(*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 year ended 31 March 2018

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 31 MARCH 2018

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

	ASSETS		Unaudited Current Period 31 March 2018			Audited Prior Period 31 December 2017		
		Notes	TL	FC	TOTAL	TL		TOTAL
I.	**CASH**					-	-	-
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)**	**4**	**2.958**	**9.111**	**12.069**	**5.252**	**5.278**	**10.530**
2.1	Financial Assets Held for Trading		1.876	-	1.876	5.147	-	5.147
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		1.082	9.111	10.193	105	5.278	5.383
III.	**BANKS**	**5**	**5.015**	**405.146**	**410.161**	**5.093**	**242.800**	**247.893**
IV.	**RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS**		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**6**	**40.260**	**-**	**40.260**	**47.187**	**-**	**47.187**
VI.	**FACTORING RECEIVABLES**	**7**	**3.057.435**	**895.068**	**3.952.503**	**3.311.481**	**893.386**	**4.204.867**
6.1	Discounted Factoring Receivables		713.446	45.397	758.843	759.682	26.333	786.015
6.1.1	Domestic		738.180	-	738.180	780.001	-	780.001
6.1.2	Foreign		1.005	45.835	46.840	1.130	26.652	27.782
6.1.3	Unearned Income (-)		(25.739)	(438)	(26.177)	(21.449)	(319)	(21.768)
6.2	Other Factoring Receivables		2.343.989	849.671	3.193.660	2.551.799	867.053	3.418.852
6.2.1	Domestic		2.304.420	392.181	2.696.601	2.514.035	393.939	2.907.974
6.2.2	Foreign		39.569	457.490	497.059	37.764	473.114	510.878
VII.	**FINANCING LOANS**		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
VIII.	**LEASE RECEIVABLES**	**8**	**1.725.660**	**3.188.395**	**4.914.055**	**1.715.471**	**2.901.941**	**4.617.412**
8.1	Lease Receivables		1.655.473	2.897.018	4.552.491	1.656.037	2.599.530	4.255.567
8.1.1	Finance Lease Receivables		2.020.638	3.189.582	5.210.220	2.025.039	2.871.063	4.896.102
8.1.2	Operational Lease Receivables		-	1	1	-	-	-
8.1.3	Unearned Income (-)		(365.165)	(292.565)	(657.730)	(369.002)	(271.533)	(640.535)
8.2	Leasing Contracts in Progress		60.065	205.810	265.875	56.300	167.216	223.516
8.3	Advances Given for Lease Transactions		10.122	85.567	95.689	3.134	135.195	138.329
IX.	**OTHER RECEIVABLES**	**15**	**4.948**	**4.551**	**9.499**	**5.532**	**3.843**	**9.375**
X.	**NON-PERFORMING RECEIVABLES**	**7, 8**	**80.941**	**14.598**	**95.539**	**46.870**	**39.288**	**86.158**
10.1	Non-Performing Factoring Receivables		42.806	-	42.806	42.099	-	42.099
10.2	Non-Performing Financing Loans		-	-	-	-	-	-
10.3	Non-Performing Lease Receivables		209.644	27.393	237.037	164.527	59.788	224.315
10.4	Specific Provisions (-)		(171.509)	(12.795)	(184.304)	(159.756)	(20.500)	(180.256)
XI.	**DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT**		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	**INVESTMENTS HELD TO MATURITY (Net)**		-	-	-	-	-	-
XIII.	**SUBSIDIARIES (Net)**		-	-	-	-	-	-
XIV.	**ASSOCIATES (Net)**		-	-	-	-	-	-
XV.	**JOINT VENTURES (Net)**		-	-	-	-	-	-
XVI.	**TANGIBLE ASSETS (Net)**	**10**	**15.473**	**-**	**15.473**	**3.593**	**-**	**3.593**
XVII.	**INTANGIBLE ASSETS (Net)**	**11, 12**	**4.109**	**-**	**4.109**	**3.940**	**-**	**3.940**
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		3.943	-	3.943	3.774	-	3.774
XVIII.	**PREPAID EXPENSES**	**15**	**22.888**	**-**	**22.888**	**19.378**	**22**	**19.400**
IXX.	**CURRENT PERIOD TAX ASSETS**	**23**	**481**	**-**	**481**	**728**	**-**	**728**
XX.	**DEFERRED TAX ASSETS**	**13**	**26.042**	**-**	**26.042**	**26.563**	**-**	**26.563**
XXI.	**OTHER ASSETS**	**15**	**4.023**	**735**	**4.758**	**3.360**	**904**	**4.264**
	SUBTOTAL		**4.990.233**	**4.517.604**	**9.507.837**	**5.194.448**	**4.087.462**	**9.281.910**
XXII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**14**	**785**	**-**	**785**	**785**	**-**	**785**
22.1	Assets Held For Sale		785	-	785	785	-	785
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**4.991.018**	**4.517.604**	**9.508.622**	**5.195.233**	**4.087.462**	**9.282.695**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 MARCH 2018

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

	LIABILITIES		**Unaudited Current Period 31 March 2018**			**Audited Current Period 31 December 2017**		
		Notes	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**4**	**-**	**25.120**	**25.120**	**-**	**19.613**	**19.613**
II.	**FUNDS BORROWED**	**16**	**3.460.679**	**3.098.201**	**6.558.880**	**3.853.578**	**2.723.565**	**6.577.143**
III.	**FACTORING PAYABLES**		-	-	-	-	-	-
IV.	**LEASE OBLIGATIONS**	**18**	-	-	-	-	-	-
4.1	Finance Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V.	**DEBT SECURITIES ISSUED (Net)**	**19**	**1.621.702**	**-**	**1.621.702**	**1.460.862**	**-**	**1.460.862**
5.1	Bills		1.529.510	-	1.529.510	1.368.677	-	1.368.677
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		92.192	-	92.192	92.185	-	92.185
VI.	**MISCELLANEOUS PAYABLES**	**17**	**14.338**	**82.894**	**97.232**	**17.939**	**71.648**	**89.587**
VII.	**OTHER LIABILITIES**	**17**	**37.541**	**99.329**	**136.870**	**24.200**	**95.103**	**119.303**
VIII.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
IX.	**TAXES AND DUTIES PAYABLE**	**20**	**18.094**	**-**	**18.094**	**4.536**	**-**	**4.536**
X.	**PROVISIONS**	**21**	**9.347**	**3.394**	**12.741**	**10.276**	**3.148**	**13.424**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits	**22**	8.359	-	8.359	9.455	-	9.455
10.3	Other Provisions		988	3.148	4.382	821	3.148	3.969
XI.	**DEFERRED INCOME**		**1.152**	**-**	**1.152**	**199**	**-**	**199**
XII.	**CURRENT PERIOD TAX LIABILITY**	**23**	**16.262**	**-**	**16.262**	**23.360**	**-**	**23.360**
XIII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIV.	**SUBORDINATED LOANS**		-	-	-	-	-	-
	SUBTOTAL		**5.179.115**	**3.308.938**	**8.488.053**	**5.394.950**	**2.913.077**	**8.308.027**
XV.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS**		-	-	-	-	-	-
15.1	Held For Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**		**1.020.569**	**-**	**1.020.569**	**974.668**	**-**	**974.668**
16.1	Paid-in Capital	**25**	650.303	-	650.303	650.303	-	650.303
16.2	Capital Reserves	**25**	1.938	-	1.938	1.938	-	1.938
16.2.1	Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
16.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	**25**	58	-	58	58	-	58
16.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	**25**	16.033	-	16.033	22.189	-	22.189
16.5	Profit Reserves	**26**	259.092	-	259.092	146.144	-	146.144
16.5.1	Legal Reserves		44.321	-	44.321	38.674	-	38.674
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		169.771	-	169.771	107.470	-	107.470
16.5.4	Other Profit Reserves		45.000	-	45.000	-	-	-
16.6	Profit or Loss		47.902	-	47.902	112.948	-	112.948
16.6.1	Prior Periods Profit/Loss	**27**	-	-	-	-	-	-
16.6.2	Current Period Profit/Loss		47.902	-	47.902	112.948	-	112.948
16.7	Non-Controlling Interests	**24**	45.243	-	45.243	41.088	-	41.088
	TOTAL LIABILITIES AND EQUITY		**6.199.684**	**3.308.938**	**9.508.622**	**6.369.618**	**2.913.077**	**9.282.695**

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OFF BALANCE SHEET ITEMS AS AT 31 MARCH 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	OFF-BALANCE SHEET ITEMS		**Unaudited Current Period 31 March 2018**			**Audited Current Period 31 December 2017**		
		Notes	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**103.259**	**46.567**	**149.826**	**139.115**	**44.315**	**183.430**
II.	**REVOCABLE FACTORING TRANSACTIONS**		**267.562**	**30.412**	**297.974**	**229.541**	**28.191**	**257.732**
III.	**COLLATERALS RECEIVED**	**40**	**31.579.098**	**40.872.676**	**72.451.774**	**29.106.475**	**37.657.853**	**66.764.328**
IV.	**COLLATERALS GIVEN**	**28**	**1.355.535**	**27.701**	**1.383.236**	**1.337.317**	**22.721**	**1.360.038**
V.	**COMMITMENTS**		**168.814**	**746.974**	**915.788**	**120.223**	**750.302**	**870.525**
5.1	Irrevocable Commitments		-	157.789	157.789	-	147.499	147.499
5.2	Revocable Commitments		168.814	589.185	757.999	120.223	602.803	723.026
5.2.1	Lease Commitments		168.814	589.185	757.999	120.223	602.803	723.026
5.2.1.1	Finance Lease Commitments		168.814	589.185	757.999	120.223	602.803	723.026
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**1.788.046**	**1.781.589**	**3.569.635**	**1.686.114**	**1.689.612**	**3.375.726**
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading	**28**	1.788.046	1.781.589	3.569.635	1.686.114	1.689.612	3.375.726
6.2.1	Forward Foreign Currency Purchases/Sales	**28**	26.815	26.801	53.616	-	-	-
6.2.2	Swap Purchases/Sales	**28**	1.761.231	1.754.788	3.516.019	1.686.114	1.689.612	3.375.726
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**618.078**	**127.995**	**746.073**	**491.246**	**141.618**	**632.864**
	TOTAL OFF-BALANCE SHEET ITEMS		**35.880.392**	**43.633.914**	**79.514.306**	**33.110.031**	**40.334.612**	**73.444.643**

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	INCOME STATEMENT	Notes	Unaudited Current Period 01.01-31.03.2018	Unaudited Current Period 01.01-31.03.2017
I.	**OPERATING INCOME**	**31**	**210.813**	**146.982**
	FACTORING INCOME		**107.801**	**63.789**
1.1	Factoring Interest Income		101.178	59.452
1.1.1	Discounted		26.767	13.403
1.1.2	Other		74.411	46.049
1.2	Factoring Commission Income		6.623	4.337
1.2.1	Discounted		1.585	680
1.2.2	Other		5.038	3.657
	LEASE INCOME		**103.012**	**83.193**
1.3	Finance Lease Income		102.907	83.127
1.4	Operational Lease Income		105	66
1.5	Fees and Commission Income on Lease Operations		-	-
II.	**FINANCING EXPENSES (-)**	**34**	**(184.189)**	**(121.610)**
2.1	Interest Expense on Funds Borrowed		(125.615)	(77.865)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-
2.4	Interest Expense on Securities Issued		(50.804)	(37.816)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(7.770)	(5.929)
III.	**GROSS PROFIT / LOSS (I+II)**		**26.624**	**25.372**
IV.	**OPERATING EXPENSES (-)**	**32**	**(17.909)**	**(16.212)**
4.1	Personal Expenses		(11.831)	(9.791)
4.2	Employee Severance Indemnity Expense		(368)	(312)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(5.710)	(6.084)
4.5	Other		-	(25)
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**8.715**	**9.160**
VI.	**OTHER OPERATING INCOME**	**33**	**101.226**	**117.782**
6.1	Interest Income on Bank Deposits		1.118	987
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities Portfolio		71	48
6.3.1	Interest Income on Financial Assets Held for Trading		71	48
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available For Sale		-	-
6.3.4	Interest Income on Financial Assets Held to Maturity		-	-
6.4	Dividend Income		5.371	2.219
6.5	Trading Account Income		74.532	110.307
6.5.1	Income From Derivative Financial Instruments		74.532	110.307
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		13.495	46.696
6.7	Others		6.639	4.221
VII.	**PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)**	**35**	**(6.463)**	**(4.519)**
VIII.	**OTHER OPERATING EXPENSES (-)**	**36**	**(33.867)**	**(80.690)**
8.1	Impairment Losses on Securities Portfolio		-	-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment Losses on Financial Assets Available For Sale		-	-
8.1.3	Impairment Losses on Financial Assets Held to Maturity		-	-
8.2	Impairment Losses on Non-Current Assets		-	-
8.2.1	Impairment Losses on Tangible Assets		-	-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3	Impairment Losses on Goodwill		-	-
8.2.4	Impairment Losses on Other Intangible Assets		-	-
8.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3	Losses From Derivative Financial Instruments		(32.587)	(34.355)
8.4	Foreign Exchange Losses		-	-
8.5	Other		(1.280)	(1.006)
IX.	**NET OPERATING PROFIT / LOSS (V+…..+VIII)**		**69.611**	**41.733**
X.	**INCOME RESULTED FROM MERGER**		**-**	**-**
XI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XII.	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)**		**69.611**	**41.733**
XIII.	**INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)**	**37**	**(16.783)**	**(9.505)**
13.1	Current Tax Charge		(16.262)	(4.390)
13.2	Deferred Tax Charge (-)		(521)	(5.115)
13.3	Deferred Tax Benefit (+)		-	-
XIV.	**NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)**		**52.828**	**32.228**
XV.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
15.1	Income from Assets Held for Sale		-	-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3	Other Income from Discontinued Operations		-	-
XVI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
16.1	Expense on Assets Held for Sale		-	-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3	Other Expenses from Discontinued Operations		-	-
XVII.	**PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)**		**-**	**-**
XVIII.	**INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)**		**-**	**-**
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Benefit (+)		-	-
XIX.	**NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)**		**-**	**-**
XX.	**NET PROFIT FOR THE PERIOD**		**52.828**	**32.228**
20.1	**NON-CONTROLLING INTERESTs**		**(4.926)**	**(3.001)**
20.2	**EQUITY HOLDERS OF THE COMPANY**		**47.902**	**29.227**
	EARNINGS PER SHARE	**38**	**0,07**	**0,05**
	Earnings Per Share from Continued Operations		0,07	0,05
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	**38**	**0,07**	**0,05**
	Earnings Per Share from Continued Operations		0,07	0,05
	Earnings Per Share from Discontinued Operations		-	-

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

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

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	**Notes**	**Unaudited Prior Period 01.01-31.03.2018**	**Unaudited Prior Period 01.01-31.03.2017**
I.	**CURRENT PERIOD PROFIT/LOSS**		**52.828**	**32.228**
II.	**OTHER COMPREHENSIVE INCOME**		**(6.927)**	**(509)**
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	22	-	-
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		-	-
2.1.5.1	Current Tax Income/Expense		-	-
2.1.5.2	Deferred Tax Income/Expense		-	-
2.2	**Items that may be Reclassified subsequently to Profit or Loss**		**(6.927)**	**(509)**
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales		(6.927)	(509)
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)**		**45.901**	**31.719**

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

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

								Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss												
	CHANGES IN EQUITY	Note	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period Profit/ (Loss)	Prior Period Profit/ (Loss)	Net Current Period Profit/ Loss	Non-Controlling Interest	Total Equity
	Prior Period (01.01 – 31.03.2017)		-																				
I.	**Balance at the Beginning of the Period (31.12.2016)**		**600.303**	**-**	**-**	**-**	**1.938**	**-**	**15**	**-**	**-**	**3.766**	**-**	**92.487**	**33.296**	**-**	**59.191**	**-**	**103.657**	**-**	**103.657**	**28.037**	**830.203**
II.	**Correction Made According to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	**25**	**600.303**	**-**	**-**	**-**	**1.938**	**-**	**15**	**-**	**-**	**3.766**	**-**	**92.487**	**33.296**	**-**	**59.191**	**-**	**103.657**	**-**	**103.657**	**28.037**	**830.203**
IV.	**Total Comprehensive İncome**		-	-	-	-	-	-	-	-	-	**(464)**	-	-	-	-	-	-	-	-	-	**(45)**	**(509)**
V.	**Cash Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from internal reserves**	**25**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in-Capital Inflation Adjustment**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increases / Decreases due to other changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit for the Period**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**29.227**	-	**29.227**	**3.001**	**32.228**
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	**103.657**	**5.378**	-	**48.279**	**50.000**	**(103.657)**	-	**(103.657)**	-	-
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	**103.657**	**5.378**	-	**48.279**	**50.000**	**(103.657)**	-	**(103.657)**	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (31.03.2017)		**600.303**	**-**	**-**	**-**	**1.938**	**-**	**15**	**-**	**-**	**3.302**	**-**	**196.144**	**38.674**	**-**	**107.470**	**-**	**29.227**	**-**	**29.227**	**30.993**	**861.922**
	Current Period (01.01. –31.03.2018)																						
I.	**Balance at the Beginning of the Period (31.12.2017)**		**650.303**	**-**	**-**	**-**	**1.938**	**-**	**58**	**-**	**-**	**22.189**	**-**	**146.144**	**38.674**	**-**	**107.470**	**-**	**112.948**	**-**	**112.948**	**41.088**	**974.668**
II.	**Correction Made According to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	25	**650.303**	**-**	**-**	**-**	**1.938**	**-**	**58**	**-**	**-**	**22.189**	**-**	**146.144**	**38.674**	**-**	**107.470**	**-**	**112.948**	**-**	**112.948**	**41.088**	**974.668**
IV.	**Total Comprehensive İncome**		-	-	-	-	-	-	-	-	-	**(6.156)**	-	-	-	-	-	-	-	-	-	**(771)**	**(6.927)**
V.	**Cash Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from internal reserves**	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in-Capital Inflation Adjustment**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increases / Decreases due to other changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit for the Period**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**47.902**	-	**47.902**	**4.926**	**52.828**
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	**112.948**	**5.647**	-	**62.301**	**45.000**	**(112.948)**	-	**(112.948)**	-	-
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	**112.948**	**5.647**	-	**62.301**	**45.000**	**(112.948)**	-	**(112.948)**	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (31.03.2018)		**650.303**	**-**	**-**	**-**	**1.938**	**-**	**58**	**-**	**-**	**16.033**	**-**	**259.092**	**44.321**	**-**	**169.771**	**45.000**	**47.902**	**-**	**47.902**	**45.243**	**1.020.569**

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)

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 MARCH 2018
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Unaudited Current Period	**Unaudited Current Period**
		Notes	**01.01-31.03.2018**	**01.01-31.03.2017**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit Before Changes in Operating Assets And Liabilities**		**60.535**	**(18.262)**
1.1.1	Interests Received/Lease Income		200.358	138.905
1.1.2	Interest Paid / Lease Expenses		(188.005)	(116.392)
1.1.3	Lease Expenses		-	-
1.1.4	Dividends Received		5.371	2.219
1.1.5	Fees and Commissions Received		6.623	4.337
1.1.6	Other Income		31.667	(12.934)
1.1.7	Collections from Non-performing Receivables	33	2.415	1.130
1.1.8	Payments to Personnel and Service Suppliers		(10.470)	(8.620)
1.1.9	Taxes Paid	23	(14.633)	(7.128)
1.1.10	Others		27.199	(19.779)
1.2	**Changes in Operating Assets and Liabilities**		**(56.477)**	**(454.597)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		250.061	(67.378)
1.2.2	Net (Increase) Decrease in Financing Loans		-	-
1.2.3	Net (Increase) Decrease in Lease Receivables		(122.756)	(267.901)
1.2.4	Net (Increase) Decrease in Other Assets		(5.398)	(12.964)
1.2.5	Net Increase (Decrease) in Factoring Payables		-	-
1.2.6	Net Increase (Decrease) in Lease Payables		-	-
1.2.7	Net Increase (Decrease) in Funds Borrowed		(211.148)	(106.917)
1.2.8	Net Increase (Decrease) in Due Payables		-	-
1.2.9	Net Increase (Decrease) in Other Liabilities		32.764	563
I.	**Net Cash Used in Operating Activities**		**4.058**	**(472.859)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures	6	-	(1.000)
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3	Purchases of Tangible and Intangible Assets	10, 11	(12.915)	(641)
2.4	Proceeds From Sale of Tangible and Intangible Assets	10	253	18
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6	Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8	Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9	Other		-	-
II.	**Net cash used in investing activities**		**(12.662)**	**(1.623)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash obtained from funds borrowed and securities issued		1.001.453	1.091.073
3.2	Cash used for repayment of funds borrowed and securities issued		(831.762)	(869.154)
3.3	Equity instruments issued		-	-
3.4	Dividends paid	25	-	-
3.5	Payments for finance leases		-	-
3.6	Other		-	-
III.	**Net Cash From Financing Activities**		**169.691**	**221.919**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**916**	**(473)**
V.	**Net Increase in Cash and Cash Equivalents**		**162.003**	**(253.036)**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**	**5**	**247.874**	**376.421**
VII.	**Cash and Cash Equivalents at the End of the Period**	**5**	**409.877**	**123.385**

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The Company has purchased nominal shares of İş Faktoring A.Ş. ("İş Faktoring") amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements.

The Company and its subsidiary run their operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with 28,56% participation. The Company's 42,67% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 March 2018, the Company and its subsidiary ("the Group") have 278 employees (31 December 2017: 273 employees).

Dividend Payable

As at 31 March 2018, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 31 March 2018 have been approved by the Board of Directors of the Company and authorized for issue as at 25 April 2018. The General Assembly and / or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Accounting Standards Applied (Continued)

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

Additional Paragraph for Convenience Translation to English

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

Functional and Reporting Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

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

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

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

(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)

Accounting estimates

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

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

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

Note 7 – Factoring receivables

Note 8 – Lease receivables

Note 21 – Provisions

Note 22 – Employee benefits

Note 28 – Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group's subsidiary as at 31 March 2018 and 31 December 2017 are as follows:

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

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

(i) Subsidiaries

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

In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 March 2018 and 31 December 2017, 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.

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

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

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

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

Offsetting

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

2.2 Changes in Accounting Policies

The accounting policies applied for the period ended 31 March 2018 have been applied consistently for the period ended 31 December 2017 in preparing these financial statements.

2.3 Changes in Accounting Estimates and Errors

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

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

TAS 7 Statement of Cash Flows (Amendments)

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

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

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

Annual Improvements to TFRSs - 2014-2016 Cycle

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

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

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

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

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

TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

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

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

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

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

(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.

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

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

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 The Group expects no significant impact on its balance sheet and equity

Annual Improvements – 2015–2017 Cycle

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. <u>Revenue</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

Fee and commissions collected or paid on any transactions are recorded on accrual basis.

b. Tangible Assets

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

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

Leasehold improvements are depreciated over their respective lease periods.

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

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

Definition	***Years***
Furniture and fixtures	5 years
Other tangible assets	5 years
Vehicles	5 years
Operational Leasing Assets	3 years

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

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

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

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

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available for sale financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

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

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

Finance lease receivables, factoring receivables and other receivables

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial liabilities (Continued)

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

h. Business Combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Group as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	**31 December 2017**
USD	3,9489	3,7719
EUR	4,8673	4,5155
GBP	5,5385	5,0803
CHF	4,1326	3,8548
100 JPY	3,7098	3,3421
AUD	3,0326	2,9384

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

j. Earnings Per Share

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

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

k. Events After the Reporting Period

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Provisions, Contingent Liabilities and Contingent Assets:

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

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

m. Leases

- Group as Lessor

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

- Group as Lessee

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

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

n. Segment Reporting

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

o. Taxes on Income

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

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

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

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

p. Employee Benefits / Reserve for Employee Termination Benefits

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

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

	31 March 2018	31 December 2017
Discount rate	%4,49	%4,49
Expected rate of salary/limit increase	%7,00	%7,00
Probability of retirement	%100	%100

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Statement of Cash Flows

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

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

s. Share Capital and Dividends

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

t. Related Parties

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

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

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

Financial Assets held for trading:

As at 31 March 2018 and 31 December 2017, details of financial assets held for trading are as follows:

	31 March 2018		**31 December 2017**	
	TL	FC	TL	FC
Debt securities issued by private sector(*)	400	-	400	-
Impairment Provision of Private Sector Securities Common Stocks and Bond(*)	(400)	-	(400)	-
Mutual funds	1.876	-	5.147	-
	1.876	**-**	**5.147**	**-**

(*) 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 1.876 (31 December 2017: TL 5.147).

Derivative Financial Assets and Liabilities Held For Trading:

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

	31 March 2018		**31 December 2017**	
	TL	FC	TL	FC
<u>Derivative Financial Asset Held For Trading</u>				
Forwards	43	-	-	-
Currency swaps	1.039	9.111	105	5.278
	1.082	**9.111**	**105**	**5.278**

	31 March 2018		**31 December 2017**	
	TL	FC	TL	FC
<u>Derivative Financial Liabilities Held For Trading</u>				
Forwards	-	-	-	-
Currency swaps	-	25.120	-	19.613
	-	**25.120**	**-**	**19.613**

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

5. BANKS

As at 31 March 2018 and 31 December 2017, the details of the banks are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Demand Deposits	5.015	15.942	5.093	30.296
Time Deposits	-	388.920	-	212.485
Interest accrual	-	284	-	19
	5.015	**405.146**	**5.093**	**242.800**

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

Currency	Interest Rate (%)	Maturity	31 March 2018
USD	2,25%-4,10%	02.04.2018 -24.04.2018	260.033
Euro	0,90%-1,50%	02.04.2018 -30.04.2018	129.171
			389.204

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

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

As at 31 March 2018, TL 182.469 portion of total foreign currency deposits (31 December 2017: TL 184.114) and TL 4.664 portion of total TL deposits (31 December 2017: TL 4.885) consist of accounts at the Group's main shareholder, Türkiye İş Bankası A.Ş.

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

	31 March 2018	31 December 2017
Demand deposits	20.957	35.389
Time deposits (1-3 months) (excluding accrual)	388.920	212.485
Cash and cash equivalents	**409.877**	**247.874**

As at 31 March 2018 and 31 December 2017, there is no blockage on cash and cash equivalents.

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

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 March 2018 and 31 December 2017, details of financial assets available for sale are as follows:

				Ownership Rate (%)		Carrying Amount	
Name of the investment	Core business	Incorporation and location	Voting right (%)	31 March 2018	31 December 2017	31March 2018	31 December 2017
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	35.559	42.329
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	996	1.153
Unquoted investments:							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	666	666
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	3.000	3.000
TOTAL						**40.260**	**47.187**

7. FACTORING RECEIVABLES

As at 31 March 2018 and 31 December 2017, details of factoring receivables are as follows:

	31 March 2018	**31 December 2017**
Short-term factoring receivables (*)		
Domestic factoring receivables	3.410.261	3.662.132
Export and import factoring receivables	539.963	535.156
Factoring interest income accrual	28.456	29.347
Unearned interest income	(26.177)	(21.768)
	3.952.503	4.204.867
Non-performing factoring receivables (**)	42.806	42.099
Provision for non-performing factoring receivables (**)	(40.184)	(39.630)
	3.955.125	**4.207.336**

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

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

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

7. FACTORING RECEIVABLES (Continued)

As at 31 March 2018, the average interest rates applicable for the factoring receivables are 17,84% for TL, 6,21% for USD, 3,58% for EUR and 6,73% for GBP (31 December 2017: 17,64% for TL, 5,67% for USD, 3,53% for EUR and 5,98% for GBP).

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

	31 March 2018	**31 December 2017**
Domestic irrevocable	1.437.645	1.867.312
Foreign irrevocable	216.470	195.722
Domestic revocable	1.974.019	1.801.683
Foreign revocable	326.991	342.619
	3.955.125	**4.207.336**

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

	31 March 2018	**31 December 2017**
Between 90 – 180 days	2.589	2.146
Between 180 – 360 days	1.102	1.505
Over 360 days	39.115	38.448
	42.806	**42.099**

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

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

	1 January- 31 March 2018	**1 January- 31 March 2017**
Provision at the beginning of the period	(39.630)	(38.547)
Provision set during the period	(1.412)	(839)
Collections	858	832
Provision at the end of the period	**(40.184)**	**(38.554)**

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

8. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 31 March 2018 and 31 December 2017, details of finance lease receivables are as follows:

31 March 2018	Short Term	Long Term	Total
Invoiced finance lease receivables	57.483	-	57.483
Finance lease income accruals	36.761	-	36.761
Non-performing finance lease receivables (*)	225.146	11.891	237.037
Uninvoiced finance lease receivables	2.103.907	3.012.068	5.115.975
Less: Unearned interest income	(335.173)	(322.557)	(657.730)
Leasing contracts in progress (**)	-	265.875	265.875
Advances given for lease transactions	-	95.689	95.689
Specific provisions (*)	(136.890)	(7.230)	(144.120)
Net finance lease receivables	**1.951.234**	**3.055.736**	**5.006.970**

31 December 2017	Short Term	Long Term	Total
Invoiced finance lease receivables	59.559	-	59.559
Finance lease income accruals	31.331	-	31.331
Non-performing finance lease receivables (*)	197.720	26.595	224.315
Uninvoiced finance lease receivables	1.950.652	2.854.560	4.805.212
Less: Unearned interest income	(316.960)	(323.575)	(640.535)
Leasing contracts in progress (**)	-	223.516	223.516
Advances given for lease transactions	-	138.329	138.329
Specific provisions (*)	(123.953)	(16.673)	(140.626)
Net finance lease receivables	**1.798.349**	**2.902.752**	**4.701.101**

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

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 March 2018 and 31 December 2017, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

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

	2018 (**)	2019	2020	2021	2022	2023 and after	Total
Finance lease receivables (gross) (*)	1.835.984	1.611.336	988.402	523.859	210.192	133.363	5.303.136
Unearned interest	(268.814)	(213.271)	(104.871)	(44.926)	(16.539)	(9.309)	(657.730)
Finance lease receivables (net)	**1.567.170**	**1.398.065**	**883.531**	**478.933**	**193.653**	**124.054**	**4.645.406**

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

(**) Non-performing finance lease receivables amounting to TL 92.917 are presented in 2018 column since their collection dates are not certain.

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

8. LEASE RECEIVABLES (Continued)

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

	2017(**)	2018	2019	2020	2021	2022 ve sonrası	Toplam
Finance lease receivables (gross)(*)	2.125.231	1.357.984	794.317	426.967	167.030	108.262	4.979.791
Unearned interest	(316.961)	(178.853)	(86.037)	(37.060)	(13.547)	(8.077)	(640.535)
Finance lease receivables (net)	**1.808.270**	**1.179.131**	**708.280**	**389.907**	**153.483**	**100.185**	**4.339.256**

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

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

As at 31 March 2018, the average compound interest rates applicable for the finance lease receivables are 15,27 % for TL, 6,14 % for USD, and 4,74 % for EUR (31 December 2017: 14,87 % for TL, 6,05 % for USD, and 4,82 %for EUR).

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

Currency	Principal in foreign currency	Principal (*) (Net) (TL)	Unearned interest in foreign currency	Unearned interest (TL)
USD	205.103.484	809.934	19.981.107	78.594
EUR	430.034.146	2.093.105	43.830.088	213.334
CHF	2.075.222	8.576	154.257	637
TL		1.733.791		365.165
Total		**4.645.406**		**657.730**

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

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

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

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

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

8. 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):

Collateral type:	**31 March 2018**	**31 December 2017**
Mortgages	232.881	228.871
Sureties of credit guarantee fund	86.624	48.793
Pledged equity	68.975	-
Pledged commercial	40.032	34.092
Letters of guarantee	15.954	16.851
Pledged movable	15.838	
Cash blockages	2.585	3.008
Share certificates	1.991	2.446
Pledged account	1.174	1.051
Guarantors	235	288
	466.289	**335.400**

In addition to collaterals above, the Group also has sureties amounting to TL 3.963.172, pledged vehicles amounting to TL 49.605, pledged accounts receivable to TL 36.662. (31 December 2017: sureties amounting to TL 3.707.190, pledged vehicles amounting to TL 50.806, pledged machines amounting to TL 12.514, pledged accounts receivable to TL 118.326).

As at the end of the reporting date, the Group did not recognize provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TL 57.483 (31 December 2017: TL 59.559) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

	31 March 2018	**31 December 2017**
Up to 30 days	35.534	48.613
Between 30 – 60 days	5.999	5.384
Between 60 – 90 days	12.931	2.534
Between 90 – 150 days	3.019	3.028
Total overdue	57.483	59.559
Not due amount	496.295	341.148
	553.778	**400.707**

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

Collateral type	**31 March 2018**	**31 December 2017**
Mortgages	61.529	28.565
Pledged commercial	25.032	-
Sureties of credit guarantee fund	22.444	4.019
Pledged equity	18.975	27.216
Letters of guarantee	3.274	1.288
Pledged account	1.174	1.051
Cash blockages	73	59
Guarantors	5	26
	132.506	**62.224**

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

8. LEASE RECEIVABLES (Continued)

In addition to above guarantees, the Group also has sureties amounting to TL 409.022, pledged vehicles amounting to TL 10.127, pledged accounts receivable to TL 2.123 (31 December 2017: sureties amounting to TL 331.696, pledged vehicles amounting to TL 4.244, pledged accounts receivable to TL 2.544).

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 40.

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

As at 31 March 2018 and 31 December 2017, the aging of non-performing finance lease receivables is as follows:

	31 March 2018	**31 December 2017**
Between 150 – 240 days	5.900	3.638
Between 240 – 360 days	4.103	2.204
Over 360 days	79.326	75.804
Uninvoiced non-performing finance lease receivables	151.749	148.412
Unearned interest of non-performing finance lease receivables	(4.041)	(5.743)
	237.037	**224.315**

Collaterals obtained for non-performing finance lease receivables as at 31 March 2018 and 31 December 2017 are as follows:

Guarantee type:	**31 March 2018**	**31 December 2017**
Mortgages	6.830	5.299
	6.830	**5.299**

In addition to the above collaterals, the Group also has sureties amounting to TL 151.863, leased equipments amounting to TL 77.819 and pledged vehicles amounting to TL 525 (31 December 2017: sureties amounting to TL 143.473, pledged vehicles amounting to TL 981 and leased equipments amounting to TL 74.562).

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

Movement of specific provisions:	**1 January- 31 March 2018**	**1 January- 31 March 2017**
Provision at the beginning of the period	(140.626)	(111.683)
Provision set during the period	(5.051)	(3.680)
Collections	1.557	298
Provision at the end of the period	**(144.120)**	**(115.065)**

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

8. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables

	31 March 2018	31 December 2017
Operating Lease Receivables	1	-
	1	**-**

As at 31 March 2018 and 31 December 2017 analysis of operating lease receivables according to their maturities is as follows :

	31 March 2018	31 December 2017
2018 Year	287	419
2019 Year	407	414
2020 Year	134	132
	828	**965**

9. RELATED PARTIES

As at 31 March 2018 and 31 December 2017, details of related party balances are as follows:

	31 March 2018	31 December 2017
Finance lease receivables from related parties		
KKB Kredi Kayıt Bürosu A.Ş.	20.260	20.882
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	11.105	11.667
Tukaş Gıda San. ve Tic. A.Ş.	3.890	4.235
Numnum Yiyecek ve İçecek A.Ş.	1.399	1.409
Bankalararası Kart Merkezi A.Ş.	397	505
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	273	377
Toksöz Spor Malzemeleri Ticaret A.Ş.	6	22
Radore Veri Merkezleri Hizm. A.Ş.	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	699
Total	**37.330**	**39.796**
Operating Lease Receivables From Related Parties		
Türkiye Sınai Kalkınma Bankası A.Ş.	1	-
	1	**-**
Factoring receivables from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	49.900	49.900
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	13.829	15.942
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	294	766
Total	**64.023**	**66.608**

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

9. RELATED PARTIES (Continued)

	31 March 2018	31 December 2017
Payables to related parties		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	20.469	18.462
Türkiye İş Bankası A.Ş.	67	-
Anadolu Hayat Emeklilik A.Ş.	36	1
İş Merkezleri Yönetim ve İşletim A.Ş.	21	160
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	2	44
KKB Kredi Kayıt Bürosu A.Ş.	-	4
Total	**20.595**	**18.671**
Deposits placed to related parties		
Türkiye İş Bankası A.Ş. time deposit	168.708	160.426
Türkiye İş Bankası A.Ş. demand deposit	18.425	28.573
İş AG demand deposit	573	5.579
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	32	31
Total	**187.738**	**194.609**
Derivative financial liabilities held for trading from related parties		
Türkiye İş Bankası A.Ş.	17.005	12.926
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-
Total	**17.005**	**12.926**
Derivative financial assets held for trading from related parties		
Türkiye İş Bankası A.Ş.	4.489	1.670
Türkiye Sınai Kalkınma Bankası A.Ş.	373	466
Total	**4.862**	**2.136**

As at 31 March 2018 and 31 December 2017, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 March 2018
TL	17,00% –17,54%	02.01.2018-15.06.2018	751
USD	4,99%	17.07.2018	39.919
			40.670

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

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

9. RELATED PARTIES (Continued)

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 March 2018
USD	2,68%	15.09.2018	1.977
EUR	1,01% - 3,45%	06.06.2018-27.12.2024	291.629
			293.606

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

For the periods ended 31 March 2018 and 31 December 2017, finance income and expenses from related parties are as follows:

	31 March 2018	31 March 2017
Finance lease interest income from related parties		
KKB Kredi Kayıt Bürosu	209	252
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	169	402
Tukaş Gıda San. Ve Tic.A.Ş.	127	209
Numnum Yiyecek ve İçecek A.Ş.	28	28
Bankalararası Kart Merkezi A.Ş.	16	31
İş Gayrimenkul Yatırım Ort.A.Ş	5	336
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	5	10
Toksöz Spor Malzemeleri Tic. A.Ş.	1	3
Radore Veri Merkezi Hizm.A.Ş	-	2
Total	**560**	**1.273**
Operating Lease Income from related parties		
Türkiye Sınai Kalkınma Bankası A.Ş.	76	55
TSKB Gayrimenkul Değerleme A.Ş.	27	10
TSKB Sürdürülebilirlik Danışmanlık A.Ş.	2	1
Total	**105**	**66**
Interest income from related parties		
Türkiye İş Bankası A.Ş.	500	438
Total	**500**	**438**

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

9. RELATED PARTIES (Continued)

Dividend income from related parties	31 March 2018	31 March 2017
İş Yatırım Menkul Değerler A.Ş.	5.351	2.189
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	20	30
Total	**5.371**	**2.219**
Finance expense		
Türkiye Sınai Kalkınma Bankası A.Ş.	6.499	4.228
Türkiye İş Bankası A.Ş.	1.415	479
İş Yatırım Menkul Değerler A.Ş.	1.179	1.201
İşbank AG	7	6
Total	**9.100**	**5.914**
Rent expense		
Türkiye İş Bankası A.Ş.	990	1.139
Total	**990**	**1.139**
Commission income		
Anadolu Anonim Türk Sigorta Şirketi	1.334	1.023
Total	**1.334**	**1.023**
Factoring commission income		
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	28	19
Total	**28**	**19**
Factoring interest income from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	2.138	729
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	468	420
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	11	2
Total	**2.617**	**1.151**
Mutual fund income		
Türkiye İş Bankası A.Ş.	32	77
Total	**32**	**77**

As at 31 March 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	31 March 2018		31 December 2017	
	Purchase	**Sale**	**Purchase**	**Sale**
Swap Transactions	523.621	519.973	206.894	196.707
Total	**523.621**	**519.973**	**206.894**	**196.707**

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

9. RELATED PARTIES (Continued)

As at 31 March 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	31 March 2018		31 December 2017	
	Purchase	**Sale**	**Purchase**	**Sale**
Swap Transactions	233.490	232.985	223.139	222.542
Total	**233.490**	**232.985**	**223.139**	**222.542**

As at 31 March 2018 and 31 December 2017, the amount of the Group's issued debt securities in related parties' securities portfolio are as follows:

	31 March 2018	31 December 2017
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş	4.164	2.351
İş Portföy Yönetimi A.Ş.	1.003	1.003
Türkiye İş Bankası A.Ş.	432	-
İş Yatırım Menkul Değerler A.Ş.	105	100
Total	**5.704**	**3.454**

<u>Renumeration of key management (*)</u>

For the period ended 31 March 2018 and 31 December 2017, the remuneration of the key management during year comprised the following:

	31 March 2018	31 March 2017
Salaries and other short-term benefits (**)	2.250	2.260
	2.250	**2.260**

(*) 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.

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

10. TANGIBLE ASSETS

For the periods ended 31 March 2018 and 31 March 2017, movements in tangible assets are as follows:

	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2018	6.168	1.057	1.456	-	3.916	12.597
Additions	-	-	-	12.341	56	12.397
Disposals	(194)	-	-	-	-	(194)
Closing balance at 31 March 2018	**5.974**	**1.057**	**1.456**	**12.341**	**3.972**	**24.800**
Accumulated depreciation						
Opening balance at 1 January 2018	(3.766)	(329)	(1.456)	-	(3.453)	(9.004)
Depreciation for the period	(176)	(88)	-	(7)	(61)	(332)
Disposals	9	-	-	-	-	9
Closing balance at 31 March 2018	**(3.943)**	**(417)**	**(1.456)**	**(7)**	**(3.514)**	**(9.327)**
Carrying amounts at 31 March 2018	**2.041**	**640**	**-**	**12.334**	**458**	**15.473**
Carrying amounts at 1 January 2018	**2.402**	**728**	**-**	**-**	**463**	**3.593**

	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2017	4.736	627	1.479	15.130	3.625	25.597
Additions	114	108	-	-	-	222
Transfer	15		(23)		(7)	(15)
Disposals	(19)	-	-	-	-	(19)
Closing balance at 31 March 2017	**4.846**	**735**	**1.456**	**15.130**	**3.618**	**25.785**
Accumulated depreciation						
Opening balance at 1 January 2017	(3.315)	-	(1.479)	(164)	(3.148)	(8.168)
Depreciation for the period	(116)	(62)	-	(93)	(77)	(340)
Transfer	(10)	(54)	23		3	16
Disposals	1	-	-	-	-	1
Closing balance at 31 March 2017	**(3.440)**	**(116)**	**(1.456)**	**(257)**	**(3.222)**	**(8.491)**
Carrying amounts at 31 March 2017	**1.406**	**619**	**-**	**14.873**	**396**	**17.294**
Carrying amounts at 1 January 2017	**1.421**	**565**	**-**	**14.966**	**477**	**17.429**

As at 31 March 2018 and 31 March 2017, there is no restriction and mortgage on the tangible assets of the Group.

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

11. INTANGIBLE ASSETS

For the periods ended 31 March 2018 and 31 December 2017, movements in intangible assets are as follows:

	31 March 2018	**31 December 2017**
Cost		
Opening balance at 1 January	7.215	5.042
Additions	518	419
Transfer	-	(15)
Disposals	(68)	-
Closing balance at the end of the period	7.665	5.446
Amortization		
Opening balance at 1 January	(3.441)	(2.618)
Amortization for the period	(281)	(182)
Transfer	-	15
Disposals	-	-
Closing balance at the end of the period	(3.722)	(2.785)
Carrying amounts	**3.943**	**2.661**

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

12. GOODWILL

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

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

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 March 2018 and 31 December 2017, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary differences subject to deferred tax	31 March 2018	31 December 2017
Allowance for doubtful finance lease receivables	122.251	118.778
Unearned factoring income	26.177	21.768
Valuation differences on financial instruments	14.926	14.229
Reserve for employee benefits	4.248	3.880
Provision for lawsuit	3.999	3.753
Employee bonus accrual	2.287	4.077
Unused vacation	1.825	1.498
Prepaid expenses	1.812	1.522
Expense accruals	382	216
Tax base differences in tangible and intangible assets	(2.771)	(2.639)
Finance lease adjustment	(12.902)	(7.533)
Finance lease income accruals	(37.357)	(31.780)
	124.877	**127.769**

Deferred tax assets / (liabilities)	31 March 2018	31 December 2017
Allowance for doubtful finance lease receivables	25.272	24.489
Unearned factoring income	5.759	4.789
Valuation differences on financial instruments	3.284	3.131
Reserve for employee benefits	850	776
Provision for lawsuit	880	825
Employee bonus accrual	503	897
Unused vacation	365	300
Prepaid expenses	399	335
Expense accruals	84	48
Tax base differences in tangible and intangible assets	(554)	(528)
Finance lease adjustment	(2.581)	(1.507)
Finance lease income accruals	(8.219)	(6.992)
Deferred tax asset	**26.042**	**26.563**

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 22% for the following years (31 December 2017: 20%). Investment incentive amount used during the period is (31 December 2016: TL 44.074).

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

13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

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

Movements in deferred tax assets are as follows:

	31 March 2018	31 March 2017
Opening balance at 1 January	26.563	33.418
Deferred tax income / (expense)	(521)	(1.276)
Recognized in other comprehensive income	-	51
Closing balance	**26.042**	**32.193**

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 March 2018 and 31 December 2017, details of assets held for sale and discontinued operations are as follows:

	31 March 2018		31 December 2017	
	TP	YP	TP	YP
Assets held for sale (*)	785	-	785	-
	785	**-**	**785**	**-**

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

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

15. OTHER RECEIVABLES, OTHER ASSETS AND PREPAID EXPENSES

As at 31 March 2018 and 31 December 2017, details of other receivables are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Insurance receivables	3.589	4.344	3.157	3.672
Others	1.359	207	2.375	171
	5.532	**4.551**	**5.532**	**3.843**

As at 31 March 2018 and 31 December 2017, prepaid expenses are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	20.057	-	16.595	22
Others	2.831	-	2.783	-
	22.888	**-**	**19.378**	**22**

As at 31 March 2018 and 31 December 2017, details of other assets are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Amounts to be invoiced	700	-	711	-
Advanced given	128	-	24	-
Deposits given	35	35	36	33
Others	3.160	700	2.589	871
	4.023	**735**	**3.360**	**904**

16. FUNDS BORROWED

As at 31 March 2018 and 31 December 2017, details of funds borrowed are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Short-term borrowings	3.395.192	1.399.156	3.789.129	1.401.765
Short-term portion of long-term borrowings	15.929	308.763	18.473	261.356
Total short-term borrowings	**3.411.121**	**1.707.919**	**3.807.602**	**1.663.121**
Long-term borrowings	49.558	1.390.282	45.976	1.060.444
Total long-term borrowings	**49.558**	**1.390.282**	**45.976**	**1.060.444**
Total borrowings	**3.460.679**	**3.098.201**	**3.853.578**	**2.723.565**

As at 31 March 2018 and 31 December 2017, borrowings has no collateral.

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

16. FUNDS BORROWED (Continued)

As at 31 March 2018 and 31 December 2017, maturity analysis of borrowings is as follows:

Maturity analysis of borrowings	31 March 2018	31 December 2017
Within 1 year	5.119.040	5.470.723
Within 1-2 years	854.021	478.548
Within 2-3 years	315.505	376.456
Within 3-4 years	125.901	106.780
Within 4-5 years	62.463	62.252
5 years and over	81.950	82.384
TOTAL	**6.558.880**	**6.577.143**

As at 31 March 2018 and 31 December 2017, details of short term borrowings based on types of currency are as follows:

Currency (*)	Interest rate %	Original Currency Amount	31 March 2018
TL	%13,50-%17,54	3.381.145.833	3.381.146
USD	%2,09-%5,01	72.492.382	286.265
Euro	%0,50-%3,45	220.813.712	1.074.767
GBP	%4,50	471.031	2.609
Interest accruals			49.561
TOTAL			**4.794.348**

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

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

As at 31 March 2018 and 31 December 2017, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

Currency	Interest rate %	Original Currency Amount	31 March 2018
USD	%1,51-%4,67	86.293.266	340.763
Euro	%0,80-%3,85	292.517.232	1.423.769
TOTAL			**1.764.532**

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

As at 31 March 2018 and 31 December 2017, compounded interest rates have been presented.

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

16. FUNDS BORROWED (Continued)

As 31 March 2018 and 31 December 2017, details of borrowings based on types of interest rate are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Fixed rate	3.394.057	1.284.583	3.787.184	1.352.867
Variable rate	66.622	1.813.618	66.394	1.370.698
	3.460.679	**3.098.201**	**3.853.578**	**2.723.565**

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

As at 31 March 2018, the Group has available TL 9.795.806 of unused credit lines (31 December 2017: TL 8.974.822).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 March 2018 and 31 December 2017, details of miscellaneous payables are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Payables to suppliers for lease transactions	5.033	68.985	8.106	59.273
Other payables (*)	9.305	13.909	9.833	12.375
	14.338	**82.894**	**17.939**	**71.648**

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

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

As at 31 March 2018 and 31 December 2017, details of other liabilities are as follows:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Advances received (*)	33.227	58.221	20.717	75.659
Others	4.314	41.108	3.483	19.444
	37.541	**99.329**	**24.200**	**95.103**

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

18. FINANCE LEASE OBLIGATIONS

None.

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

19. DEBT SECURITIES ISSUED

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Bills bonds	1.490.701	-	1.321.010	-
Bonds issued	91.890	-	91.890	-
Interest accruals	39.111	-	47.962	-
	1.621.702	-	**1.460.862**	-

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

Payment dates are as follows;

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

(*) The first coupon payment of the bonds was held on 23 June 2017, second coupon payment of the bonds was held on 22 September 2017, third coupon payment of bonds was held on 22 December 2017, fourth coupon payment of bonds was held on 23 March 2018.

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

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

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

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 100.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 5/158 dated 3 February 2017). Issuance of bond was held on 15 January 2018. The bond have a maturity of 13 July 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 189.542 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 9 February 2018. The bond have a maturity of 7 August 2018.

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

19. DEBT SECURITIES ISSUED (Continued)

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 165.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 20 March 2018. The bond have a maturity of 11 September 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 60.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 23 February 2018. The bond have a maturity of 17 August 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 138.430 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 25 January 2018. The bond have a maturity of 10 January 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 120.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 9 February 2018. The bond have a maturity of 25 January 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 153.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 40/1393 dated 10 November 2017). Issuance of bond was held on 15 February 2018. The bond have a maturity of 13 August 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 166.500 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 40/1393 dated 10 November 2017). Issuance of bond was held on 9 March 2018. The bond have a maturity of 4 September 2018.

20. TAXES AND DUTIES PAYABLE

As at 31 March 2018 and 31 December 2017, details of taxes and duties payable are as follows:

	31 March 2018		**31 December 2017**	
	TL	FC	TL	FC
Corporation tax	9.072		-	
Banking and Insurance Transaction Tax	2.784	-	2.601	-
Value Added Tax	3.421	-	76	
Social Security Premium	1.577	-	1.195	-
Income Tax	1.179	-	628	-
Other Tax and Liabilities	61	-	36	-
	18.094	**-**	**4.536**	**-**

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

21. PROVISIONS

As at 31 March 2018 and 31 December 2017, other provisions are as follows:

	31 March 2018	31 December 2017
Provision for lawsuits	3.999	3.753
Provision for general administrative expenses	383	216
	4.382	**3.969**

Movements in provisions for the periods ended 31 March 2018 and 31 March 2017 are as follows:

31 March 2018	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses
At the beginning of the year	-	3.753	216
Additions	-	245	383
Payments	-	-	(216)
Cancellations	-	-	-
At the end of the period	**-**	**3.998**	**383**

31 March 2017	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses
At the beginning of the year	-	(3.170)	(215)
Additions	-	(138)	(368)
Payments	-	-	215
Cancellations	-	-	-
At the end of the period	**-**	**(3.308)**	**(368)**

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

22. EMPLOYEE BENEFITS

As at 31 March 2018 and 31 December 2017, reserve for employee benefits are as follows:

	31 March 2018	31 December 2017
Reserve for employee severance indemnity	4.248	3.880
Provision for employee bonus	2.286	4.077
Vacation pay liability	1.825	1.498
	8.359	**9.455**

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

TAS 19 – "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As at 31 March 2018 and 31 March 2017, the following actuarial assumptions are used in the calculation of the total liability:

	31 March 2018	31 March 2017
Discount rate	4,49%	3,43%
Inflation	7,00%	7,80%
Probability of retirement	100%	100%

For the periods ended 31 March 2018 and 31 March 2017, movements in reserve for employee severance indemnity are as follows:

	31 March 2018	31 March 2017
Balance at the beginning of the year	3.880	3.573
Cost of services	368	362
Amounts paid	-	(105)
Balance at the end of the year	**4.248**	**3.830**

The movement of the vacation pay liability for the periods ended 31 March 2018 and 31 March 2017 are as follows:

	31 March 2018	31 March 2017
Balance at the beginning of the year	1.498	1.129
Increase	327	258
Balance at the end of the year	**1.825**	**1.387**

The movement of the provision for employee bonus for the periods ended 31 March 2018 and 31 March 2017 are as follows:

	31 March 2018	31 March 2017
Balance at the beginning of the year	4.077	2.713
Increase	1.034	913
Reversals	(390)	(783)
Payment made during the year	(2.435)	(1.930)
Balance at the end of the year	**2.286**	**913**

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

23. CURRENT PERIOD TAX ASSET AND PAYABLE

As at 31 March 2018 and 31 December 2017, details of corporate tax provision and prepaid taxes are as follows:

	31 March 2018	31 December 2017
Current period corporate tax provision (Note:37)	16.262	19.776
Current period investment incentive provision(Note:37)	-	8.727
Corporation taxes paid in advance during the year	-	(5.143)
Corporate tax payable	**16.262**	**23.360**

For the periods ended 31 March 2018 and 31 March 2017, movements of corporate tax payable are as follows:

	31 March 2018	31 March 2017
Corporate tax payable at the beginning of the year	23.360	28.371
Current period tax expense (Note:37)	16.262	4.390
Prior period correction of withholding tax on investment incentives	(8.727)	(21.243)
Taxes paid during the year	(14.633)	(7.128)
Corporate tax payable	**16.262**	**4.390**

The current years tax asset as at 31 March 2018 and 31 March 2017 are as follows:

	31 March 2018	31 March 2017
Income taxes withheld	481	728
Total	**481**	**728**

24. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 31 March 2018, the non-controlling interests amounting to TL 45.243 (31 December 2017: TL 41.088) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 4.926 (31 December 2017: TL 10.782) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the periods ended 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Balance at the beginning of the year	41.088	28.037
Fair value changes of marketable securities	(771)	2.269
Cash Dividend to non-controlling interests	-	-
Profit for the year	4.926	10.782
Balance at the end of the year	**45.243**	**41.088**

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

25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 March 2018 nominal capital of the Company is TL 650.303, the share capital of the Company consists of 65.030.264.500 shares Kurus 1 price.

As at 31 March 2018 and 31 December 2017, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 March 2018	(%)	31 December 2017
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	185.726	28,56	185.726
Türkiye İş Bankası A.Ş.	27,79	180.746	27,79	180.746
Trakya Yatırım Holding A.Ş.(*)	0,90	5.853	0,90	5.853
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	496	0,08	496
Publicly traded	42,67	277.482	42,67	277.482
TOTAL	**100,00**	**650.303**	**100,00**	**650.303**

Pursuant to General Assembly held on 23 March 2018, the Company increased its share capital by TL 45.000 to TL 695.303. The increase comprises of bonus shares from previous years' profit. Capital increase process continues.

Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

Shareholders	31 March 2018	31 December 2017
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.

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

25. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Capital Reserves

	31 March 2018	31 December 2017
Other Capital Reserves(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
Employee benefits re-measuring income/loss,	58	15
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss		
Net change in fair value of available-for-sale financial assets(**)	16.033	22.189
Total	**16.091**	**22.247**

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

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

26. PROFIT RESERVES

As at 31 March 2018 and 31 December 2017, details of profit reserves are as follows:

	31 March 2018	31 December 2017
Legal reserves	44.321	38.674
2017 year end dividend distributions	45.000	
Extraordinary reserves	169.771	107.470
Total	**259.092**	**146.144**

(*) 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 28.268 classified in extraordinary tax income reserves which will not be distributed as at 31 March 2018 (31 December 2017: TL 31.335).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10 % per annum of all cash dividend distributions. Legal reserves, if less than 50 % of the paid-in capital, can only be used to net-off the losses. TL 5.647 calculated on legal profit has been transferred to legal reserves by a decision of the Company's Board of Directors.

27. PRIOR YEARS' PROFIT/LOSS

The Group has no retained earnings as at 31 March 2018 (31 December 2017: None).

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

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2018, TL 1.383.236 of letters of guarantee are given to customs, authorities and banks (31 December 2017: TL 1.360.038).

As at 31 March 2018, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 10.963 (31 December 2017: TL 6.487). The Group has provided a provision amounting to TL 3.999 for litigations (31 December 2017: TL 3.753) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 March 2018, the Group has letter of credit commitments of USD 10.814.107, EUR 22.998.383, GBP 200.000 and CHF 493.000 (TL 157.789) (31 December 2017: USD 17.979.100, EUR 17.646.619 (TL 147.499)).

As at 31 March 2018 has no factoring commitment. (31 December 2017: None)

As at 31 March 2018, the Group has lease commitments of USD 19.140.454, EUR 105.520.767 and full TL 168.814.472 (TL 757.999) (31 December 2016: USD 12.446.989, EUR 123.099.081, full TL 120.223.133 (TL 723.026)).

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

As at 31 March 2018 details of derivatives are as follows:

	31 March 2018	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	1.852.258	9.015
TL	1.761.231.234	1.761.231
		1.770.246
Currency Swap Sales:		
USD	283.679.626	1.120.222
EUR	121.580.217	591.767
GBP	4.600.000	25.477
CHF	2.009.700	8.305
		1.745.771

	31 March 2018	
	Amount as Original Currency	TL
Currency Forward Purchases:		
USD	4.100.000	16.190
EUR	2.180.000	10.611
		26.801
Currency Forward Sales:		
TL	26.815.290	26.815
		26.815

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

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2017 details of derivatives are as follows:

	31 December 2017	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	1.984.562	8.961
TL	1.686.114	1.686.114
		1.695.075
Currency Swap Sales:		
USD	283.396.292	1.068.942
EUR	131.380.217	593.247
GBP	2.000.000	10.161
CHF	2.153.250	58.300
		1.680.651

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

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

The Group has TL 25.120 of unrealized loss and TL 10.193 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2017 (Note 4) (31 December 2017: TL 19.613 loss and TL 5.383 income).

As at 31 March 2018, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	1.761.232	9.015	1.770.247
Currency Swap Sales	1.737.467	8.305	1.745.772
Forward Purchase Transactions	26.801	-	26.801
Forward Sales Transactions	26.815	-	26.815

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

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

29. SEGMENT REPORTING

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

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

Business segments

The Group comprises the following main business segments:

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

31 March 2018	Leasing	Factoring	Consolidation Adjustments	Consolidated
Total assets	5.555.512	4.006.876	(53.766)	9.508.622
Total liabilities	4.689.016	3.799.037	-	8.488.053
Net profit for the year	30.201	22.627	(4.926)	47.902

31 December 2017	Leasing	Factoring	Consolidation Adjustments	Consolidated
Total assets	5.068.687	4.267.775	(53.767)	9.282.695
Total liabilities	4.229.006	4.079.021	-	8.308.027
Net profit for the year	74.200	49.530	(10.782)	112.948

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

29. SEGMENT REPORTING (Continued)

31 March 2018	**Leasing**	**Factoring**	**Consolidation Adjustments**	**Total**
Operating Income	103.012	107.801	-	210.813
Financial Expenses (-)	(76.445)	(107.744)	-	(184.189)
Gross Profit / Loss	26.567	57	-	26.624
Operating Expense (-)	(10.715)	(7.194)	-	(17.909)
Gross Operating Profit/Loss	15.852	(7.137)	-	8.715
Other Operating Income	64.630	36.596	-	101.226
Provision for Losses on Non-Performing Receivables (-)	(5.051)	(1.412)	-	(6.463)
Other operating Expenses (-)	(33.825)	(42)	-	(33.867)
Net Operating Profit / Loss	41.606	28.005	-	69.611
Profit or Loss from Continuing Operations	41.606	28.005	-	69.611
Provision for Taxes from Continuing Operations (±)	(11.405)	(5.378)	-	(16.783)
Net Profit or Loss from Continuing Operations	30.201	22.627	-	52.828
Non-controlling Interests	-	-	(4.926)	(4.926)
Net Profit or Loss for the Period	**30.201**	**22.627**	**(4.926)**	**47.902**
Tangible and Intangible Asset Additions	12.533	382	-	12.915
Depreciation and Amortisation	(420)	(193)	-	(613)

31 March 2017	**Leasing**	**Factoring**	**Consolidation Adjustments**	**Total**
Operating Income	83.194	63.788	-	146.982
Financial Expenses (-)	(55.214)	(66.396)	-	(121.610)
Gross Profit / Loss	27.980	(2.608)	-	25.372
Operating Expense (-)	(10.521)	(5.691)	-	(16.212)
Gross Operating Profit/Loss	17.459	(8.299)	-	9.160
Other Operating Income	46.228	71.554	-	117.782
Provision for Losses on Non-Performing Receivables (-)	(3.680)	(839)	-	(4.519)
Other operating Expenses (-)	(35.175)	(45.515)	-	(80.690)
Net Operating Profit / Loss	24.832	16.901	-	41.733
Profit or Loss from Continuing Operations	24.832	16.901	-	41.733
Provision for Taxes from Continuing Operations (±)	(6.390)	(3.115)	-	(9.505)
Net Profit or Loss from Continuing Operations	18.442	13.786	-	32.228
Non-controlling Interests	-	-	(3.001)	(3.001)
Net Profit or Loss for the Period	**18.442**	**13.786**	**(3.001)**	**29.227**
Tangible and Intangible Asset Additions	375	266	-	641
Depreciation and Amortisation	(409)	(113)	-	(522)

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

30. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 68.500 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 20 April 2018. The bond have a maturity of 05 April 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 114.500 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 43/1436 dated 27 November 2017). Issuance of bond was held on 20 April 2018. The bond have a maturity of 21 September 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 130.270 has been paid on 20 April 2018.

31. OPERATING INCOME

For the periods ended 31 March 2018 and 31 March 2017, details of operating income are as follows:

	31 March 2018	31 March 2017
Finance lease interest income	102.907	83.127
Operating Lease income	105	66
Factoring income	107.801	63.789
	210.813	**146.982**

32. OPERATING EXPENSES

For the periods ended 31 March 2018 and 31 March 2017, operating expenses are as follows:

	31 March 2018	31 March 2017
Personnel expenses	(11.831)	(9.791)
Office rent expenses	(1.407)	(1.486)
Information technology expenses	(664)	(636)
Depreciation and amortisation expense	(613)	(522)
Board of Directors attendance fee	(580)	(531)
Travel and car expenses	(571)	(515)
Provision for employee severance indemnity	(368)	(312)
Tax and duties	(342)	(434)
BRSA fee	(304)	(243)
Consultancy expenses	(178)	(155)
Communication expense	(154)	(152)
Advertising expense	(128)	(104)
Capital increase expense	(62)	(116)
Representation expense	(47)	(40)
Insurance expense	(18)	(141)
Write-off expense	-	(25)
Other general administrative expenses	(642)	(1.009)
	(17.909)	**(16.212)**

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

33. OTHER OPERATING INCOME

For the periods ended 31 March 2018 and 31 March 2017, details of other operating income are as follows:

	31 Mart 2018	31 Mart 2017
Income from derivative financial transactions	74.532	110.307
Foreign exchange gains	13.495	-
Dividend income	5.371	2.219
Collections from non-performing receivables	2.415	1.130
Interest income	1.189	1.035
Commission income	1.334	1.023
Others	2.890	2.068
	101.226	**117.782**

34. FINANCE EXPENSES

For the periods ended 31 March 2018 and 31 March 2017, details of finance expenses are as follows:

	31 Mart 2018	31 Mart 2017
Interest expense on funds borrowed	(125.615)	(77.865)
Interest expense on debt securities issued	(50.804)	(37.816)
Fees and commissions expense	(7.770)	(5.929)
	(184.189)	**(121.610)**

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 March 2018 and 31 March 2017, details of provision for non-performing receivables are as follows:

	31 Mart 2018	31 Mart 2017
Specific provision expenses	(6.463)	(4.519)
	(6.463)	**(4.519)**

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

36. OTHER OPERATING EXPENSES

For the periods ended 31 March 2018 and 31 March 2017, details of other operating expenses are as follows:

	31 March 2018	31 March 2017
Losses from derivative financial transactions	(32.587)	(34.355)
Foreign exchange losses	-	(45.329)
Other	(1.280)	(1.006)
	(33.867)	**(80.690)**

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 4.148 from measurement difference of such transactions in the Group's financial statements as at 31 March 2018 (31 December 2017: TL 6.381 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

37. TAXATION

For the periods ended 31 March 2018 and 31 March 2017, details of income tax expense are as follows:

	31 March 2018	31 March 2017
Current tax charge	(16.262)	(4.390)
Deferred tax income / (expense)	(521)	(5.115)
	(16.783)	**(9.505)**

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

37. TAXATION (Continued)

The reported income tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

	%	1 January-31 March 2018	%	1 January-31 March 2017
Net profit for the period		52.828		32.228
Total tax expense		16.783		9.505
Profit before tax		69.611		41.733
Income tax using the Group's tax rate	22,00	15.314	19,88	8.297
Non-deductible expenses	4,11	2.773	3,49	1.455
Tax exempt income	(1,70)	(1.182)	(1,06)	(442)
Investment incentives	-	-	0,11	44
Tax losses	-	-	8,92	3.722
Other	(0,18)	(122)	(8,56)	(3.571)
Total income tax expense	**24,10**	**16.783**	**22,78**	**9.505**

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Turkish tax legislation does not allow a parent company to file a tax return on its consolidated financial statements. Therefore, the tax liabilities reflected in this consolidated financial statements are calculated separately for all companies included in the scope of consolidation.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 March 2018, corporate income tax rate is 20 % (31 December 2017: 20 %).

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

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

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

37. TAXATION (Continued)

Income Withholding Tax

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

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

Investment Incentives

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

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

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

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

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

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

37. TAXATION (Continued)

Transfer Pricing

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

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

38. EARNINGS PER SHARE

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

The weighted average number of shares of the Group and earnings per share for the periods ended 31 March 2018 and 31 March 2017 are as follows:

	1 January- 31 March 2018	**1 January- 31 March 2017**
Weighted average number of outstanding shares (*)	65.030.264.500	60.030.264.500
Net profit for the year (TL)	47.902	29.227
Basic earnings per share (full Kurus) (**)	0,07	0,05

(*) As at 31 March 2018, the share capital of the Company consists of 65.030.264.500 shares having Kurus 1 nominal price.

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

	31 March 2018	**31 December 2017**
Number of shares at beginning of the year	65.030.264.500	60.030.264.500
Capital increase (**)	-	5.000.000.000
Number of shares at end of the year	**65.030.264.500**	**65.030.264.500**

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

None.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

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

Although there is no change in the capital risk management strategy in 2017, the debt/equity ratio is 13 % (31 December 2017: 12 %). As at 31 March 2018 and 31 December 2017, the leverage ratios are as follows:

	31 March 2018	**31 December 2017**
Funds borrowed	6.558.880	6.577.143
Debt securities issued	1.621.702	1.460.862
Miscellaneous payables	97.232	89.587
Other liabilities	136.870	119.303
Total liabilities	8.414.684	8.246.895
Banks (-)	(410.161)	(247.893)
Net liabilities	8.004.523	7.999.002
Total shareholders' equity	1.020.569	974.668
Shareholders' equity / liabilities	13%	12%

According to the credit rating reports of Fitch issued at 9 February 2018, credit ratings of the Company are as follows:

Foreign Currency	
Long term	BB+
Short term	B
Outlook	Stable
TL	
Long term	BB+
Short term	B
Outlook	Stable
National	
Long term	AA+ (tur)
Outlook	Stable
Support	3

(b) Significant accounting policies

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 March 2018	31 December 2017
Financial Assets:		
Banks	410.161	247.893
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	1.876	5.147
-Derivative financial assets held for trading	10.193	5.383
Finance lease receivables and non-performing receivables, net	5.006.972	4.701.101
Factoring receivables and non-performing factoring receivables, net	3.955.125	4.207.336
Insurance receivables (*)	7.933	6.829
Other receivables (*)	1.566	2.546
Financial assets available for sale	40.260	47.187
Financial Liabilities:		
Derivative financial liabilities held for trading	(25.120)	(19.613)
Miscellaneous payables and other liabilities	(234.102)	(208.890)
Funds borrowed	(6.558.880)	(6.577.143)
Debt securities issued	(1.621.702)	(1.460.862)

(*) 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.

(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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management

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

As 31 March 2018 and 31 December 2017, details of foreign currency denominated assets and liabilities are as follows:

31 March 2018 (*)	**USD 000**	**EUR 000**	**CHF 000**	**GBP 000**	**JPY 000**	**AUD 000**	**TL Equivalent**
Banks	67.300	28.335	1	256	26	16	405.146
Finance lease receivables	205.104	430.034	2.075	-	-	-	2.911.616
Factoring receivables	172.785	155.396	-	4.925	-	-	1.465.947
Advances given for lease transactions	4.733	13.564	87	-	-	-	85.567
Leasing contracts in progress	7.916	35.862	-	-	-	-	205.810
Other receivables	286	703	-	-	-	-	4.551
Other assets	37	121	-	-	-	-	734
Total assets (**)	458.161	664.015	2.163	5.271	26	16	5.079.371
				(471)			
Funds borrowed	(160.946)	(518.953)	-	-	-	-	(3.164.070)
Miscellaneous payables and other Liabilities	(17.806)	(22.938)	-	(47)	-	-	(182.223)
Other provisions	-	(697)	-	-	-	-	(3.394)
Total liabilities (**)	(178.752)	(542.589)	-	(518)	-	-	(3.349.687)
Balance sheet position	279.409	121.426	2.163	4.753	26	16	1.729.684
Off balance sheet position	(279.579)	(117.548)	(2.010)	(4.600)	-	-	(1.709.955)
Net foreign currency position	**(170)**	**3.878**	**153**	**153**	**26**	**16**	**19.729**

(*) As at 31 March 2018, foreign currency indexed borrowings amounting to EUR 13.533 (Total: TL 65.869), foreign currency indexed factoring receivables amounting to USD 89.701, EUR 44.513 (Total: TL 570.878) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 March 2018, accruals of derivative assets amounting to TL 10.193 and derivative liabilities amounting to TL 25.120 are not included.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

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

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

(**) As at 31 December2017, accruals of derivative assets amounting to TL 5.278 and derivative liabilities amounting to TL 19.613 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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
31 March 2018	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	165.504	(165.504)	165.504	(165.504)
2- Hedged portion of TL against USD risk (-)	(165.605)	165.358	(165.358)	165.358
3- Net effect of USD (1+ 2)	(101)	101	(101)	101
15% change of the Euro against TL				
4- Net Euro asset/liability	88.652	(88.652)	88.652	(88.652)
5- Hedged portion of TL against Euro risk (-)	(85.821)	85.821	(85.821)	85.821
6- Net effect of Euro (4+5)	2.831	(2.831)	2.831	(2.831)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	222	(222)	222	(222)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	222	(222)	222	(222)
TOTAL (3+6+9)	**2.952**	**(2.952)**	**2.952**	**(2.952)**

(*) Includes profit/loss effect.

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

(*) Includes profit/loss effect.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

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

Interest rate sensitivity

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

- As at 31 March 2018 and 31 December 2017, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 March 2018	**31 December 2017**
Fixed rate instruments		
Financial assets:		
Banks	389.204	212.504
Finance lease receivables (*)	4.556.672	4.243.950
Factoring receivables	2.736.261	3.091.909
Financial liabilities:		
Funds borrowed	4.678.640	5.140.051
Debt securities issued	1.529.510	1.368.677
Variable rate instruments		
Financial assets:		
Finance lease receivables (*)	88.734	95.306
Factoring receivables	1.218.864	1.115.427
Financial liabilities:		
Borrowings	1.880.240	1.437.092
Debt securities issued	92.192	92.185

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

40. 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 229(31 March 2017: TL 359).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 3.005 (31 March 2017: TL 2.101).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 18.660 (31 March 2017: TL 11.860).

(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 2.627 (31 December 2017: TL 2.090).

(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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Sectoral allocation of finance lease receivables is as follows:

	31 March 2018 (%)	31 December 2017(%)
Construction	25,79	24,45
Metal industry	11,51	12,75
Textile	10,57	10,09
Transportation	7,09	7,33
Retail and wholesale	4,21	4,83
Chemical and plastic	4,59	4,30
Mining	4,74	3,80
Healthcare	3,55	3,45
Finance	3,02	3,27
Food and beverage	2,50	2,79
Machinery and equipment	2,41	2,11
Forestry products and paper	2,39	2,49
Tourism	2,02	2,19
Agriculture and forestry	2,01	2,23
Other	13,60	13,92
	100,00	**100,00**

Leased asset allocation of finance lease receivables is as follows:

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	Receivables								
	Finance Lease Receivables		Factoring Receivables						
31 March 2018	Related party	Third party	Related party	Third party	Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale (***)	Insurance receivables	Other Receivables
Exposure to maximum credit risk as at reporting date (*)	37.330	4.969.640	64.023	3.891.102	410.161	12.069	-	7.933	1.566
- The portion of maximum risk covered by guarantee	-	473.119	-	865.643	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	37.330	4.322.945	64.023	3.828.739	410.161	12.069	-	7.933	1.566
- The portion covered by guarantee	-	333.783	-	808.940					
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	1.080	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	553.778	-	58.661	-	-	-	-	-
- The portion covered by guarantee	-	132.506	-	56.703	-	-	-	-	-
				-					
D. Net carrying value of impaired assets	-	92.917	-	2.622	-	-	-	-	-
- Overdue (gross book value)	-	221.110	-	42.806	-	-	-	-	-
- Impairment (-)	-	(137.053)	-	(40.184)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	6.830	-	-	-	-	-	-	-
- Not past due (gross book value)	-	15.927	-	-	-	-	-	-	-
- Impairment (-)	-	(7.067)	-	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks									

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

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

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

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

E. Off balance sheet items with credit risks

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

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

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

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

	31 March 2018		31 December 2017	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	62.072.820	7.204.517	57.510.563	7.243.087
Collaterals of factoring transaction	7.503.072	848.095	6.738.353	800.554
Mortgage	823.440	245.757	797.914	238.899
Pledged accounts	621.141	36.662	625.010	118.326
Guaranties of factoring transaction	622.742	-	429.658	-
Pledged commercial	215.000	40.032	115.000	34.092
Pledged vehicles	150.219	50.130	139.860	51.787
Pledged shares	133.048	68.975	127.328	-
Sureties of credit guarantee fund	120.819	86.624	104.193	48.793
Letters of guarantee	75.501	27.071	73.728	26.088
Guarantors	32.246	235	21.116	288
Pledged movable	30.800	15.838	-	-
Commercial receivable insurance	17.500	385	17.500	392
Collaterals given by vendors	10.641	-	11.792	-
Ship mortgage	9.872	-	9.430	-
Cash blockages	7.823	2.585	7.554	3.008
Share certificates	2.450	1.991	2.450	2.450
Pledged account	1.174	1.174	1.051	1.051
Collaterals of leasing transaction	964	-	1.326	-
Pledged machines	502	-	30.502	12.514
	72.451.774	**8.630.071**	**66.764.328**	**8.581.325**

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

(j) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

<u>Liquidity risk table</u>

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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

31 March 2018

Contractual Maturities	**Carrying Amount**	**Contractual Cash Flows (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 Years (III)**	**More than 5 Years (IV)**
Non-derivative Financial Assets:						
Banks	410.161	410.524	410.524	-	-	-
Financial Assets Held For Trading	1.876	1.876	1.876	-	-	-
Lease Receivables (*)	4.645.408	5.265.781	706.781	1.535.041	2.911.386	112.573
Factoring Receivables	3.955.125	4.070.447	2.482.657	1.545.726	42.064	-
Insurance Receivables	7.933	7.933	7.933	-	-	-
Other Receivables	1.566	1.566	1.566	-	-	-
Total Assets	**9.022.069**	**9.758.127**	**3.611.337**	**3.080.767**	**2.953.450**	**112.573**
Non-derivative Financial Liabilities:						
Funds Borrowed	6.558.880	6.689.045	4.210.287	976.636	1.418.442	83.680
Debt Securities Issued	1.621.702	1.709.367	525.082	1.184.285	-	-
Miscellaneous Payables and Other Liabilities	234.102	234.102	227.004	-	7.098	-
Total Liabilities	**8.414.684**	**8.632.514**	**4.962.373**	**2.160.921**	**1.425.540**	**83.680**

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

31 December 2017

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

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

The following table details the maturities of derivative financial assets and liabilities as at 31 March 2018 and 31 December 2017.

31 March 2018 Contractual Maturities	**Carrying Amount**	**Contractual Cash Flows (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 Years (III)**	**More than 5 Years (IV)**
Cash inflows from derivatives	24.461	1.797.048	1.282.939	505.094	9.015	-
Cash outflows from derivatives	-	1.772.587	1.274.281	490.001	8.305	-

31 December 2017 Contractual Maturities	**Carrying Amount**	**Contractual Cash Flows (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 Years (III)**	**More than 5 Years (IV)**
Cash inflows from derivatives	14.425	1.695.075	1.415.257	270.857	8.961	-
Cash outflows from derivatives	-	1.680.650	1.415.293	257.057	8.300	-

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

31 March 2018	**Financial assets and liabilities Held for trading**	**Financial assets at amortized cost**	**Loans and receivables**	**Available for sale financial assets**	**Financial liabilities at amortized cost**	**Carrying amount**	**Fair value**	**Notes**
Financial Assets								
Banks	-	410.161	-	-	-	410.161	410.161	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	1.876	-	-	-	-	1.876	1.876	4
- Derivative financial assets held for trading	10.193	-	-	-	-	10.193	10.193	4
Finance lease receivables and non-performing lease receivables	-	-	5.006.970	-	-	5.006.970	4.980.039	8
Factoring receivables and non-performing factoring receivables	-	-	3.955.125	-	-	3.955.125	3.955.125	7
Insurance receivables	-	-	7.933	-	-	7.933	7.933	15
Other Receivables	-	-	1.566	-	-	1.566	1.566	15
Available for sale financial assets	-	-	-	40.260	-	40.260	40.260	6
Financial liabilities								
Derivative financial assets held for trading	25.120	-	-	-	-	25.120	25.120	
Miscellaneous payables and other liabilities	-	-	-	-	234.102	234.102	234.102	17
Funds borrowed	-	-	-	-	6.558.880	6.558.880	6.557.362	16
Debt securities issued	-	-	-	-	1.621.702	1.621.702	1.648.177	19

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(l) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss	-	1.876	-	1.876
Derivative financial assets held for trading	-	10.193	-	10.193
Available-for-sale financial assets (*)	36.555	-	666	37.221
Total financial assets carried at fair value	**36.555**	**12.069**	**666**	**49.290**
Derivative financial liabilities held for trading	-	25.120	-	25.120
Total financial liabilities carried at fair value	**-**	**25.120**	**-**	**25.120**

(*) As at 31 March 2018, securities that are not publicly traded amounting to TL 3.039 have been measured at cost.

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

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