parties</u>		
Tukaş Gıda San. ve Tic. A.Ş.	40.789	46.929
KKB Kredi Kayıt Bürosu A.Ş.	9.137	16.982
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	7.887	19.017
Radore Veri Merkezi Hizm.A.Ş	2.124	-
Numnum Yiyecek ve İçecek A.Ş.	867	1.261
Toksöz Spor Malzemeleri Ticaret A.Ş.	317	-
Bankalararası Kart Merkezi A.Ş.	63	239
Total	61.184	84.428
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	1
Total	-	1
<u>Factoring receivables from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	7.017	18.302
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	3.156	2.774
Nevotek Inc.	3.156	-
Toksöz Spor Malzemeleri Tic. A. Ş.	1.729	-
Total	15.058	21.076
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	16.152	19.623
İş Merkezleri Yönetim ve İşletim A.Ş.	15	90
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	6	45
KKB Kredi Kayıt Bürosu A.Ş.	-	4
Anadolu Hayat Emeklilik A.Ş.	1	5
Softtech Yazılım Teknolojileri	-	11
Total	16.174	19.778
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. time deposit	293.555	234.471
Türkiye İş Bankası A.Ş. demand deposit	25.801	26.704
İşbank AG demand deposit	1.415	459
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	41	53
Total	320.812	261.687

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10. RELATED PARTIES (Continued)

	<u>30 September 2019</u>	<u>31 December 2018</u>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	3.129	70.986
Türkiye Sınai Kalkınma Bankası A.Ş.	682	675
Total	3.811	71.661
<u>Finance lease liability to related parties</u>		
İş Gayrimenkul Yatırım Ort.A.Ş.	11	-
Türkiye İş Bankası A.Ş.	447	-
Total	458	-

As at 30 September 2019 and 31 December 2018, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2019</u>
TL	14,75%-29,40%	01.10.2019-31.12.2021	757.720
EUR	4,33%	19.11.2019	170.572
Avro	3,44%	26.06.202	315.885
			1.244.177
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
TL	26,00%-29,40%	02.01.2019-31.12.2021	651.848
EUR	5,43%	08.01.2019	61.025
			712.873

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2019</u>
TL	4,60%	20.06.2020	95.621
EUR	2,20%-3,79%	18.12.2020-01.06.2026	428.482
			524.103
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
USD	4,60%	20.06.2020	131.734
EUR	2,27%- 3,07%	18.12.2020-29.12.2025	317.092
			448.826

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10. RELATED PARTIES (Continued)

For the periods ended 30 September 2019 and 30 September 2018, finance income and expenses from related parties are as follows:

	<u>01.01.2019-</u> <u>30.09.2019</u>	<u>01.07.2019-</u> <u>30.09.2019</u>	<u>01.01.2018-</u> <u>30.09.2018</u>	<u>01.07.2018-</u> <u>30.09.2018</u>
<u>Finance lease interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	4.378	2.663	832	420
Tukaş Gıda San. Ve Tic.A.Ş.	1.530	471	595	248
KKB Kredi Kayıt Bürosu	379	101	617	212
Radore Veri Merkezi Hizm.A.Ş.	288	160	-	-
Toksöz Spor Malzemeleri Tic. A.Ş.	65	32	1	-
Numnum Yiyecek ve İçecek A.Ş.	46	12	79	26
Bankalararası Kart Merkezi A.Ş.	16	4	40	11
T. İş Bankası Gm İnşaat Emlak Müd.	4	-	-	-
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	-	-	9	1
Total	6.706	3.443	2.178	918
<u>Operating Lease Income from related parties</u>				
Türkiye Sınai Kalkınma Bankası A.Ş.	560	171	325	149
TSKB Gayrimenkul Değerleme A.Ş.	145	45	95	38
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	7	2	6	2
Total	712	218	426	189
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	1.128	135	1.520	600
Total	1.128	135	1.520	600
<u>Dividend income from related parties</u>				
İş Yatırım Menkul Değerler A.Ş.	4.378	-	5.351	-
Yatırım Finansman Menkul Değerler A.Ş.	2	-	-	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	-	-	40	-
Total	4.380	-	5.391	-
<u>Finance expense</u>				
Türkiye İş Bankası A.Ş.	45.644	8.354	15.867	12.060
Türkiye Sınai Kalkınma Bankası A.Ş.	13.524	4.317	22.945	12.105
İş Yatırım Menkul Değerler A.Ş.	6.766	1.654	4.981	2.217
İşbank AG	598	107	25	6
Total	66.532	14.432	43.818	26.388
<u>Rent expense</u>				
Türkiye İş Bankası A.Ş.	3.457	2.100	2.977	990
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	55	18	-	-
Total	3.512	2.118	2.977	990

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10. RELATED PARTIES (Continued)

<u>Commission income</u>	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019	01.01.2018- 30.09.2018	01.07.2018- 30.09.2018
Anadolu Anonim Türk Sigorta Şirketi	3.287	1.007	3.821	3.821
Total	3.287	1.007	3.821	3.821

Factoring commission income from related parties

Ortopro Tıbbi Aletler San ve Tic. A.Ş.	259	53	100	27
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	22	9	1	1
Toksöz Spor Malzemeleri	16	8	-	-
Şişe Cam Dış Tic.A.Ş.	-	-	128	62
Total	297	70	229	90

Factoring interest income from related parties

Bayek Tedavi Sağlık Hizmetleri İşletmeciliği A.Ş.	3.527	1.477	4.129	-
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	2.182	490	1.910	933
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	165	75	93	71
Toksöz Spor Malzemeleri	94	78	-	-
Total	5.968	2.120	6.132	1.004

Finance lease expence

Türkiye İş Bankası A.Ş.	219	48	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	8	1	-	-
Total	227	49	-	-

Mutual funds income

Türkiye İş Bankası A.Ş.	1.507	796	129	61
Total	1.507	796	129	61

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10. RELATED PARTIES (Continued)

As at 30 September 2019 and 31 December 2018, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	30 September 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	59.740	56.591	842.851	748.218
Total	59.740	56.591	842.851	748.218

As at 30 September 2019 and 31 December 2018, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	30 September 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	9.200	8.489	185.007	184.132
Total	9.200	8.489	185.007	184.132

As at 30 September 2019 and 31 December 2018, the amount of the Group’s issued debt securities in related parties’ securities portfolio are as follows:

	30 September 2019	31 December 2018
Türkiye İş Bankası A.Ş.	12.142	1.510
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	2.549
İş Yatırım Menkul Değerler A.Ş.	346	15.513
İş Yatırım Ortaklığı A.Ş.	-	943
Millî Reasürans T.A.Ş.	-	8.258
Total	12.488	28.773

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

For the period ended 30 September 2019 and 31 December 2018, total salary and benefits paid to the key management during year comprised the following:

	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019	01.01.2018- 30.09.2018	01.07.2018- 30.09.2018
Salaries and other short-term benefits (**)	7.493	2.585	6.621	1.748
	7.493	2.585	6.621	1.748

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

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

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11. TANGIBLE ASSETS

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

	Furniture and Fixtures	Leasehold Improvements	Operating Lease Assets	Other Tangible Assets	Right of Use	Real Estate	Total
Cost							
Opening balance at 1 January 2019	7.281	4.263	2.138	1.456	-	8.750	23.888
Transference	-	-	-	-	-	-	-
Additions	182	6	-	-	3.293	-	3.481
Disposals	(267)	-	(356)	-	-	-	(623)
Closing balance at 30 September 2019	7.196	4.269	1.782	1.456	3.293	8.750	26.746
Accumulated depreciation							
Opening balance at 1 January 2019	(4.461)	(3.674)	(781)	(1.456)	-	(30)	(10.402)
Depreciation for the period	(636)	(144)	(517)	-	(2.095)	(131)	(3.523)
Transference	-	-	-	-	-	-	-
Disposals	59	-	357	-	19	-	435
Closing balance at 30 September 2019	(5.038)	(3.818)	(941)	(1.456)	(2.076)	(161)	(13.490)
Carrying amounts at 30 September 2019	2.158	451	(841)	-	1.217	8.589	13.256
Carrying amounts at 1 January 2019	2.820	589	1.357	-	-	8.720	13.486
Cost							
Opening balance at 1 January 2018	6.168	3.916	1.057	1.456	-	-	12.597
Additions	1.239	327	376	-	12.100	-	14.042
Disposals	(231)	-	-	-	(12.100)	-	(12.331)
Closing balance at 30 September 2018	7.176	4.243	1.433	1.456	-	-	14.308
Accumulated depreciation							
Opening balance at 1 January 2018	(3.766)	(3.453)	(329)	(1.456)	-	-	(9.004)
Depreciation for the period	(575)	(168)	(301)	-	-	-	(1.044)
Disposals	11	-	-	-	-	-	11
Closing balance at 30 September 2018	(4.330)	(3.621)	(630)	(1.456)	-	-	(10.037)
Carrying amounts at 30 September 2018	2.846	622	803	-	-	-	4.271
Carrying amounts at 1 January 2018	2.402	463	728	-	-	-	3.593

(*) The amount consists of the transactions classified as fixed assets of the Group as a lessee in accordance with IFRS-16. As of 30 September 2019 and 31 December 2018, there is not any blockage over tangible assets

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12. INTANGIBLE ASSETS

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

	<u>30 September 2019</u>	<u>30 September 2018</u>
<u>Cost</u>		
Opening balance at 1 January	8.966	7.215
Additions	683	1.494
Disposals	-	(67)
Closing balance at the end of the period	<u>9.649</u>	<u>8.642</u>
<u>Amortization</u>		
Opening balance at 1 January	(4.694)	(3.441)
Amortization for the period	(1.047)	(914)
Disposals	-	(1)
Closing balance at the end of the period	<u>(5.741)</u>	<u>(4.356)</u>
Carrying amounts(*)	<u>3.908</u>	<u>4.286</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 30 September 2019, net amount of goodwill is TL 166 (31 December 2018: TL 166). Based on TFRS 3, for the annual periods beginning on 1 January 2005, after the reporting period ended on 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

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13. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 September 2019 and 31 December 2018, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<u>Temporary time differences subject to deferred tax</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
Expected Credit Loss / Specific provisions	134.299	132.801
Unearned factoring income	14.098	8.916
Provision for lawsuit	6.549	4.823
Reserve for employee benefits	4.969	4.510
Employee bonus accrual	3.591	4.138
Unused vacation provision	1.372	1.581
Expense accruals	1.208	237
Prepaid expenses	543	582
Provision for expected loss	87	-
IFRS-16 adjustment	18	-
Tax base differences in tangible and intangible assets	(3.538)	(4.805)
Finance lease adjustment	(3.953)	(4.558)
Valuation differences on financial instruments	(11.805)	24.411
Finance lease income accruals	(48.783)	(40.228)
	<u>98.655</u>	<u>132.408</u>
	<u>30 September 2019</u>	<u>31 December 2018</u>
<u>Deferred tax assets / (liabilities)</u>		
Expected Credit Loss / Specific provisions	27.145	27.578
Unearned factoring income	3.102	1.962
Provision for lawsuit	1.441	1.061
Reserve for employee benefits	1.016	916
Employee bonus accrual	790	910
Unused vacation provision	285	328
Prepaid expenses	266	52
Expense accruals	119	128
Provision for expected loss	19	-
IFRS-9 adjustment	4	-
Tax base differences in tangible and intangible assets	(736)	(1.012)
Finance lease adjustment	(791)	(911)
Valuation differences on financial instruments	(2.597)	5.370
Finance lease income accruals	(10.732)	(8.850)
Deferred tax asset	<u>19.331</u>	<u>27.532</u>

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years (31 December 2018: Calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years).

Movements in deferred tax assets are as follows:

	<u>30 September 2019</u>	<u>30 September 2018</u>
Opening balance at 1 January	27.532	26.563
Deferred tax income / (expense)	(8.201)	57.548
Effect of Changes in Accounting Policies	-	17.062
Closing balance at at 30 September	<u>19.331</u>	<u>101.173</u>

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14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 30 September 2019 and 31 December 2018, details of assets held for sale and discontinued operations are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Assets held for sale (*)	989	-	939	-
	989	-	939	-

(*) 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 30 September 2019 and 31 December 2018, details of other assets are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Leasing Contracts in Progress(*)	20.771	-	20.010	30.076
Commissions expense on debt securities issued and funds borrowed	14.202	-	20.493	-
Other Finance Lease Receivables	5.817	4.599	5.104	5.859
Amounts to be invoiced	2.705	150	710	7
Advances Given for Lease Transactions(*)	1.489	64.615	4.691	47.571
Advanced given	122	-	24	-
Deposits given	40	8	40	20
Others	7.405	354	4.994	347
	52.551	122.403	56.066	83.880

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

16. FUNDS BORROWED

As at 30 September 2019 and 31 December 2018, details of funds borrowed are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Short-term borrowings	1.826.943	2.186.313	1.805.825	895.245
Short-term portion of long-term borrowings	20.247	282.836	19.728	303.850
Total short-term borrowings	1.847.190	2.469.149	1.825.553	1.199.095
Long-term borrowings	102.718	1.322.001	241.648	1.638.928
Total long-term borrowings	102.718	1.322.001	241.648	1.638.928
Total borrowings	1.949.908	3.791.150	2.067.201	2.838.023

As at 30 September 2019 and 31 December 2018, borrowings has no collateral.

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16. FUNDS BORROWED (Continued)

As at 30 September 2019 and 31 December 2018, details of short term borrowings based on types of currency are as follows:

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2019</u>
TL	13,50%-29,40%	1.789.000.000	1.789.000
USD	1,51%-5,01%	86.089.841	487.191
Euro	0,40%-5,61%	269.315.473	1.665.340
GBP	1,98%-3,27%	1.780.737	12.374
Interest accruals			59.351
TOTAL			4.013.256

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2018</u>
TL	17,68%-35,00%	1.780.114.000	1.780.114
USD	2,56%-4,60%	222.698.000	1.172
Euro	0,50%-5,61%	144.026.965	868.193
GBP	1,96%-4,50%	1.286.189	8.557
Interest accruals			43.034
TOTAL			2.701.070

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

As at 30 September 2019 and 31 December 2018, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2019</u>
TL	22,71%-29,40%	70.124.235	70.124
USD	3,54%-5,72%	57.145.382	323.391
Euro	0,80%-4,84%	215.778.410	1.334.287
TOTAL			1.727.802

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

As at 30 September 2019 and 31 December 2018, compounded interest rates have been presented.

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16. FUNDS BORROWED (Continued)

As 30 September 2019 and 31 December 2018, details of borrowings based on types of interest rate are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Fixed rate	1.556.752	2.062.928	2.005.802	941.512
Variable rate	393.156	1.728.222	61.399	1.896.511
	1.949.908	3.791.150	2.067.201	2.838.023

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

As at 30 September 2019, the Group has available credit limit of TL 13.987.254 which has fulfilled all necessary conditions but has not been used. (31 December 2018: TL 13.026.317).

17. OTHER LIABILITIES

As at 30 September 2019 and 31 December 2018, details of miscellaneous payables are as follows:

	30 September 2019		31 December 2018	
	TL	FC	TL	FC
Advances received (**)	28.836	35.478	17.228	32.251
Payables to suppliers for lease transactions	7.844	36.458	2.382	32.221
Banking and Insurance Transaction Tax	4.900	-	4.008	-
Social Security Premium Liability	759	-	688	-
Deferred Income	545	-	844	-
Income Tax Liability	313	-	695	-
Other Tax and Liabilities	11	-	35	-
Value Added Tax	-	-	10.505	-
Other(*)	8.992	28.636	11.778	33.807
	52.200	100.572	48.163	98.279

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

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

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

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18. LEASE PAYABLES

	<u>30 September 2019</u>	<u>31 December 2018</u>
Lease Payables	1.278	-
	<u>1.278</u>	<u>-</u>

As of 30 September 2019 and 31 December 2018, the group's forward-looking debt arising from leasing transactions is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
2019	747	-
2020	452	-
2021	79	-
	<u>1.278</u>	<u>-</u>

19. DEBT SECURITIES ISSUED

	<u>30 September 2019</u>		<u>31 December 2018</u>	
	TL	FC	TL	FC
Bills bonds	729.461	-	2.246.681	-
Bonds issued	-	-	-	-
Interest accruals	27.288	-	105.360	-
	<u>756.749</u>	<u>-</u>	<u>2.352.041</u>	<u>-</u>

As of 30 September 2019, The characteristics of financing bills issued by the group are as follows:

<u>ISIN CODE</u>	<u>Maturity Starting Date</u>	<u>Nominal Value of Capital Market Instrument Sold</u>	<u>Maturity Date</u>	<u>Sale Type</u>	<u>Coupon Period</u>
TRFISFNE1914	09.07.2019	110.000.000,00	04.10.2019	Qualified Investor	Maturity Bond
TRFISFNE1922	17.07.2019	157.000.000,00	11.10.2019	Qualified Investor	Maturity Bond
TRFISFNK1916	09.08.2019	60.000.000,00	27.11.2019	Qualified Investor	Maturity Bond
TRFISFNK1924	26.08.2019	75.000.000,00	06.11.2019	Qualified Investor	Maturity Bond
TRFISFNK1932	05.09.2019	72.000.000,00	19.11.2019	Qualified Investor	Maturity Bond
TRFISFAE1919	12.07.2019	191.000.000,00	07.10.2019	Qualified Investor	Maturity Bond
TRFISFAK1911	31.07.2019	100.000.000,00	08.11.2019	Qualified Investor	Maturity Bond

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20. PROVISIONS

As at 30 September 2019 and 31 December 2018, reserve for employee benefits are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Reserve for employee severance indemnity	4.969	4.510
Provision for employee bonus	3.591	4.138
Vacation pay provision	1.372	1.581
	<u>9.932</u>	<u>10.229</u>

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

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

	<u>30 September 2019</u>	<u>30 September 2018</u>
Discount rate	4,22%	4,49%
Inflation	11,30%	7,00%
Estimated probability of retirement	100%	100%

For the periods ended 30 September 2019 and 30 September 2018, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2019</u>	<u>30 September 2018</u>
Balance at the beginning of the year	4.510	3.880
Cost of services	1.405	1.036
Amounts paid to employee severance indemnity	(946)	(474)
Balance at the end of the year	<u>4.969</u>	<u>4.442</u>

The movement of the vacation pay liability for the periods ended 30 September 2019 and 30 September 2018 are as follows:

	<u>30 September 2019</u>	<u>30 September 2018</u>
Balance at the beginning of the year	1.581	1.498
Increase during the period	(209)	7
Balance at the end of the year	<u>1.372</u>	<u>1.505</u>

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20. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 30 September 2019 and 30 September 2018 are as follows:

	30 September 2019	30 September 2018
Balance at the beginning of the year	4.138	4.077
Increase during the period	3.591	3.103
Reversals	(1.684)	(1.642)
Payment made during the period	(2.454)	(2.435)
Balance at the end of the year	3.591	3.103

As at 30 September 2019 and 31 December 2018, other provisions are as follows:

	30 September 2019	31 December 2018
Provision for lawsuits	6.549	4.823
Provision for general administrative expenses	1.208	237
Expected Credit Loss for Financial Assets	87	74
	7.844	5.134

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

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
30 September 2019				
At the beginning of the year	-	4.823	237	74
Period Expense	-	2.067	1.209	87
Payments	-	-	(237)	-
Cancellations	-	(342)	-	(74)
At the end of the period	-	6.548	1.209	87
30 September 2018				
At the beginning of the year	-	3.753	216	-
Period Expense	-	1.983	905	-
Payments	-	-	(216)	-
Cancellations	-	(373)	-	-
At the end of the period	-	5.363	905	-

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21. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 30 September 2019 and 31 December 2018 are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Refundable Deferred Tax	-	60.237
Income taxes withheld	822	1.147
Total	<u>822</u>	<u>61.384</u>

As at 30 September 2019 and 31 December 2018, details of current year tax liability are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Current period corporate tax provision (Note:35)	27.742	67.091
Taxes paid for the current period	(14.654)	(111.839)
Refundable Corporate Tax	-	60.237
Corporate tax to be offset	(2.161)	-
Corporate tax payable	<u>10.927</u>	<u>15.489</u>

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

	<u>30 September 2019</u>	<u>30 September 2018</u>
Corporate tax payable at the beginning of the year	15.489	23.360
Current period tax expense	27.742	131.814
Taxes paid during the year	(30.143)	(74.569)
Corporate tax to be offset	(2.161)	(466)
Corporate tax payable	<u>10.927</u>	<u>80.139</u>

22. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 30 September 2019, the non-controlling interests amounting to TL 77.737 (31 December 2018: TL 65.568) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 8.705 (31 December 2018: TL 32.004) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 30 September 2019 and 31 December 2018 are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Balance at the beginning of the year	65.568	41.088
Fair value changes of marketable securities	3.464	(696)
Effect of Changes in Accounting Policies	-	(6.828)
From the Profit/Loss of the year	8.705	32.004
Balance at the end of the year	<u>77.737</u>	<u>65.568</u>

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23. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 30 September 2019 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 30 September 2019 and 31 December 2018, shareholders and their ownership percentages are as follows:

Shareholders	(%)	30 September 2019	(%)	31 December 2018
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	198.578	29,46	198.578
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	193.253
Trakya Yatırım Holding A.Ş.	0,90	6.258	0,90	6.258
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	531	0,08	531
Publicly traded	41,77	296.683	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	30 September 2019	31 December 2018
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Trakya Yatırım Holding A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

Capital Reserves

	30 September 2019	31 December 2018
Other Capital Reserves(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss</i>	(73)	(73)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss(**)	44.247	16.300
Total	44.174	16.227

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

(**) Other Comprehensive Income or Expenses to be reclassified in profit or Loss consists of the valuation differences arised from the fair value of the financial assets.

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24. PROFIT RESERVES

As at 30 September 2019 and 31 December 2018, details of profit reserves are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Legal reserves	51.004	44.321
Extraordinary reserves	345.077	169.771
Total	<u>396.081</u>	<u>214.092</u>

(*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TL 24.177 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 31 March 2019 (31 December 2018: TL 28.268).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10 % per annum of all cash dividend distributions. Legal reserves, if less than 50 % of the paid-in capital, can only be used to net-off the losses. TL 6.683 calculated on legal profit has been transferred to legal reserves by a decision of the Company’s Board of Directors.

25. PRIOR YEARS’ PROFIT/LOSS

As of 30 September 2019, the group has profit to TL 24.537 for the year (31 December 2018: 40.085).

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2019, TL 887.223 of letters of guarantee are given to customs, authorities and banks (31 December 2018: TL 1.685.156).

As at 30 September 2019, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 13.901 (31 December 2018: TL 12.301). The Group has provided a provision amounting to TL 6.549 for litigations (31 December 2018: TL 4.823) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 30 September 2019, the Group has letter of credit commitments of USD 10.756.095, EUR 4.175.400 (TL 86.689) (31 December 2018: USD 5.098.500, EUR 6.135.250 (TL 63.806)).

As at 30 September 2019 has no factoring commitment. (31 December 2018: None)

As at 30 September 2019, the Group has lease commitments of USD 3.301.425, EUR 35.282.449 and full TL 109.376.128 (TL 346.232) (31 December 2018: USD 2.796.477, EUR 26.014.727, full TL 42.221.796 (TL 213.751)).

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

As at 30 September 2019 details of derivatives are as follows:

	30 September 2019	
	Amount as	
	Original Currency	TL
Currency Swap Purchases:		
EUR	2.871.505	17.757
TL	500.146.254	500.146
		517.903
Currency Swap Sales:		
USD	19.303.807	109.243
EUR	59.743.672	369.431
GBP	-	-
CHF	1.148.400	6.529
		485.203

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2018 details of derivatives transactions are as follows:

	31 December 2018	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	1.455.346	8.773
TL	1.705.290.268	1.705.290
		1.714.063
Currency Swap Sales:		
USD	134.400.000	707.065
EUR	153.519.957	925.418
GBP	400.000	2.661
CHF	1.579.050	8.425
		1.643.569

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

The Group has TL 205 of unrealized loss and TL 12.009 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 30 September 2019 (Note 6) (31 December 2018: TL 72.110 unrealized loss and TL 96.521 unrealized income).

As at 30 September 2019, analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	511.358	6.545	517.903
Currency Swap Sales	478.674	6.529	485.203
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

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

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	1.432.573	281.490	1.714.063
Currency Swap Sales	1.397.378	246.191	1.643.569
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

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27. SEGMENT REPORTING

Information regarding the Group’s operating business segments is based on the Group’s management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

Business segments

The Group comprises the following main business segments:

- Leasing Includes the Group’s finance lease activities
- Factoring operations Includes the Group’s factoring activities

<u>30 September 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.544.850	2.483.276	(53.766)	7.974.360
Total liabilities	4.554.510	2.126.255	-	6.680.765
Net profit for the year	71.616	39.988	(8.705)	102.899

<u>31 December 2018</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.964.763	2.770.664	(53.767)	8.681.660
Total liabilities	5.061.539	2.469.541	-	7.531.080
Net profit for the year	82.524	147.017	(32.004)	197.537

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27. SEGMENT REPORTING (Continued)

<u>30 September 2019</u>	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	355.951	399.043	-	754.994
Financial Expenses (-)	(377.836)	(306.181)	-	(684.017)
Gross Profit / Loss	(21.885)	92.862	-	70.977
Operating Expense (-)	(35.352)	(25.345)	-	(60.697)
Gross Operating Profit/Loss	(57.237)	67.517	-	10.280
Other Operating Income	414.882	76.493	-	491.375
Provisions (-)	(74.764)	(92.061)	-	(166.825)
Other operating Expenses (-)	(187.184)	(99)	-	(187.283)
Net Operating Profit / Loss	95.697	51.850	-	147.547
Profit or Loss from Continuing Operations before tax	95.697	51.850	-	147.547
Provision for Taxes from Continuing Operations (±)	(24.081)	(11.862)	-	(35.943)
Net Profit or Loss from Continuing Operations	71.616	39.988	-	111.604
Non-controlling Interests	-	-	(8.705)	(8.705)
Net Profit or Loss for the Period	71.616	39.988	(8.705)	102.899
Fixed Asset Additions	2.150	2.014	-	4.164
Depreciation and Amortisation	(2.593)	(1.977)	-	(4.570)
<u>30 September 2018</u>	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	349.926	406.180	-	756.106
Financial Expenses (-)	(295.111)	(369.066)	-	(664.177)
Gross Profit / Loss	54.815	37.114	-	91.929
Operating Expense (-)	(31.797)	(22.457)	-	(54.254)
Gross Operating Profit/Loss	23.018	14.657	-	37.675
Other Operating Income	422.525	126.065	-	548.590
Provisions (-)	(18.100)	(6.190)	-	(24.290)
Other operating Expenses (-)	(353.266)	(663)	-	(353.929)
Net Operating Profit / Loss	74.177	133.869	-	208.046
Profit or Loss from Continuing Operations	74.177	133.869	-	208.046
Provision for Taxes from Continuing Operations (±)	(48.287)	(28.699)	-	(76.986)
Net Profit or Loss from Continuing Operations	25.890	105.170	-	131.060
Non-controlling Interests	-	-	(22.894)	(22.894)
Net Profit or Loss for the Period	25.890	105.170	(22.894)	108.166
Fixed Asset Additions	14.844	692	-	15.536
Depreciation and Amortisation	(1.353)	(605)	-	(1.958)

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28. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 167.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 11 October 2019. The bond have a maturity of 13 January 2019.

29. OPERATING INCOME

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

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018- 30.09.2018
Finance Lease income	355.239	115.561	349.500	133.191
Operating lease income	712	218	426	189
Factoring income	399.043	127.719	406.180	163.382
	754.994	243.498	756.106	296.762

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30. OPERATING EXPENSES

For the periods ended 30 September 2019 and 30 September 2018, operating expenses are as follows:

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018- 30.09.2018
Personnel expenses	(39.461)	(12.325)	(35.229)	(11.115)
Depreciation and amortization expenses	(4.570)	(1.527)	(1.958)	(699)
Office rent expenses	(3.127)	(1.033)	(4.219)	(1.403)
Information technology expenses	(2.621)	(822)	(2.405)	(925)
Board of Directors attendance fee	(2.076)	(712)	(1.873)	(652)
BRSA participation fee	(1.535)	(512)	(911)	(304)
Provision for employee severance indemnity	(1.443)	(364)	(1.036)	(539)
Taxes, duties and charges	(1.374)	(353)	(1.029)	(251)
Travel and car expenses	(1.092)	(367)	(1.870)	(666)
Consultancy expenses	(595)	(166)	(528)	(182)
Communication expense	(376)	(128)	(483)	(142)
Insurance expense	(152)	(63)	(51)	(14)
Advertising expense	(150)	(34)	(454)	(67)
Representation expense	(128)	(64)	(147)	(52)
Capital increase expense	(97)	(34)	(216)	(40)
Other general administrative expenses	(1.900)	(517)	(1.845)	(500)
	(60.697)	(19.021)	(54.254)	(17.551)

31. OTHER OPERATING INCOME

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

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018- 30.09.2018
Foreign exchange gains	293.046	63.868	166.874	47.724
Income from derivative financial transactions	133.345	(42.253)	332.311	230.360
Collections from prior period non-performing receivables and cancellation income	30.249	3.259	23.631	5.891
Dividend income	7.711	1.229	4.896	1.861
Interest income	4.380	-	5.391	-
Commission income	3.287	1.007	3.821	1.045
Other	19.357	5.888	11.666	4.449
	491.375	32.998	548.590	291.330

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32. FINANCE EXPENSES

For the periods ended 30 September 2019 and 30 September 2018, details of finance expenses are as follows:

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018
Interest expense on funds borrowed	(371.602)	(115.085)	(444.515)	(176.596)
Interest expense on debt securities issued	(280.374)	(61.781)	(194.283)	(80.437)
Fees and commissions expense	(31.752)	(8.759)	(25.379)	(9.879)
Interest expense related to rents	(289)	(68)	-	-
	(684.017)	(185.693)	(664.177)	(266.912)

33. PROVISIONS

For the periods ended 30 September 2019 and 30 September 2018, details of provision for non-performing receivables are as follows:

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018
Expected Credit Loss	(166.825)	(20.090)	(24.290)	(5.621)
Specific provision expenses	-	-	-	-
	(166.825)	(20.090)	(24.290)	(4.621)

34. OTHER OPERATING EXPENSES

For the periods ended 30 September 2019 and 30 September 2018, details of other operating expenses are as follows:

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018
Losses from derivative financial transactions	(183.227)	32.019	(349.721)	(230.364)
Other	(4.056)	(508)	(4.208)	8.524
	(187.283)	31.511	(353.929)	(221.840)

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

The difference as foreign currency expenses difference between income/loss is at amounting TL 1.832 from measurement difference of such transactions in the Group’s financial statements as at 30 September 2019 (31 December 2018: TL 20.134 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

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35. TAXATION

For the periods ended 30 September 2019 and 30 September 2018, details of tax expense are as follows:

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018- 30.09.2018
Current corporate tax charge	(27.742)	(12.374)	(131.814)	(79.701)
Deferred tax income/(expense)	(8.201)	(4.547)	54.828	39.524
	(35.943)	(16.291)	(76.986)	(40.177)

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- 30 September 2019	%	1 January- 30 September 2018
Net profit for the period		111.604		131.060
Total tax expense		35.943		76.986
Profit before tax		147.547		208.046
Income tax using the Group's tax rate	22,00	32.461	22,00	45.770
Non-deductible expenses	2,19	3.235	0,23	429
taxable other income	0,00	-	(0,63)	28.053
Tax exempt income	(0,65)	(964)	0,00	(1.186)
Other	0,82	1.211	17,07	3.920
Total income tax expense	24,36	35.943	38.67	76.986

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

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22 % (31 December 2018: 22 %). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

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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.

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36. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Earnings per share is calculated by dividing net income distributable to shareholders by the weighted average number of shares issued.

The weighted average number of shares of the Group and earnings per share for the periods ended 30 September 2019 and 30 September 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Weighted average number of outstanding shares (*)(**)	69.530.264.500	69.530.264.500
Net profit for the year (TL)	102.899	95.023
Basic earnings per share (full TL)	0,15	0,14

(*) As at 30 September 2019, the share capital of the Company consists 69.530.264.500 of shares having Kurus 1 nominal price.

(**) Capital increase has been made through internal resources and has been used in the calculation of the prior period’s earnings per share figure.

	30 September 2019	31 December 2018
Number of shares at beginning of the year	69.530.264.500	65.030.264.500
Capital increase (**)	-	4.500.000.000
Number of shares at end of the year	69.530.264.500	69.530.264.500

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

None.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2019, the debt/equity ratio is 16 % (31 December 2018: 16 %). As at 30 September 2019 and 31 December 2018, the leverage ratios are as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Funds borrowed	5.741.058	4.905.224
Debt securities issued	756.479	2.352.041
Other liabilities	152.772	146.441
Total liabilities	<u>6.650.579</u>	<u>7.403.707</u>
Cash and Cash Equivalents (-)	<u>(331.509)</u>	<u>(272.569)</u>
Net liabilities	<u>6.319.070</u>	<u>7.131.138</u>
Total shareholders’ equity	1.293.595	1.150.580
Shareholders’ equity / liabilities	20%	16%

According to the credit rating reports of Fitch issued at 19 Temmuz 2019, credit ratings of the Company are as follows:

Foreign Currency

Long term	B+
Short term	B
Outlook	Negatif

TL

Long term	B+
Short term	B
Outlook	Negatif

National

Long term	A+(tur)
Outlook	Durağan
Support	4

(b) Significant accounting policies

The Group’s accounting policies on financial instruments are disclosed in Note 3 “Significant accounting policies”.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	30 September 2019	31 December 2018
<u>Financial Assets:</u>		
Cash and Cash Equivalents	331.509	272.569
Financial Assets at Fair Value Through Profit or Loss	38.329	859
Derivative Financial Assets	12.009	72.110
Finance lease receivables and non-performing receivables, net	4.890.901	5.321.898
Leasing Contracts in Progress	73.448	50.086
Advances Given for Lease Transactions	66.104	52.262
Other Finance Lease Receivables	10.416	10.963
Factoring receivables and non-performing factoring receivables, Net	2.415.155	2.724.877
Financial Assets at Fair Value Through Other Comprehensive Income	73.031	41.622
<u>Financial Liabilities:</u>		
Derivative financial liabilities at fair value	(205)	(96.521)
Finance Lease Obligations	(1.278)	-
Other liabilities	(152.772)	(146.442)
Funds borrowed	(5.741.058)	(4.905.224)
Debt securities issued	(756.749)	(2.352.041)

(*) Included in other receivables.

(d) Financial risk management objectives

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group’s income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- “Forward foreign exchange contracts” to hedge the exchange rate risk arising from operations.
- “Currency swaps” to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.

There has been no change in the Group’s exposure to market risks or the method it uses to manage and measure such risks.

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

As 30 September 2019 and 31 December 2018, details of foreign currency denominated assets and liabilities are as follows:

30 September 2019 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	5.901	47.119	-	251	26	16	326.565
Finance lease receivables	135.985	457.296	1.217	-	-	-	3.604.206
Factoring receivables(*)	25.012	37.764	-	1.940	-	-	388.542
Advances given for lease transactions	4.909	5.957	-	-	-	-	64.615
Leasing contracts in progress	845	7.746	-	-	-	-	52.677
Other receivables from leasing transactions	158	599	-	-	-	-	4.599
Other assets	27	59	-	-	-	-	512
Total assets (**)	172.835	556.540	1.217	2.191	26	16	4.441.716
Funds borrowed(*)	(144.678)	(487.286)	-	(1.781)	-	-	(3.844.304)
Lease Obligations	-	(104)	-	-	-	-	(644)
Other provisions	(1)	(710)	-	-	-	-	(4.396)
Other Liabilities	(4.302)	(12.044)	-	(252)	-	-	(100.572)
Total liabilities (**)	(148.981)	(500.144)	-	(2.033)	26	16	(3.949.916)
Balance sheet position	23.854	56.396	1.217	158	26	16	491.800
Off balance sheet position	(19.304)	(56.872)	(1.148)	-	-	-	(467.444)
Net foreign currency position	4.550	(476)	69	158	26	16	24.356

(*) As at 30 September 2019, foreign currency indexed borrowings amounting to EUR 8.596 (Total: TL 53.154), foreign currency indexed factoring receivables amounting to USD 1.389 (Total: TL 7.860) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 30 September 2019, derivative assets amounting to TL 12.009 and derivative liabilities amounting to TL 205 are not included.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

	USD	EUR	CHF	GBP	JPY	AUD	TL
31 December 2018 (*)	000	000	000	000	000	000	Equivalent
Banks	8.033	37.563	12	26	26	16	268.988
Finance lease receivables	176.798	461.740	1.648	-	-	-	3.722.279
Factoring receivables	75.336	34.801	-	2.056	-	-	619.796
Advances given for lease transactions	3.832	4.547	-	-	-	-	47.571
Leasing contracts in progress	517	4.538	-	-	-	-	30.076
Other receivables from leasing transactions	167	826	-	-	-	-	5.859
Other assets	46	22	-	-	-	-	374
Total assets (**)	264.730	544.037	1.660	2.082	26	16	4.694.943
Funds borrowed(*)	(116.855)	(377.589)	-	(1.286)	-	-	(2.899.424)
Other provisions	(3)	(707)	-	-	-	-	(4.275)
Other Liabilities	(6.277)	(10.650)	-	(159)	-	-	(98.279)
Total liabilities (**)	(123.135)	(388.946)	-	(1.445)	-	-	(3.001.978)
Balance sheet position	141.595	155.091	1.660	637	26	16	1.692.965
Off balance sheet position	(134.399)	(152.065)	(1.579)	(400)	-	-	(1.634.794)
Net foreign currency position	7.196	3.026	81	237	26	16	58.171

(*)As at 31 December 2018, foreign currency indexed borrowings amounting to EUR 10.186 (Total: TL 61.401), foreign currency indexed factoring receivables amounting to USD 5.084, EUR 11.987 (Total: TL 95.453) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2018, derivative assets amounting to TL 72.110 and derivative liabilities amounting to TL 96.521 are not included.

Foreign currency sensitivity

The Group is mainly exposed to USD and EUR exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15 % of change in such exchange rates. The Group uses 15 % of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Group’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2019				
15% change of the USD against TL				
1- Net USD asset/liability	20.249	(20.249)	20.249	(20.249)
2- Hedged portion of TL against USD risk (-)	(16.386)	16.386	(16.386)	16.386
3- Net effect of USD (1+ 2)	3.863	(3.863)	3.863	(3.863)
15% change of the Euro against TL				
4- Net Euro asset/liability	52.309	(52.309)	52.309	(52.309)
5- Hedged portion of TL against Euro risk (-)	(52.751)	52.751	(52.751)	52.751
6- Net effect of Euro (4+5)	(442)	442	(442)	442
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	224	(224)	224	(224)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	224	(224)	224	(224)
TOTAL (3+6+9)	3.645	(3.645)	3.645	(3.645)

(*) Includes profit/loss effect.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2018				
15% change of the USD against TL				
1- Net USD asset/liability	111.738	(111.738)	111.738	(111.738)
2- Hedged portion of TL against USD risk (-)	(106.059)	106.059	(106.059)	106.059
3- Net effect of USD (1+ 2)	5.679	(5.679)	5.679	(5.679)
15% change of the Euro against TL				
4- Net Euro asset/liability	140.233	(140.233)	140.233	(140.233)
5- Hedged portion of TL against Euro risk (-)	(137.497)	137.497	(137.497)	137.497
6- Net effect of Euro (4+5)	2.736	(2.736)	2.736	(2.736)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	591	(591)	591	(591)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	591	(591)	591	(591)
TOTAL (3+6+9)	9.006	(9.006)	9.006	(9.006)

(*) Includes profit/loss effect.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 30 September 2019 and 31 December 2018, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>30 September 2019</u>	<u>31 December 2018</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	299.347	242.790
Finance lease receivables (*)	4.848.085	5.186.777
Other Finance Lease Receivables	-	10.963
Factoring receivables	1.814.714	2.027.450
Financial liabilities:		
Funds borrowed	3.619.680	2.947.314
Debt securities issued	756.749	2.352.041
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	42.816	135.121
Factoring receivables	600.441	697.427
Financial liabilities:		
Borrowings	2.121.378	1.957.910

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

Interest income from finance leases with variable interest rates would be higher at an amount of TL 351 (30 September 2018: TL 854).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 4.441 (30 September 2018: TL 3.433).

Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 15.094 (30 September 2018: TL 16.716).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

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

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

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

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 1.753 (31 December 2018: TL 2.152).

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

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

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

Sectoral allocation of finance lease receivables is as follows:

	<u>30 September 2019 (%)</u>	<u>31 December 2018(%)</u>
Construction	19,96	24,55
Textile	12,84	10,49
Metal industry	12,26	10,93
Transportation	12,51	7,80
Energy	8,01	-
Mining	6,86	6,47
Healthcare	4,30	4,54
Chemical and plastic	3,97	5,74
Food and beverage	3,79	3,67
Finance	2,34	2,51
Forestry products and paper	2,13	2,39
Retail and wholesale	2,02	2,82
Agriculture and forestry	1,81	2,05
Machinery and equipment	1,62	1,96
Tourism	1,15	1,47
Other	4,43	12,61
	<u>100,00</u>	<u>100,00</u>

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 30 September 2019, exposure to credit risk based on categories of financial instruments is as follows:

	<u>Receivables</u>				<u>Cash and Cash</u> <u>Equivalents</u>	<u>Financial</u> <u>Assets at Fair</u> <u>value through</u> <u>profit/loss</u>	<u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> <u>(***)</u>	<u>Derivative</u> <u>Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>				
30 September 2019								
Exposure to maximum credit risk as at reporting date (*)	61.184	4.829.717	15.058	2.400.097	38.329	1.858.213	73.031	2.312.068
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	61.184	4.150.899	15.058	2.095.251	38.329	1.858.213	73.031	2.312.068
- The portion covered by guarantee	-	395.108	-	295.969	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	164	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	534.573	-	88.711	-	-	-	-
- The portion covered by guarantee	-	84.633	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	144.245	-	-	-	-	-	-
- Overdue (gross book value)	-	349.545	-	215.971	-	-	-	-
- Impairment (-)	-	(215.833)	-	215.971	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	13.057	-	-	-	-	-	-
- Not past due (gross book value)	-	17.097	-	-	-	-	-	-
- Impairment (-)	-	(6.564)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2018, exposure to credit risk based on categories of financial instruments is as follows:

	<u>Receivables</u>				<u>Cash and Cash Equivalents</u>	<u>Financial Assets at Fair value through profit/loss</u>	<u>Financial Assets at Fair Value Through Other Comprehensive Income (***)</u>	<u>Derivative Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
<u>31 December 2018</u>	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>				
Exposure to maximum credit risk as at reporting date (*)	84.428	5.237.470	21.076	2.703.801	272.569	859	41.622	72.110
- The portion of maximum risk covered by guarantee	-	572.858	-	205.746	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	84.428	4.169.885	21.076	2.675.517	272.569	859	41.622	72.110
- The portion covered by guarantee	-	509.787	-	201.067	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	746	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	937.801	-	20.349	-	-	-	-
- The portion covered by guarantee	-	50.526	-	4.679	-	-	-	-
				-				
D. Net carrying value of impaired assets	-	129.785	-	7.189	-	-	-	-
- Overdue (gross book value)	-	233.384	-	31.016	-	-	-	-
- Impairment (-)	-	(135.330)	-	(23.827)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	12.545	-	-	-	-	-	-
(**)	-	-	-	-	-	-	-	-
- Not past due (gross book value)	-	33.008	-	-	-	-	-	-
- Impairment (-)	-	(1.277)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-	-	-
(**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks								

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	30 September 2019		31 December 2018	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	74.765.905	6.345.961	73.546.054	7.196.698
Collaterals of factoring transaction	9.991.063	362.600	8.772.559	189.749
Mortgage	3.387.543	252.342	1.132.352	290.123
Guaranties of factoring transaction	592.389	-	1.293.956	-
Pledged accounts	548.455	57.724	744.055	61.540
Pledged shares	229.784	74.305	172.996	74.329
Pledged commercial	210.000	37.089	215.000	51.369
Sureties of credit guarantee fund	174.185	125.663	165.380	140.457
Pledged vehicles	128.416	28.542	153.208	48.612
Guarantors	61.023	43	60.391	130
Share certificates	41.179	6.146	1.735	-
Pledged movable	31.083	13.266	30.800	19.983
Commercial receivable insurance	30.918	-	32.140	-
Letters of guarantee	23.090	4.615	31.810	8.023
Ship mortgage	14.148	-	13.152	-
Cash blockages	10.745	-	7.275	-
Collaterals given by vendors	7.829	1.044	7.442	3.085
Funds bonds as collateral	2.450	364	2.450	1.356
Collaterals of leasing transaction	1.224	-	1.295	-
Pledged machines	785	-	502	-
	90.252.214	7.309.704	86.384.552	8.085.454

(*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

(j) Liquidity risk management

The Group management formed liquidity risk management policy for the Group’s short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table

30 September 2019

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	331.509	331.511	324.262	7.249	-	-
Financial Assets at Fair value through profit and Loss	38.329	38.329	38.329	-	-	-
Lease Receivables (*)	4.890.901	5.524.956	810.891	1.533.019	3.127.411	53.635
Factoring Receivables	2.415.155	2.446.021	2.126.482	316.386	3.153	-
Other Lease Receivables	10.416	10.416	10.416	-	-	-
Total Assets	7.686.310	8.351.233	3.310.380	1.856.380	3.130.564	53.635
Non-derivative Financial Liabilities:						
Funds Borrowed	5.741.058	5.955.272	1.980.635	2.500.324	1.333.318	140.995
Debt Securities Issued	756.749	765.000	765.000	-	-	-
Lease Obligations	1.278	1.302	769	424	109	-
Other Liabilities	152.772	152.772	149.515	-	3.257	-
Total Liabilities	6.651.857	6.874.346	2.895.919	2.500.748	1.336.684	140.995

31 December 2018

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	272.569	272.592	272.592	-	-	-
Financial Assets at Fair value through profit and Loss	859	859	859	-	-	-
Lease Receivables (*)	5.321.898	6.034.583	798.195	1.761.267	3.352.142	122.979
Factoring Receivables	2.724.877	2.760.862	2.138.114	615.160	7.588	-
Other Lease Receivables	10.963	10.963	10.963	-	-	-
Total Assets	8.331.166	9.079.859	3.220.723	2.376.427	3.359.730	122.979
Non-derivative Financial Liabilities:						
Funds Borrowed	4.905.224	5.098.255	2.063.431	988.221	1.917.361	129.242
Debt Securities Issued	2.352.041	2.429.089	1.398.580	1.030.509	-	-
Other Liabilities	146.442	146.442	140.470	1.302	4.670	-
Total Liabilities	7.403.706	7.673.786	3.602.481	2.020.032	1.922.031	129.242

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 30 September 2019 and 31 December 2018.

30 September 2019	Carrying	Contractual	Less than	3-12	1-5 Years	More
<u>Contractual Maturities</u>	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>3 Months</u>	<u>Months</u>	<u>(III)</u>	<u>than 5</u>
			<u>(I)</u>	<u>(II)</u>		<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	32.700	517.903	238.641	272.717	6.545	-
Cash outflows from derivatives	-	485.203	234.770	243.904	6.529	-
31 December 2018	Carrying	Contractual	Less than	3-12	1-5 Years	More
<u>Contractual Maturities</u>	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>3 Months</u>	<u>Months</u>	<u>(III)</u>	<u>than 5</u>
			<u>(I)</u>	<u>(II)</u>		<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	70.496	1.714.063	1.355.041	77.533	281.490	-
Cash outflows from derivatives	-	1.643.569	1.325.184	72.193	246.191	-

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

30 September 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
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	331.509	-	-	-	331.509	331.509	
Financial Assets at Fair Value Through Profit or Loss	38.329	-	-	-	-	38.329	38.329	
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	73.031	-	73.031	73.031	
Derivative financial assets	12.009	-	-	-	-	12.009	12.009	
Finance lease receivables and non-performing lease receivables	-	-	4.890.901	-	-	4.890.901	4.964.167	
Factoring receivables and non-performing factoring receivables	-	-	2.415.155	-	-	2.415.155	2.415.155	
<u>Financial liabilities</u>								
Derivative financial Liabilities	205	-	-	-	-	205	205	
Other liabilities	-	-	-	-	152.772	152.772	152.772	
Lease Payables	-	-	-	-	1.278	1.278	1.278	
Funds borrowed	-	-	-	-	5.741.058	5.741.058	5.787.987	
Debt securities issued	-	-	-	-	756.749	756.749	768.761	

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2018	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	272.569	-	-	-	272.569	272.569	4
Financial Assets at Fair Value Through Profit or Loss	859	-	-	-	-	859	859	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	41.622	-	41.622	41.622	7
Derivative financial assets	72.110	-	-	-	-	72.110	72.110	6
Finance lease receivables and non-performing lease receivables	-	-	5.321.898	-	-	5.321.898	5.057.218	9
Factoring receivables and non-performing factoring receivables	-	-	2.724.877	-	-	2.724.877	2.724.877	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	96.521	-	-	-	-	96.521	96.521	6
Other liabilities	-	-	-	-	146.442	146.442	146.442	17
Lease Payables	-	-	-	-	-	-	-	18
Funds borrowed	-	-	-	-	4.905.224	4.905.224	4.827.492	16
Debt securities issued	-	-	-	-	2.352.041	2.352.041	2.415.513	19

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(1) 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).

30 September 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	38.329	-	38.329
Derivative financial assets	-	12.009	-	12.009
Financial Assets at Fair Value Through Other Comprehensive Income	68.306	-	686	68.992
Total financial assets carried at fair value	68.306	50.338	686	119.330
Derivative financial liabilities	-	205	-	205
Total financial liabilities carried at fair value	-	205	-	205

31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	859	-	859
Derivative financial assets	-	72.110	-	72.110
Financial Assets at Fair Value Through Other Comprehensive Income	36.897	-	686	37.583
Total financial assets carried at fair value	36.897	72.969	686	110.552
Derivative financial liabilities	-	96.521	-	96.521
Total financial liabilities carried at fair value	-	96.521	-	96.521