

*(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
period ended 30 September 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 30 SEPTEMBER 2018

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

	ASSETS	Notes	Unaudited Current Period 30 September 2018			Audited Prior Period 31 December 2017		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS		47.024	246.573	293.597	57.532	248.078	305.610
1.1	Cash and Cash Equivalents	4	4.305	238.213	242.518	5.093	242.800	247.893
1.2	Financial Assets at Fair Value Through Profit or Loss		400	-	400	5.547	-	5.547
1.3	Financial Assets reflected in the other comprehensive income of the fair value difference	4	42.719	-	42.719	47.187	-	47.187
1.4	Financial Assets Measured by Redeemed Cost		-	-	-	-	-	-
1.5	Derivative Financial Assets Held for Trading	4	-	8.360	8.360	105	5.278	5.383
1.6	Non-Performing Financial Asset		-	-	-	-	-	-
1.7	Special Provisions / Expected Loss Provision (-)		(400)	-	(400)	(400)	-	(400)
II.	LOANS (Net)	5	3.328.013	5.409.187	8.737.200	5.079.354	3.838.458	8.917.812
2.1	Factoring Receivables	5	1.477.776	666.257	2.144.033	3.311.481	893.386	4.204.867
2.1.1	Discounted Factoring Receivables		257.067	136.185	393.252	759.681	26.333	786.014
2.1.2	Other Factoring Receivables		1.220.709	530.072	1.750.781	2.551.800	867.053	3.418.853
2.2	FINANCING LOANS		-	-	-	-	-	-
2.2.1	Consumer Loans		-	-	-	-	-	-
2.2.2	Credit Cards		-	-	-	-	-	-
2.2.3	Installment Commercial Loans		-	-	-	-	-	-
2.3	LEASE RECEIVABLES	6	1.736.444	4.739.334	6.475.778	1.721.003	2.905.784	4.626.787
2.3.1	Lease Receivables (Net)		1.619.503	4.427.248	6.046.751	1.656.037	2.599.530	4.255.567
2.3.1.1	Finance Lease Receivables		1.978.638	4.914.500	6.893.138	2.025.039	2.871.063	4.896.102
2.3.1.2	Operational Lease Receivables		-	-	-	-	-	-
2.3.1.3	Unearned Income (-)		(359.135)	(487.252)	(846.387)	(369.002)	(271.533)	(640.535)
2.3.2	Leasing Contracts in Progress		105.100	221.353	326.453	56.300	167.216	223.516
2.3.3	Advances Given for Lease Transactions		6.205	84.118	90.323	3.134	135.195	138.329
2.3.4	Other Finance Lease Receivables		5.636	6.615	12.251	5.532	3.843	9.375
2.4	NON-PERFORMING RECEIVABLES	5,6	113.793	3.596	117.389	46.870	39.288	86.158
2.4.1	Non-Performing Factoring Receivables		58.044	-	58.044	42.099	-	42.099
2.4.2	Non-Performing Financial Loans		-	-	-	-	-	-
2.4.3	Non-Performing Lease Receivables		252.267	8.598	260.865	164.527	59.788	224.315
2.4.4	Specific Provisions (-)		(196.518)	(5.002)	(201.520)	(159.756)	(20.500)	(180.256)
2.5	Expected Credit Loss (-)		-	-	-	-	-	-
III.	EQUITY INVESTMENTS		-	-	-	-	-	-
3.1	Investments in Associates (Net)		-	-	-	-	-	-
3.1.1	Associates Accounted by using Equity Method		-	-	-	-	-	-
3.1.2	Unconsolidated Associates		-	-	-	-	-	-
3.2	Subsidiaries (Net)		-	-	-	-	-	-
3.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
3.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
3.3	Joint Ventures (Net)		-	-	-	-	-	-
3.3.1	Joint Ventures Accounted by using Equity Method		-	-	-	-	-	-
3.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
IV.	TANGIBLE ASSETS (Net)	8	4.271	-	4.271	3.593	-	3.593
V.	INTANGIBLE ASSETS (Net)	9	4.452	-	4.452	3.940	-	3.940
VI.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
VII.	CURRENT PERIOD TAX ASSETS	18	5.939	-	5.939	728	-	728
VIII.	DEFERRED TAX ASSETS	10	89.781	-	89.781	26.563	-	26.563
IX.	OTHER ASSETS	12	26.737	1.741	28.479	22.738	926	23.664
	SUBTOTAL		3.506.217	5.657.501	9.163.718	5.194.448	4.087.462	9.281.910
X.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	11	547	-	547	785	-	785
10.1	Assets Held For Sale		547	-	547	785	-	785
10.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.506.764	5.657.501	9.164.265	5.195.233	4.087.462	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 OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2018

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

	LIABILITIES	Notes	Unaudited Current Period 30 September 2018			Audited Prior Period 31 December 2017		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	13	1.768.779	3.808.865	5.577.644	3.853.578	2.723.565	6.577.143
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE OBLIGATIONS (Net)	15	-	-	-	-	-	-
3.1	Finance Lease Obligations		-	-	-	-	-	-
3.2	Operational Lease Obligations		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
3.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IV.	DEBT SECURITIES ISSUED (Net)	16	1.869.146	-	1.869.146	1.460.862	-	1.460.862
4.1	Bills		1.869.146	-	1.869.146	1.368.677	-	1.368.677
4.2	Asset-Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	92.185	-	92.185
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	4	-	304.722	304.722	-	19.613	19.613
VII.	PROVISIONS	17	10.472	4.846	15.318	10.276	3.148	13.424
7.1	Restructuring Provisions		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		9.050	-	9.050	9.455	-	9.455
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		1.422	4.846	6.268	821	3.148	3.969
VIII.	DEFERRED TAX LIABILITY	18	80.139	-	80.139	23.360	-	23.360
IX.	CURRENT PERIOD TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITY	14	62.259	184.540	246.799	46.874	166.751	213.625
	SUBTOTAL		3.790.795	4.302.973	8.093.768	5.394.950	2.913.077	8.308.027
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY		1.070.497	-	1.070.497	974.668	-	974.668
13.1	Paid-in Capital	20	695.303	-	695.303	650.303	-	650.303
13.2	Capital Reserves	20	1.938	-	1.938	1.938	-	1.938
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	20	58	-	58	58	-	58
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	20	3.735	-	3.735	22.189	-	22.189
13.5	Profit Reserves	21	214.092	-	214.092	146.144	-	146.144
13.5.1	Legal Reserves		44.321	-	44.321	38.674	-	38.674
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		169.771	-	169.771	107.470	-	107.470
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		95.024	-	95.024	112.948	-	112.948
13.6.1	Prior Periods Profit/Loss	22	-	-	-	-	-	-
13.6.2	Current Period Profit/Loss		95.024	-	95.024	112.948	-	112.948
	Non-Controlling Interests	19	60.347	-	60.347	41.088	-	41.088
	TOTAL LIABILITIES		4.861.292	4.302.973	9.164.265	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 30 SEPTEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 30 September 2018			Audited Prior Period 31 December 2017		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		47.655	70.671	118.326	139.115	44.315	183.430
II.	REVOCABLE FACTORING TRANSACTIONS		309.603	53.107	362.710	229.541	28.191	257.732
III.	COLLATERALS RECEIVED	35	34.282.804	61.742.524	96.025.328	29.106.475	37.657.853	66.764.328
IV.	COLLATERALS GIVEN	23	1.603.547	22.054	1.625.601	1.337.317	22.721	1.360.038
V.	COMMITMENTS		150.081	609.575	759.656	120.223	750.302	870.525
5.1	Irrevocable Commitments		-	133.110	133.110	-	147.499	147.499
5.2	Revocable Commitments		150.081	476.465	626.546	120.223	602.803	723.026
5.2.1	Lease Commitments		150.081	476.465	626.546	120.223	602.803	723.026
5.2.1.1	Finance Lease Commitments		150.081	476.465	626.546	120.223	602.803	723.026
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		1.463.712	1.650.659	3.114.371	1.686.114	1.689.612	3.375.726
6.1	Derivative Financial Instruments for Risk Management		272.717	-	272.717	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		272.717	-	272.717	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading	23	1.190.995	1.650.659	2.841.654	1.686.114	1.689.612	3.375.726
6.2.1	Forward Foreign Currency Purchases/Sales	23	-	-	-	-	-	-
6.2.2	Swap Purchases/Sales	23	1.190.995	1.650.659	2.841.654	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		277.402	153.827	431.229	491.246	141.618	632.864
	TOTAL OFF-BALANCE SHEET ITEMS		38.134.804	64.302.417	102.437.221	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 PERIOD 30 SEPTEMBER 2018 (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	INCOME STATEMENT	Notes	Unaudited Current Period 01.01-30.09.2018	Unaudited Current Period 01.07-30.09.2018	Unaudited Prior Period 01.01-30.09.2017	Unaudited Prior Period 01.07-30.09.2017
I.	OPERATING INCOME	26	756.106	296.762	492.290	181.157
	FACTORING INCOME		406.180	163.382	228.880	88.922
1.1	Factoring Interest Income		375.066	148.985	215.252	83.260
1.1.1	Discounted		75.348	21.293	51.516	21.772
1.1.2	Other		299.718	127.692	163.736	61.488
1.2	Factoring Commission Income		31.114	14.397	13.628	5.662
1.2.1	Discounted		4.009	1.021	2.574	1.115
1.2.2	Other		27.105	13.376	11.054	4.547
	INCOME FROM FINANCING LOANS		-	-	-	-
1.3	Finance Lease Income		-	-	-	-
1.4	Operational Lease Income		-	-	-	-
	LEASE INCOME		349.926	133.380	263.410	92.235
1.5	Finance Lease Income		349.500	133.191	263.186	92.152
1.6	Operational Lease Income		426	189	224	83
1.7	Fees and Commission Income on Lease Operations		-	-	-	-
II.	FINANCING EXPENSES (-)	29	(664.177)	(266.912)	(434.095)	(166.669)
2.1	Interest Expense on Funds Borrowed		(444.515)	(176.596)	(279.681)	(107.826)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-	-	-
2.4	Interest Expense on Securities Issued		(194.283)	(80.437)	(134.896)	(51.404)
2.5	Other Interest Expenses		-	-	-	-
2.6	Fees and Commissions Paid		(25.379)	(9.879)	(19.518)	(7.439)
III.	GROSS PROFIT / LOSS (I-II)		91.929	29.850	58.195	14.488
IV.	OPERATING EXPENSES (-)	27	(54.254)	(17.551)	(47.684)	(15.434)
4.1	Personal Expenses		(35.229)	(11.115)	(29.641)	(9.857)
4.2	Employee Severance Indemnity Expense		(1.036)	(539)	(801)	(176)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administration Expenses		(17.989)	(5.897)	(17.217)	(5.401)
4.5	Other		-	-	(25)	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		37.675	12.299	10.511	(946)
VI.	OTHER OPERATING INCOME	28	527.867	285.289	477.994	131.948
6.1	Interest Income on Bank Deposits		4.896	2.006	3.455	1.346
6.2	Interest Income on Reverse Repurchase Agreements		-	-	-	-
6.3	Interest Income on Securities Portfolio		-	(145)	160	72
6.3.1	Interest Income on Financial Assets Held for Trading		-	-	-	-
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		-	(145)	160	72
6.3.4	Interest Income on Financial Assets Held to Maturity		5.391	-	2.423	-
6.4	Dividend Income		-	-	-	-
6.5	Trading Account Income		166.874	47.724	418.570	95.943
6.5.1	Income From Derivative Financial Instruments		332.311	240.260	38.442	29.791
	Other		18.395	5.344	14.944	4.796
VII.	PROVISION(-)	30	(24.290)	(8.807)	(17.236)	(7.619)
7.1	Special provisions		(24.290)	(8.807)	(17.236)	(7.619)
7.2	Expected Credit Loss		-	-	-	-
7.3	General Provision		-	-	-	-
7.4	Other		-	-	-	-
VIII.	OTHER OPERATING EXPENSES (-)	31	(353.929)	(221.840)	(353.686)	(84.384)
8.1	Impairment Losses on Securities Portfolio		-	-	-	-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
	Impairment Losses on Financial Assets Reflected in The Other Comprehensive		-	-	-	-
8.1.2	Income of The Fair Value		-	-	-	-
8.1.3	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 Intangible Assets		-	-	-	-
8.2.4	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-	-	-
8.3	Losses From Derivative Financial Instruments		(349.721)	(230.364)	(351.104)	(83.589)
8.4	Foreign Exchange Losses		-	-	-	-
8.5	Other		(4.208)	(1.376)	(2.582)	(795)
IX.	NET OPERATING PROFIT / LOSS (V+.....+VIII)		187.323	66.941	117.583	38.999
X.	INCOME RESULTED FROM MERGER		-	-	-	-
XI.	SHARES OF THE PROFITS /LOSSES OF INVESTRMENTS VALUED BY EQUITY METHOD		-	-	-	-
XII.	GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XIII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		187.323	66.941	117.583	38.999
XIV.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	32	(72.427)	(38.147)	(24.478)	(8.467)
14.1	Current Tax Charge		(131.814)	(79.701)	(13.922)	(10.065)
14.2	Deferred Tax Charge (-)		-	-	(10.556)	1.598
14.3	Deferred Tax Benefit (+)		59.387	41.554	-	-
XV.	NET PROFIT FROM CONTINUING OPERATIONS (XIII±XIV)		114.896	28.794	93.105	30.532
XVI.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
16.1	Income from Assets Held for Sale		-	-	-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
16.3	Other Income from Discontinued Operations		-	-	-	-
XVII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
17.1	Expense on Assets Held for Sale		-	-	-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
17.3	Other Expenses from Discontinued Operations		-	-	-	-
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)		-	-	-	-
XIX.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
19.1	Current Tax Charge		-	-	-	-
19.2	Deferred Tax Charge (-)		-	-	-	-
19.3	Deferred Tax Benefit (+)		-	-	-	-
XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-	-	-
	EQUITY HOLDERS OF THE COMPANY		(19.872)	(8.475)	(7.172)	(2.343)
XXI.	NET PROFIT FOR THE PERIOD		95.024	20.319	85.933	28.189
21.1	EARNINGS PER SHARE		0,14	0,03	0,13	0,04
	Earnings Per Share from Continued Operations		0,14	0,03	0,13	0,04
	Earnings Per Share from Discontinued Operations		-	-	-	-
	DILUTED EARNINGS PER SHARE		0,14	0,03	0,13	0,04
	Earnings Per Share from Continued Operations		0,14	0,03	0,13	0,04

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 AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Unaudited	Unaudited	Unaudited	Unaudited
	Current Period	Current Period	Prior Period	Prior Period
	01.01-30.09.2018	01.07-30.09.2018	01.01-30.09.2017	01.07-30.09.2017
I. CURRENT PERIOD PROFIT/LOSS	114.896	28.794	93.105	30.532
II. OTHER COMPREHENSIVE INCOME	(19.067)	(14.719)	10.543	5.552
2.1 Items that will not be Reclassified to Profit or Loss	-	-	-	-
2.1.1 Tangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.2 Intangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	-	-	-	-
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-	-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-	-	-	-
2.1.5.1 Current Tax Income/Expense	-	-	-	-
2.1.5.2 Deferred Tax Income/Expense	-	-	-	-
2.2 Items that may be Reclassified subsequently to Profit or Loss	(19.067)	(14.719)	10.543	5.552
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	(19.067)	(14.719)	10.543	5.552
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)	95.829	14.075	103.648	36.084

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

CHANGES IN EQUITY	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Current Period Profit/ Loss	Non-Controlling Interest	Total Equity	
						1	2	3	4	5	6						
I. Prior Period (01.01 – 30.09.2017)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the Beginning of the Period (31.12.2016)		600.303	-	-	1.938	-	15	-	-	3.766	-	92.487	-	103.657	28.037	830.203	
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (I+II)	21	600.303	-	-	1.938	-	15	-	-	3.766	-	92.487	-	103.657	28.037	830.203	
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	9.380	-	-	-	-	1.163	10.543	
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Increase from internal reserves	21	50.000	-	-	-	-	-	-	-	-	-	(50.000)	-	-	-	-	
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	85.933	7.172	93.105	
XIII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	103.657	-	(103.657)	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	103.657	-	(103.657)	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (30.09.2017)		600.303	-	-	1.938	-	15	-	-	13.146	-	146.144	-	85.933	36.372	933.851	
I. Current Period (01.01. –30.09.2018)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at the Beginning of the Period (31.12.2017)		650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	-	112.948	41.088	974.668	
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. New Balance (I+II)	21	650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	-	112.948	41.088	974.668	
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	(18.454)	-	-	-	-	(613)	(19.067)	
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Increase from internal reserves	21	45.000	-	-	-	-	-	-	-	-	-	(45.000)	-	-	-	-	
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	95.024	19.872	114.896	
XIII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-	
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-	
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (30.09.2018)		695.303	-	-	1.938	-	58	-	-	3.735	-	214.092	-	95.024	60.347	1.070.497	

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)

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

		Unaudited Current Period	Unaudited Prior Period
	Notes	01.01-30.09.2018	01.01-30.09.2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		355.953	50.473
1.1.1 Interests Received/Lease Income		707.732	463.706
1.1.2 Interest Paid / Lease Expenses		(619.456)	(407.648)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		5.391	2.219
1.1.5 Fees and Commissions Received		31.114	13.628
1.1.6 Other Income		15.370	80.098
1.1.7 Collections from Non-performing Receivables	28	3.025	2.472
1.1.8 Payments to Personnel and Service Suppliers		(32.119)	(26.631)
1.1.9 Taxes Paid		(74.569)	(26.925)
1.1.10 Others	17	319.465	(50.446)
1.2 Changes in Operating Assets and Liabilities		(733.918)	(525.469)
1.2.1 Net (Increase) Decrease in Factoring Receivables		2.032.610	(503.903)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(274.623)	(296.545)
1.2.4 Net (Increase) Decrease in Other Assets		(11.449)	(29.386)
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		(2.511.375)	249.682
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		30.919	54.683
I. Net Cash Provided from / (Used in) Operating Activities		(377.965)	(474.996)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		(1.020)	(1.000)
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	8,9	(15.536)	(2.496)
2.4 Proceeds From Sale of Tangible and Intangible Assets	8,9	12.387	53
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Other		(13.580)	-
II. Net cash used in investing activities		(17.749)	(3.443)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		3.420.766	2.669.329
3.2 Cash used for repayment of funds borrowed and securities issued		(3.029.544)	(2.311.444)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		391.222	357.885
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(894)	(2.696)
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(5.386)	(123.250)
VI. Cash and Cash Equivalents at the Beginning of the Period	4	247.874	376.421
VII. Cash and Cash Equivalents at the End of the Period	4	242.488	253.171

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The Company has purchased nominal shares of İş Faktoring A.Ş. (“İş Faktoring”) amounting to TL 12.517 in consideration of USD 10.952.375

on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements.

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

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

As at 30 September 2018, the Company and its subsidiary (“the Group”) have 270 employees (31 December 2017: 273 employees).

Dividend Payable

As at 30 September 2018, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 30 September 2018 have been approved by the Board of Directors of the Company and authorized for issue as at 26 October 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018
(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 5 – Factoring receivables

Note 6 – Lease receivables

Note 17 – Provisions

Note 18 – Employee benefits

Note 24 – Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group’s subsidiary as at 30 September 2018 and 31 December 2017 are as follows:

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

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

(i) Subsidiaries

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

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

As at 30 September 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(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 30 September 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.

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2018 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, 2018. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations

- i) **The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:**

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. The amendments did not have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. Financial Leasing, Factoring and Financing Companies are required to prepare their financial statements in accordance with the Communiqué on “The Application of Uniform Charts of Accounts and its Guide Book In Connection to the Establishment and Main Activities of Finance Leasing, Factoring and Financing Companies and The Format of the Financial Statements for Public Presentation” published in the Official Gazette No: 28861 on December 24, 2013 and in accordance with the Turkish Accounting Standards applying the disclosures of Banking Regulations and Supervision Agency (“BRSA”) and “BRSA Accounting and Financial Reporting Regulations”. The impact of TFRS 9 not be reflected in the financial statements.

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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have a impact on the 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. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

TFRS 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the 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 applied for annual periods beginning on or after 1 January 2018. 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 applied for annual periods beginning on or after 1 January 2018.
- 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 applied for annual periods beginning on or after 1 January 2018.

The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed 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.

IFRS 16 Leases

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

IFRS 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 IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 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 standard on financial position or performance of the Group.

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

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

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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 financial position or performance of the Group.

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

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

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.

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

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 financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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 amendments are effective from 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 financial position or performance of the Group.

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (continued)

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

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

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

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

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

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

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

b. Tangible Assets

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold improvements are depreciated over their respective lease periods.

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

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

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

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

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

c. Intangible Assets

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

g. Financial Instruments

Financial assets

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

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

Effective interest method

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available for sale financial assets

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

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

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

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

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

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

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

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

Impairment of financial assets

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

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

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

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

i. Effects of Changes in Exchange Rates

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

The foreign currency exchange rates used by the Group as at 30 September 2018 and 31 December 2017 are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
USD	5,9902	3,7719
EUR	6,9505	4,5155
GBP	7,8079	5,0803
CHF	6,1211	3,8548
100 JPY	5,2684	3,3421
AUD	4,3117	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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

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

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

k. Events After the Reporting Period

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

l. Provisions, Contingent Liabilities and Contingent Assets:

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

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 25).

o. Taxes on Income

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

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Employee Benefits / Reserve for Employee Termination Benefits

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

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Discount rate	%4,49	%4,49
Expected rate of salary/limit increase	%7,00	%7,00
Probability of retirement	%100	%100

r. Statement of Cash Flows

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

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

s. Share Capital and Dividends

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

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 7).

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4. FINANCIAL ASSETS

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

As at 30 September 2018 and 31 December 2017, details of financial assets at fair value through profit or loss and expected loss provision are as follows:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Debt securities issued by private sector(*)	400	-	400	-
Mutual funds	-	-	5.147	-
	400	-	5.147	-

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Special Provisions/ Expected Loss Provision(-)	(400)	-	(400)	-
	(400)	-	(400)	-

(*) 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. no mutual funds (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.

Derivative Financial Asset Held For Trading

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Currency swaps	-	8.360	105	5.278
	-	8.360	105	5.278

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4. FINANCIAL ASSETS (Continued)

Derivative Financial Liabilities

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Derivatives Held for Trading	-	208.237	-	19.613
Derivatives Held for Cash Flow Hedging	-	96.485	-	-
Total	-	304.722	-	19.613

CASH AND CASH EQUIVALENTS

As at 30 September 2018 and 31 December 2017, the details of the banks are as follows:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Demand Deposits	4.305	23.946	5.093	30.296
Time Deposits	-	214.237	-	212.485
Interest accrual	-	30	-	19
Total	4.305	238.213	5.093	242.800

The details of the time deposits as at 30 September 2018 are as follows:

Currency	Interest Rate (%)	Maturity	30 September 2018
USD	4,00%	01.10.2018	43.728
Euro	1,50%-3,00%	01.10.2018 -25.10.2018	170.539
			214.267

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 30 September 2018, TL 229.747 portion of total foreign currency deposits (31 December 2017: TL 184.114) and TL 4.104 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

	30 September 2018	31 December 2017	30 September 2017
Demand deposits	28.251	35.389	37.420
Time deposits (1-3 months) (excluding accrual)	214.237	212.485	215.750
Cash and cash equivalents	242.488	247.874	253.170

statement of financial position and the statement of cash flow is as follows:

As at 30 September 2018 and 31 December 2017, there is no blockage on cash and cash equivalents.

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4. FINANCIAL ASSETS (Continued)

FINANCIAL ASSETS REFLECTED IN THE OTHER COMPREHENSIVE INCOME OF THE FAIR VALUE

As at 30 September 2018 and 31 December 2017, details of financial assets available for sale are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				30 September 2018	31 December 2017	30 September 2018	31 December 2017
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	36.993	42.329
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.001	1.153
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	686	666
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	4.000	3.000
TOTAL						42.719	47.187

5. FACTORING RECEIVABLES

As at 30 September 2018 and 31 December 2017, details of factoring receivables are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
<u>Short-term factoring receivables (*)</u>		
Domestic factoring receivables	1.690.196	3.662.132
Export and import factoring receivables	427.952	535.156
Factoring interest income accrual	40.753	29.347
Unearned interest income	(14.868)	(21.768)
	<u>2.202.077</u>	<u>4.204.867</u>
Non-performing factoring receivables (**)	58.044	42.099
Provision for non-performing factoring receivables (**)	(44.576)	(39.630)
	<u>2.157.501</u>	<u>4.207.336</u>

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

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

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5. FACTORING RECEIVABLES (Continued)

As at 30 September 2018, the average interest rates applicable for the factoring receivables are 36,82% for TL, 12,90% for USD, 6,58% for EUR and 5,66% 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:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Domestic irrevocable	720.645	1.867.312
Foreign irrevocable	302.498	195.722
Domestic revocable	1.000.785	1.801.683
Foreign revocable	133.573	342.619
	<u>2.157.501</u>	<u>4.207.336</u>

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Between 90 – 180 days	14.763	2.146
Between 180 – 360 days	3.440	1.505
Over 360 days	39.841	38.448
	<u>58.044</u>	<u>42.099</u>

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:

	<u>1 January- 30 September 2018</u>	<u>1 January- 30 September 2017</u>
Provision at the beginning of the period	(39.630)	(38.547)
Provision set during the period	(6.191)	(2.626)
Collections	1.245	1.861
Provision at the end of the period	<u>(44.576)</u>	<u>(39.312)</u>

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6. LEASE RECEIVABLES

A. Financial Lease Receivables

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

<u>30 September 2018</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	114.293	-	114.293
Finance lease income accruals	42.511	-	42.511
Non-performing finance lease receivables (*)	260.568	297	260.865
Uninvoiced finance lease receivables	2.648.435	4.087.899	6.736.334
Less: Unearned interest income	(399.530)	(446.857)	(846.387)
Leasing contracts in progress (**)	-	326.453	326.453
Advances given for lease transactions	-	90.323	90.323
Other receivables for rental transactions	12.251	-	12.251
Specific provisions (*)	(144.102)	(179)	(156.944)
Net finance lease receivables	<u>2.521.763</u>	<u>4.057.936</u>	<u>6.579.699</u>

<u>31 December 2017</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	59.559	-	59.559
Finance lease income accruals	31.331	-	31.331
Non-performing finance lease receivables (*)	197.720	26.595	224.315
Uninvoiced finance lease receivables	1.950.652	2.854.560	4.805.212
Less: Unearned interest income	(316.960)	(323.575)	(640.535)
Leasing contracts in progress (**)	-	223.516	223.516
Advances given for lease transactions	-	138.329	138.329
Other receivables for rental transactions	9.375	-	9.375
Specific provisions (*)	(123.953)	(16.673)	(140.626)
Net finance lease receivables	<u>1.807.724</u>	<u>2.902.752</u>	<u>4.710.476</u>

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

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 30 September 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 30 September 2018, analysis of finance lease receivables according to their maturities is as follows:

	<u>2018 (**)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and after</u>	<u>Total</u>
Finance lease receivables (gross) (*)	1.053.689	2.453.927	1.665.082	991.692	466.243	378.677	7.009.310
Unearned interest	(119.620)	(351.076)	(192.484)	(103.242)	(41.032)	(38.933)	(846.387)
Finance lease receivables (net)	<u>934.069</u>	<u>2.102.851</u>	<u>1.472.598</u>	<u>888.450</u>	<u>425.211</u>	<u>339.744</u>	<u>6.162.923</u>

(*) 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 103.921 are presented in 2018 column since their collection dates are not certain.

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6. LEASE RECEIVABLES (Continued)

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

	<u>2018 (**)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and after</u>	<u>Total</u>
Finance lease receivables (gross)(*)	2.134.606	1.357.984	794.317	426.967	167.030	108.262	4.989.166
Unearned interest	<u>(316.961)</u>	<u>(178.853)</u>	<u>(86.037)</u>	<u>(37.060)</u>	<u>(13.547)</u>	<u>(8.077)</u>	<u>(640.535)</u>
Finance lease receivables (net)	<u>1.817.645</u>	<u>1.179.131</u>	<u>708.280</u>	<u>389.907</u>	<u>153.483</u>	<u>100.185</u>	<u>4.348.631</u>

(*) 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 30 September 2018, the average compound interest rates applicable for the finance lease receivables are 16,46% for TL, 6,54% for USD, and 4,76 % for EUR (31 December 2017: 14,87 % for TL, 6,05 % for USD, and 4,82 % for EUR).

As at 30 September 2018, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net) (TL)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	195.732.073	1.172.474	24.357.203	145.036
EUR	468.166.446	3.253.991	49.134.693	341.511
CHF	1.795.838	10.993	115.321	706
TL		1.725.465		359.134
Total		<u>6.162.923</u>		<u>846.387</u>

(*) 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:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest (TL)</u>
USD	232.497.715	876.958	22.297.868	83.790
EUR	389.142.362	1.757.172	41.427.561	187.066
CHF	2.213.056	8.531	175.737	677
TL		1.705.970		369.002
Total		<u>4.348.631</u>		<u>640.535</u>

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

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6. LEASE RECEIVABLES (Continued)

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

<u>Collateral type:</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Mortgages	246.697	228.871
Sureties of credit guarantee fund	164.109	48.793
Pledged equity	76.235	-
Pledged commercial	40.428	34.092
Pledged movable	30.800	-
Letters of guarantee	9.404	16.851
Cash blockages	3.979	3.008
Share certificates	2.450	2.446
Pledged account	1.617	1.051
Guarantors	162	288
	<u>575.881</u>	<u>335.400</u>

In addition to collaterals above, the Group also has sureties amounting to TL 5.312.560, pledged vehicles amounting to TL 61.532, pledged accounts receivable to TL 61.532. (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 114.293 (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:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Up to 30 days	96.794	48.613
Between 30 – 60 days	10.845	5.384
Between 60 – 90 days	3.651	2.534
Between 90 – 150 days	3.003	3.028
Total overdue	114.293	59.559
Not due amount	1.060.634	341.148
	<u>1.174.927</u>	<u>400.707</u>

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

<u>Collateral type</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Mortgages	95.699	28.565
Pledged equity	17.677	27.216
Sureties of credit guarantee fund	32.572	4.019
Pledged commercial	2.450	-
Letters of guarantee	1.800	1.288
Pledged account	1.617	1.051
Cash blockages	-	59
Guarantors	-	26
	<u>151.815</u>	<u>62.224</u>

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6. LEASE RECEIVABLES (Continued)

In addition to above guarantees, the Group also has sureties amounting to TL 1.009.992, pledged vehicles amounting to TL 11.526, pledged accounts receivable to TL 1.594 (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 36.

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 30 September 2018 and 31 December 2017, the aging of non-performing finance lease receivables is as follows:

	30 September 2018	31 December 2017
Between 150 – 240 days	2.959	3.638
Between 240 – 360 days	5.268	2.204
Over 360 days	91.180	75.804
Uninvoiced non-performing finance lease receivables	161.926	148.412
Unearned interest of non-performing finance lease receivables	(468)	(5.743)
	260.865	224.315

Collaterals obtained for non-performing finance lease receivables as at 30 September 2018 and 31 December 2017 are as follows:

Guarantee type:	30 September 2018	31 December 2017
Mortgages	7.614	5.299
	7.614	5.299

In addition to the above collaterals, the Group also has sureties amounting to TL 85.986, leased equipments amounting to TL 164.331 and pledged vehicles amounting to TL 2.933 (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:

<u>Movement of specific provisions:</u>	1 January- 30 September 2018	1 January- 30 September 2017
Provision at the beginning of the period	(140.626)	(111.683)
Provision set during the period	(18.099)	(14.610)
Collections	1.781	611
Provision at the end of the period	(156.944)	(125.682)

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6. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables

	<u>30 September 2018</u>	<u>31 December 2017</u>
Operating Lease Receivables	-	-
	-	-

As at 30 September 2018 and 31 December 2017 analysis of operating lease receivables according to their maturities is as follows :

	<u>30 September 2018</u>	<u>31 December 2017</u>
2018 Year	219	419
2019 Year	835	414
2020 Year	388	132
2021 Year	136	-
	<u>1.578</u>	<u>965</u>

C. Other receivables related to leasing transactions

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	TL	FC	TL	FC
Insurance receivables	4.064	6.048	3.157	3.672
Others	1.572	567	2.375	171
	<u>5.636</u>	<u>6.615</u>	<u>5.532</u>	<u>3.843</u>

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7. RELATED PARTIES

As at 30 September 2018 and 31 December 2017, details of related party balances are as follows:

	30 September 2018	31 December 2017
Finance lease receivables from related parties		
KKB Kredi Kayıt Bürosu A.Ş.	19.748	20.882
Tukaş Gıda San. ve Tic. A.Ş.	18.457	4.235
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	13.027	11.667
Numnum Yiyecek ve İçecek A.Ş.	1.403	1.409
Bankalararası Kart Merkezi A.Ş.	346	505
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	151	377
Toksöz Spor Malzemeleri Ticaret A.Ş.	-	22
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	699
Total	53.132	39.796
Operating Lease Receivables From Related Parties		
Türkiye Sınai Kalkınma Bankası A.Ş.	1	-
	1	-
Factoring receivables from related parties		
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	457	766
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	49.900
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	-	15.942
Total	457	66.608
Payables to related parties		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	21.342	18.462
İş Merkezleri Yönetim ve İşletim A.Ş.	68	160
Türkiye İş Bankası A.Ş.	4	-
Anadolu Hayat Emeklilik A.Ş.	5	1
KKB Kredi Kayıt Bürosu A.Ş.	-	4
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	-	44
Total	21.419	18.671
Deposits placed to related parties		
Türkiye İş Bankası A.Ş. time deposit	208.358	160.426
Türkiye İş Bankası A.Ş. demand deposit	25.492	28.573
İşbank AG demand deposit	761	5.579
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	58	31
Total	234.669	194.609
Derivative financial liabilities held for trading from related parties		
Türkiye İş Bankası A.Ş.	58.540	12.926
Total	58.540	12.926

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7. RELATED PARTIES (Continued)

	<u>30 September 2018</u>	<u>31 December 2017</u>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	6.354	1.670
Türkiye Sınai Kalkınma Bankası A.Ş.	1.313	466
Total	<u>7.667</u>	<u>2.136</u>

As at 30 September 2018 and 31 December 2017, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2018</u>
TL	18,54% -35%	01.10.2018-08.05.2020	57.228
EUR	7,12%	20.12.2018	139.248
			<u>196.476</u>
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
TL	17,00% -18,57%	02.01.2018-15.06.2018	437.612
USD	4,99%	17.07.2018	38.140
			<u>475.752</u>

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2018</u>
USD	4,60%	20.06.2020	151.823
EUR	2,24% - 3,07%	18.12.2020-30.06.2025	342.264
			<u>494.087</u>
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2017</u>
USD	2,68%	15.09.2018	3.804
EUR	1,01% - 3,45%	06.06.2018-27.12.2024	255.559
			<u>259.363</u>

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7. RELATED PARTIES (Continued)

For the periods ended 30 September 2018 and 30 September 2017, finance income and expenses from related parties are as follows:

	01.01.2018- 30.09.2018	01.07.2018- 30.09.2018	01.01.2017- 30.09.2017	01.07.2017- 30.09.2017
<u>Finance lease interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	832	420	1.006	275
KKB Kredi Kayıt Bürosu	617	212	721	230
Tuğay Gıda San. Ve Tic.A.Ş.	595	248	526	144
Numnum Yiyecek ve İçecek A.Ş.	79	26	93	31
Bankalararası Kart Merkezi A.Ş.	40	11	81	23
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	9	1	25	7
İş Gayrimenkul Yatırım Ort.A.Ş.	5	-	734	176
Toksöz Spor Malzemeleri Tic. A.Ş.	1	-	7	1
Radore Veri Merkezi Hizm.A.Ş.	-	-	2	-
Total	2.178	918	3.195	887
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	1.520	600	1.351	534
Total	1.520	600	1.351	534
<u>Dividend income from related parties</u>				
İş Yatırım Menkul Değerler A.Ş.	5.351	-	2.189	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	40	-	234	-
Total	5.391	-	2.423	-
<u>Finance expense</u>				
Türkiye Sınai Kalkınma Bankası A.Ş.	22.945	12.105	15.051	4.037
Türkiye İş Bankası A.Ş.	15.867	12.060	3.832	2.213
İş Yatırım Menkul Değerler A.Ş.	4.981	2.217	3.919	1.349
İşbank AG	25	6	10	1
Total	43.818	26.388	22.812	7.600
<u>Rent expense</u>				
Türkiye İş Bankası A.Ş.	2.977	990	3.417	1.139
Total	2.977	990	3.417	1.139
<u>Commission income</u>				
Anadolu Anonim Türk Sigorta Şirketi	3.821	1.045	3.456	1.121
Total	3.821	1.045	3.456	1.121

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7. RELATED PARTIES (Continued)

	<u>01.01.2018-</u> <u>30.09.2018</u>	<u>01.07.2018-</u> <u>30.09.2018</u>	<u>01.01.2017</u> <u>30.09.2017</u>	<u>01.07.2017-</u> <u>30.09.2017</u>
<u>Factoring commission income from related parties</u>				
Şişe Cam Dış Tic.AŞ.	128	62	66	22
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	100	27	-	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	1	1	-	-
Total	229	90	66	22
<u>Factoring interest income from related parties</u>				
Bayek Tedavi Sağlık Hiz. ve İşletmeciliği A.Ş.	4.129	-	4.333	1.972
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	1.910	933	1.413	516
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	93	71	36	20
Total	6.132	1.004	5.782	2.508
<u>Mutual funds income</u>				
Türkiye İş Bankası A.Ş.	129	61	349	165
Total	129	61	349	165

As at 30 September 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Swap Transactions	442.597	481.285	206.894	196.707
Total	442.597	481.285	206.894	196.707

As at 30 September 2018 and 31 December 2017, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Swap Transactions	330.985	329.461	223.139	222.542
Total	330.985	329.461	223.139	222.542

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7. RELATED PARTIES (Continued)

As at 30 September 2018 and 31 December 2017, the amount of the Group’s issued debt securities in related parties’ securities portfolio are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Millî Reasürans T.A.Ş.	14.715	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	1.978	2.351
Türkiye İş Bankası A.Ş.	3.944	-
İş Yatırım Menkul Değerler A.Ş.	420	100
İş Portföy Yönetimi A.Ş.	-	1.003
Total	<u>21.057</u>	<u>3.454</u>

Remuneration of key management (*)

For the period ended 30 September 2018 and 30 September 2017, the remuneration of the key management during year comprised the following:

	<u>01.01.2018- 30.09.2018</u>	<u>01.07.2018- 30.09.2018</u>	<u>01.01.2017- 30.09.2017</u>	<u>01.07.2017- 30.09.2017</u>
Salaries and other short-term benefits (**)	6.621	1.748	5.733	1.716
	<u>6.621</u>	<u>1.748</u>	<u>5.733</u>	<u>1.716</u>

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

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

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8. TANGIBLE ASSETS

For the periods ended 30 September 2018 and 30 September 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	1.239	376	-	12.100	327	14.042
Disposals	(231)	-	-	(12.100)	-	(12.331)
Closing balance at 30 September 2018	7.176	1.433	1.456	-	4.243	14.308
Accumulated depreciation						
Opening balance at 1 January 2018	(3.766)	(329)	(1.456)	-	(3.453)	(9.004)
Depreciation for the period	(575)	(301)	-	-	(168)	(1.044)
Disposals	11	-	-	-	-	11
Closing balance at 30 September 2018	(4.330)	(630)	(1.456)	-	(3.621)	(10.037)
Carrying amounts at 30 September 2018	2.846	803	-	-	622	4.271
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	849	411	-	-	85	1.345
Transfer	15	-	(23)	-	(7)	(15)
Disposals	(125)	-	-	-	-	(125)
Closing balance at 30 September 2017	5.475	1.038	1.456	15.130	3.703	26.802
Accumulated depreciation						
Opening balance at 1 January 2017	(3.315)	(62)	(1.479)	(164)	(3.148)	(8.168)
Depreciation for the period	(387)	(190)	-	(146)	(233)	(956)
Transfer	(10)	-	23	-	3	16
Disposals	72	-	-	-	-	72
Closing balance at 30 September 2017	(3.640)	(252)	(1.456)	(310)	(3.378)	(9.036)
Carrying amounts at 30 September 2017	1.835	786	-	14.820	325	17.766
Carrying amounts at 1 January 2017	1.421	-	-	14.966	477	17.429

As at 30 September 2018 and 30 September 2017, there is no restriction and mortgage on the tangible assets of the Group.

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9. INTANGIBLE ASSETS

For the periods ended 30 September 2018 and 30 September 2017, movements in intangible assets are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
<u>Cost</u>		
Opening balance at 1 January	7.215	5.042
Additions	1.494	1.151
Transfer	-	(15)
Disposals	(67)	-
Closing balance at the end of the period	<u>8.642</u>	<u>6.178</u>
<u>Amortization</u>		
Opening balance at 1 January	(3.441)	(2.618)
Amortization for the period	(914)	(598)
Transfer	-	15
Disposals	(1)	-
Closing balance at the end of the period	<u>(4.356)</u>	<u>(3.201)</u>
Carrying amounts	<u>4.286</u>	<u>2.977</u>

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

GOODWILL

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 31 December 2017, net amount of goodwill is TL 166 (31 December 2017: 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.

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10. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 September 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:

<u>Temporary differences subject to deferred tax</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Valuation differences on financial instruments	296.363	14.229
Allowance for doubtful finance lease receivables	135.024	118.778
Unearned factoring income	14.868	21.768
Provision for lawsuit	5.363	3.753
Reserve for employee benefits	4.442	3.880
Employee bonus accrual	3.103	4.077
Unused vacation	1.505	1.498
Expense accruals	904	216
Prepaid expenses	752	1.522
Finance lease adjustment	353	(7.533)
Tax base differences in tangible and intangible assets	(2.833)	(2.639)
Finance lease income accruals	(45.519)	(31.780)
	<u>417.325</u>	<u>127.769</u>
<u>Deferred tax assets / (liabilities)</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Valuation differences on financial instruments	65.201	3.131
Allowance for doubtful finance lease receivables	27.738	24.489
Unearned factoring income	3.271	4.789
Provision for lawsuit	1.180	825
Reserve for employee benefits	901	776
Employee bonus accrual	683	897
Unused vacation	312	300
Expense accruals	199	48
Prepaid expenses	165	335
Finance lease adjustment	71	(1.507)
Tax base differences in tangible and intangible assets	(586)	(528)
Finance lease income accruals	(9.354)	(6.992)
Deferred tax asset	<u>89.781</u>	<u>26.563</u>

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 22% for the following years (31 December 2017: 20%). Investment incentive amount used during the period is (31 December 2017: TL 44.074).

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10. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

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

Movements in deferred tax assets are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Opening balance at 1 January	26.563	33.193
Deferred tax income / (expense)	59.387	(10.556)
Shareholders' Equity	3.831	-
Closing balance	<u>44.396</u>	<u>21.637</u>

11. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 30 September 2018 and 31 December 2017, details of assets held for sale and discontinued operations are as follows:

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	TP	YP	TP	YP
Assets held for sale (*)	547	-	785	-
	<u>547</u>	<u>-</u>	<u>785</u>	<u>-</u>

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

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12. OTHER ASSETS

As at 30 September 2018 and 31 December 2017, prepaid expenses are as follows:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	17.846	-	16.595	22
Amounts to be invoiced	862	-	711	-
Advanced given	156	-	24	-
Deposits given	35	23	36	33
Others	7.838	1.718	5.372	871
	26.737	1.741	22.738	926

13. FUNDS BORROWED

As at 30 September 2018 and 31 December 2017, details of funds borrowed are as follows:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Short-term borrowings	1.486.637	1.529.559	3.789.129	1.401.765
Short-term portion of long-term borrowings	22.747	290.474	18.473	261.356
Total short-term borrowings	1.509.384	1.820.033	3.807.602	1.663.121
Long-term borrowings	259.395	1.988.832	45.976	1.060.444
Total long-term borrowings	259.395	1.988.832	45.976	1.060.444
Total borrowings	1.768.779	3.808.865	3.853.578	2.723.565

As at 30 September 2018 and 31 December 2017, borrowings has no collateral.

As at 30 September 2018 and 31 December 2017, maturity analysis of borrowings is as follows:

<u>Maturity analysis of borrowings</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Within 1 year	3.327.811	5.470.723
Within 1-2 years	1.377.678	478.548
Within 2-3 years	447.866	376.456
Within 3-4 years	182.592	106.780
Within 4-5 years	90.579	62.252
5 years and over	151.118	82.384
TOTAL	5.577.644	6.577.143

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13. FUNDS BORROWED (Continued)

As at 30 September 2018 and 31 December 2017, details of short term borrowings based on types of currency are as follows:

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2018</u>
TL	%13,53-%24,25	1.461.359.000	1.461.359
USD	%2,32-%5,01	2.194.556	13.146
Euro	%0,40-%4,18	213.311.111	1.482.619
GBP	%1,77-%2,75	575.716	4.496
Interest accruals			54.576
TOTAL			3.016.196

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

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

As at 30 September 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:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2018</u>
TL	%20,63-%18,54	200.000.000	200.000
USD	%1,51-%5,52	125.820.041	753.687
Euro	%0,80-%3,53	231.315.997	1.607.761
TOTAL			2.561.448

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

As at 30 September 2018 and 31 December 2017, compounded interest rates have been presented

As 30 September 2018 and 31 December 2017, details of borrowings based on types of interest rate are as follows:

	<u>30 September 2018</u>		<u>31 December 2017</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Fixed rate	1.686.148	1.520.203	3.787.184	1.352.867
Variable rate	82.631	2.288.662	66.394	1.370.698
	1.768.779	3.808.865	3.853.578	2.723.565

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

As at 30 September 2018, the Group has available TL 13.223.067 of unused credit lines (31 December 2017: TL 8.974.822).

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14. OTHER LIABILITIES

As at 30 September 2018 and 31 December 2017, details of miscellaneous payables are as follows:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Payables to suppliers for lease transactions	4.724	54.009	8.106	59.273
Advances received (**)	33.591	85.020	20.717	75.659
Banking and Insurance Transaction Tax	8.169	-	2.601	-
Social Security Premium	1.350	-	1.195	-
Value Added Tax	34	-	76	-
Income Tax	652	-	628	-
Other Tax and Liabilities	34	-	36	-
Income deferred	947	-	199	-
Other payables (*)	13.739	45.511	13.316	31.819
	62.259	184.540	46.874	166.751

(*) 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 30 September 2018 and 31 December 2017, details of other liabilities are as follows:

(*) 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.

15. FINANCE LEASE OBLIGATIONS

None.

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16. DEBT SECURITIES ISSUED

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Bills bonds	1.804.122	-	1.321.010	-
Bonds issued	-	-	91.890	-
Interest accruals	65.024	-	47.962	-
	1.869.146	-	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, fifth coupon payment of bonds was held on 22 June 2018, sixth coupon payment of bonds was held on 21 September 2018

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 75.000 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 21 May 2018. The bond have a maturity of 2 September 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 200.000 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 13 July 2018. The bond have a maturity of 12 October 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 110.700 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 07 August 2018. The bond have a maturity of 19 November 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 76.200 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 11 September 2018. The bond have a maturity of 12 November 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 265.000 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 21 September 2018. The bond have a maturity of 23 November 2018.

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16. DEBT SECURITIES ISSUED (Continued)

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 09 February 2018. The bond have a maturity of 25 January 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 80.300 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 17 August 2018. The bond have a maturity of 12 November 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 270.000 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 31 August 2018. The bond have a maturity of 30 October 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 87.220 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 07 September 2018. The bond have a maturity of 04 December 2018.

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 Faktoring A.Ş. having nominal value of TL 142.100 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 13 August 2018. The bond have a maturity of 12 November 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 104.800 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 27 April 2018. The bond have a maturity of 11 October 2018.

Bond issued by İş Faktoring A.Ş. having nominal value of TL 186.200 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 04 September 2018. The bond have a maturity of 03 December 2018.

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17. PROVISIONS

As at 30 September 2018 and 31 December 2017, reserve for employee benefits are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Reserve for employee severance indemnity	4.442	3.880
Provision for employee bonus	1.505	4.077
Vacation pay liability	3.103	1.498
	<u>9.050</u>	<u>9.455</u>

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

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. As at 30 September 2018 and 30 September 2017, the following actuarial assumptions are used in the calculation of the total liability:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Discount rate	4,49%	3,43%
Inflation	7,00%	7,80%
Probability of retirement	100%	100%

For the periods ended 30 September 2018 and 30 September 2017, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Balance at the beginning of the year	3.880	3.573
Cost of services	1.036	800
Amounts paid	(474)	(385)
Balance at the end of the year	<u>4.442</u>	<u>3.988</u>

The movement of the vacation pay liability for the periods ended 30 September 2018 and 30 September 2017 are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Balance at the beginning of the year	1.498	1.129
Increase	7	271
Balance at the end of the year	<u>1.505</u>	<u>1.400</u>

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17. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 30 September 2018 and 30 September 2017 are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Balance at the beginning of the year	4.077	2.713
Increase	3.103	2.739
Reversals	(1.642)	(783)
Payment made during the year	(2.435)	(1.930)
Balance at the end of the year	<u>3.103</u>	<u>2.739</u>

As at 30 September 2018 and 31 December 2017, other provisions are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Provision for lawsuits	5.363	3.753
Provision for general administrative expenses	905	216
	<u>6.268</u>	<u>3.969</u>

Movements in provisions for the periods ended 30 September 2018 and 30 September 2017 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses
<u>30 September 2018</u>			
At the beginning of the year	-	3.753	216
Additions	-	1.983	905
Payments	-	-	(216)
Cancellations	-	(373)	-
At the end of the period	-	<u>5.363</u>	<u>905</u>
<u>30 September 2017</u>			
At the beginning of the year	-	3.170	215
Additions	-	335	748
Payments	-	-	(215)
Cancellations	-	(22)	-
At the end of the period	-	<u>3.483</u>	<u>748</u>

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18. CURRENT PERIOD TAX ASSET AND PAYABLE

The current years tax asset as at 30 September 2018 and 30 September 2017 are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Deferred VAT	5.212	-
Income taxes withheld	727	728
Total	<u>5.939</u>	<u>728</u>

As at 30 September 2018 and 31 December 2017, details of corporate tax provision and prepaid taxes are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Current period corporate tax provision (Note:33)	131.814	19.776
Current period investment incentive provision(Note:33)	-	8.727
Corporation taxes paid in advance during the year	(51.675)	(5.143)
Corporate tax payable	<u>80.139</u>	<u>23.360</u>

For the periods ended 30 September 2018 and 30 September 2017, movements of corporate tax payable are as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Corporate tax payable at the beginning of the year	23.360	28.371
Current period tax expense (Note:33)	131.814	13.922
Provision of previous term corporate tax		(1.446)
Taxes paid during the year	(74.569)	(26.925)
Prior period correction of withholding tax on investment incentives	(466)	-
Corporate tax payable	<u>80.139</u>	<u>13.922</u>

19. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 30 September 2018, the non-controlling interests amounting to TL 60.347 (31 December 2017: TL 41.088) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 19.872 (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 30 September 2018 and 31 December 2017 are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Balance at the beginning of the year	41.088	28.037
Fair value changes of marketable securities	(613)	2.269
Cash Dividend to non-controlling interests	-	-
Profit for the year	19.872	10.782
Balance at the end of the year	<u>60.347</u>	<u>41.088</u>

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20. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 30 September 2018 nominal capital of the Company is TL 695.303, the share capital of the Company consists of 65.030.264.500 shares Kurus 1 price.

As at 30 September 2018 and 31 December 2017, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 2018</u>	<u>(%)</u>	<u>31 December 2017</u>
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	204.850	28,56	185.726
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	180.746
Trakya Yatırım Holding A.Ş.	0,90	6.258	0,90	5.853
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	531	0,08	496
Publicly traded	41,77	290.411	42,67	277.482
TOTAL	100,00	695.303	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;

<u>Shareholders</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Trakya Yatırım Holding A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

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

Capital Reserves

	<u>30 September 2018</u>	<u>31 December 2017</u>
Other Capital Reserves(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss <i>Employee benefits re-measuring income/loss,</i>	58	58
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss <i>Net change in fair value of available-for-sale financial assets(**)</i>	3.735	22.189
Total	<u>3.793</u>	<u>22.247</u>

(*) 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.

21. PROFIT RESERVES

As at 30 September 2018 and 31 December 2017, details of profit reserves are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Legal reserves	44.321	38.674
Extraordinary reserves	169.771	107.470
Total	<u>214.092</u>	<u>146.144</u>

(*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TL 28.268 classified in extraordinary tax income reserves which will not be distributed as at 30 September 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.

22. PRIOR YEARS' PROFIT/LOSS

The Group has no retained earnings as at 30 September 2018 (31 December 2017: None).

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23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2018, TL 1.625.601 of letters of guarantee are given to customs, authorities and banks (31 December 2017: TL 1.360.038).

As at 30 September 2018, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 12.256 (31 December 2017: TL 6.487). The Group has provided a provision amounting to TL 5.363 for litigations (31 December 2017: TL 3.753) in the accompanying consolidated financial statements (Note 17). The Group management does not anticipate any further provision for the remaining litigations.

As at 30 September 2018, the Group has letter of credit commitments of USD 8.085.790, EUR 12.182.521 (TL 133.110) (31 December 2017: USD 17.979.100, EUR 17.646.619 (TL 147.499)).

As at 30 September 2018 has no factoring commitment. (31 December 2017: None)

As at 30 September 2018, the Group has lease commitments of USD 4.822.980, EUR 64.394.622 and full TL 150.080.636 (TL 626.546) (31 December 2017: 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 30 September 2018 details of derivatives are as follows:

	30 September 2018	
	Amount as	
	Original Currency	TL
Currency Swap Purchases:		
EUR	1.587.650	11.035
TL	1.463.711.564	1.463.712
		1.474.747
Currency Swap Sales:		
USD	149.700.000	896.733
EUR	103.400.174	718.683
GBP	1.750.000	13.664
CHF	1.722.600	10.544
TL		1.639.624

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

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23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

The Group has TL 8.360 of unrealized loss and TL 304.722 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 30 September 2018 (Note 4) (31 December 2017: TL 19.613 loss and TL 5.383 income).

As at 30 September 2018, analysis of derivatives according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	1.190.995	283.752	1.474.747
Currency Swap Sales	1.354.927	284.697	1.639.624
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

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

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
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	-	-	-

24. SEGMENT REPORTING

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

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

Business segments

The Group comprises the following main business segments:

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

<u>30 September 2018</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	7.012.771	2.205.261	(53.767)	9.164.265
Total liabilities	6.165.731	1.928.037	-	8.093.768
Net profit for the year	23.608	91.288	(19.872)	95.024
<u>31 December 2017</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.068.687	4.267.775	(53.767)	9.282.695
Total liabilities	4.229.006	4.079.021	-	8.308.027
Net profit for the year	74.200	49.530	(10.782)	112.948

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24. SEGMENT REPORTING (Continued)

<u>30 September 2018</u>	<u>Finansal</u>	<u>Faktoring</u>	<u>Konsolidasyon</u>	<u>Toplam</u>
	<u>Kiralama</u>		<u>Düzeltilmeleri</u>	
Operating Income	349.926	406.180	-	756.106
Financial Expenses (-)	(295.111)	(369.066)	-	(664.177)
Gross Profit / Loss	54.815	37.114	-	91.929
Operating Expense (-)	(31.797)	(22.457)	-	(54.254)
Gross Operating Profit/Loss	23.018	14.657	-	37.675
Other Operating Income	419.598	108.269	-	527.867
Provision for Losses on Non-Performing Receivables (-)	(18.099)	(6.191)	-	(24.290)
Other operating Expenses (-)	(353.266)	(663)	-	(353.929)
Net Operating Profit / Loss	71.251	116.072	-	187.323
Profit or Loss from Continuing Operations	71.251	116.072	-	187.323
Provision for Taxes from Continuing Operations (±)	(47.643)	(24.784)	-	(72.427)
Net Profit or Loss from Continuing Operations	23.608	91.288	-	114.896
Non-controlling Interests	-	-	(19.872)	(19.872)
Net Profit or Loss for the Period	23.608	91.288	(19.872)	95.024
Fixed Asset Additions	14.844	692	-	15.536
Depreciation and Amortisation	(1.353)	(605)	-	(1.958)
<u>30 September 2017</u>			<u>Consolidation</u>	
	<u>Leasing</u>	<u>Factoring</u>	<u>Adjustments</u>	<u>Total</u>
Operating Income	263.410	228.880	-	492.290
Financial Expenses (-)	(188.920)	(245.175)	-	(434.095)
Gross Profit / Loss	74.490	(16.295)	-	58.195
Operating Expense (-)	(29.413)	(18.271)	-	(47.684)
Gross Operating Profit/Loss	45.077	(34.566)	-	10.511
Other Operating Income	109.438	368.556	-	477.994
Provision for Losses on Non-Performing Receivables (-)	(14.610)	(2.626)	-	(17.236)
Other operating Expenses (-)	(63.201)	(290.485)	-	(353.686)
Net Operating Profit / Loss	76.704	40.879	-	117.583
Profit or Loss from Continuing Operations	76.704	40.879	-	117.583
Provision for Taxes from Continuing Operations (±)	(16.544)	(7.934)	-	(24.478)
Net Profit or Loss from Continuing Operations	60.160	32.945	-	93.105
Non-controlling Interests	-	-	(7.172)	(7.172)
Net Profit or Loss for the Period	60.160	32.945	(7.172)	85.933
Fixed Asset Additions	1.315	1.181	-	2.496
Depreciation and Amortisation	(1.161)	(393)	-	(1.554)

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25. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 22.260 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 18 October 2018. The bond have a maturity of 21 December 2018.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 250.000 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 12 October 2018. The bond have a maturity of 10 January 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 200.000 has been paid on 12 October 2018.

26. OPERATING INCOME

For the periods ended 30 September 2018 and 30 September 2017, details of operating income are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Finance Lease income	349.500	133.191	263.186	92.152
Operating lease income	426	189	224	83
Factoring income	406.180	163.382	228.880	88.922
	756.106	296.762	492.290	181.157

27. OPERATING EXPENSES

For the periods ended 30 September 2018 and 30 September 2017, operating expenses are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Personnel expenses	(35.229)	(11.115)	(29.641)	(9.857)
Office rent expenses	(4.219)	(1.403)	(4.541)	(1.544)
Provision for employee severance indemnity	(1.036)	(539)	(801)	(176)
Travel and car expenses	(1.870)	(666)	(1.686)	(538)
Information technology expenses	(2.405)	(925)	(1.940)	(702)
Consultancy expenses	(528)	(182)	(526)	(183)
Depreciation and amortization expenses	(1.958)	(699)	(1.554)	(542)
Advertising expense	(454)	(67)	(398)	(108)
Capital increase expense	(216)	(40)	(177)	(18)
Board of Directors attendance fee	(1.873)	(652)	(1.680)	(565)
Communication expense	(483)	(142)	(360)	(105)
Insurance expense	(51)	(14)	(425)	(143)
Tax and duties	(1.029)	(251)	(804)	(192)
BRSA fee	(911)	(304)	(730)	(243)
Representation expense	(147)	(52)	(164)	(60)
Write-off expenses	-	-	(25)	-
Other general administrative expenses	(1.845)	(501)	(2.232)	(458)
	(54.254)	(17.552)	(47.684)	(15.434)

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28. OTHER OPERATING INCOME

For the periods ended 30 September 2018 and 30 September 2017, details of other operating income are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Foreign exchange gains	332.311	240.260	38.442	95.943
Income from derivative financial transactions	166.874	47.724	418.570	50.702
Interest income	5.392	1	2.423	-
Dividend income	4.896	1.861	3.615	1.418
Commission income	3.821	1.045	3.456	1.121
Collections from non-performing receivables	3.025	346	2.472	424
Other	11.548	3.952	9.016	3.251
	<u>527.867</u>	<u>295.189</u>	<u>477.994</u>	<u>131.948</u>

29. FINANCE EXPENSES

For the periods ended 30 September 2018 and 30 September 2017, details of finance expenses are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Interest expense on funds borrowed	(444.515)	(176.596)	(279.681)	(107.826)
Interest expense on debt securities issued	(194.283)	(80.437)	(134.896)	(51.404)
Fees and commissions expense	(25.379)	(9.879)	(19.518)	(7.439)
	<u>(664.177)</u>	<u>(266.912)</u>	<u>(434.095)</u>	<u>(166.669)</u>

30. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 30 September 2018 and 30 September 2017, details of provision for non-performing receivables are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Specific provision expenses	(24.290)	(8.807)	(17.236)	(7.619)
	<u>(24.290)</u>	<u>(8.807)</u>	<u>(17.236)</u>	<u>(7.619)</u>

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31. OTHER OPERATING EXPENSES

For the periods ended 30 September 2018 and 30 September 2017, details of other operating expenses are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Losses from derivative financial transactions	(349.721)	(230.364)	(351.104)	(83.589)
Other	(4.208)	(1.376)	(2.582)	(795)
	<u>(353.929)</u>	<u>(231.740)</u>	<u>(353.686)</u>	<u>(84.384)</u>

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

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

The difference as foreign currency expenses difference between income/loss is at amounting TL 56.177 from measurement difference of such transactions in the Group’s financial statements as at 30 September 2018 (31 December 2017: TL 6.381 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

32. TAXATION

For the periods ended 30 September 2018 and 30 September 2017, details of income tax expense are as follows:

	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.07.2017 - 30.09.2017
Current tax charge	(131.814)	(79.701)	(13.922)	(10.065)
Deferred tax benefit	59.387	41.554	(10.556)	1.598
	<u>(72.427)</u>	<u>(38.147)</u>	<u>(24.478)</u>	<u>(8.467)</u>

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32. 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- 30 September 2018	%	1 January- September 2017
Net profit for the period		114.895		93.105
Total tax expense		72.427		24.478
Profit before tax		187.322		117.583
Income tax using the Group's tax rate	22,00	41.211	19,88	23.370
Non-deductible expenses	0,23	429	1,38	1.623
Tax exempt income	(0,63)	(1.186)	(0,41)	(483)
Investment incentives	0,00	-	0,06	67
Other	17,07	31.973	(0,08)	(99)
Total income tax expense		72.427		24.478

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 30 September 2018, corporate income tax rate is 22% (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 2017: 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.

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32. 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.

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32. 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.

33. 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 30 September 2018 and 30 September 2017 are as follows:

	<u>1 January- 30 September 2018</u>	<u>1 January- 30 September 2017</u>
Weighted average number of outstanding shares (*)	69.530.264.500	65.030.264.500
Net profit for the year (TL)	95.023	85.933
Basic earnings per share (full Kurus) (**)	0,14	0,12

(*) As at 30 September 2018, the share capital of the Company consists of 69.530.264.500 shares having Kurus 1 nominal price.

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Number of shares at beginning of the year	65.030.264.500	60.030.264.500
Capital increase (**)	4.500.000.000	5.000.000.000
Number of shares at end of the year	<u>69.530.264.500</u>	<u>65.030.264.500</u>

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

None.

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35. 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 14 % (31 December 2017: 12 %). As at 30 September 2018 and 31 December 2017, the leverage ratios are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Funds borrowed	5.577.644	6.577.143
Debt securities issued	1.869.146	1.460.862
Other liabilities	237.759	213.625
Total liabilities	<u>7.684.549</u>	<u>8.251.630</u>
Cash and Cash Equivalents (-)	<u>(242.518)</u>	<u>(247.893)</u>
Net liabilities	<u>7.442.031</u>	<u>8.003.737</u>
Total shareholders' equity	1.010.150	974.668
Shareholders' equity / liabilities	14%	12%

According to the credit rating reports of Fitch issued at 03 October 2018, credit ratings of the Company are as follows:

Foreign Currency

Long term	B+
Short term	B
Outlook	Negative

TL

Long term	BB-
Short term	B
Outlook	Negative

National

Long term	A+ (tur)
Outlook	Stabile
Support	4

(b) Significant accounting policies

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

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

((c) Categories of financial instruments

	<u>30 September 2018</u>	<u>31 December 2017</u>
<u>Financial Assets:</u>		
Banks	242.518	247.893
Financial Assets at Fair Value Through Profit or Loss	400	5.547
Derivative Financial Assets Held for Trading	8.360	5.383
Special Provisions/Provisions of Expected Damages (-)	(400)	(400)
Finance lease receivables and non-performing receivables, net	6.579.699	4.710.476
Factoring receivables and non-performing factoring receivables, net	2.157.501	4.207.336
Financial Assets reflected in the other comprehensive income of the fair value	42.719	47.187
<u>Financial Liabilities:</u>		
Derivative financial liabilities held for trading	(304.722)	(19.613)
Other liabilities	(246.799)	(213.625)
Funds borrowed	(5.577.644)	(6.577.143)
Debt securities issued	(1.869.146)	(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.

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35. 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 30 September 2018 and 31 December 2017, details of foreign currency denominated assets and liabilities are as follows:

30 September 2018 (*)	ABD Doları (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	8.107	27.210	8	52	26	16	238.213
Finance lease receivables	195.518	467.399	1.796	-	-	-	4.430.844
Factoring receivables	85.509	36.714	-	2.476	-	-	786.732
Advances given for lease transactions	4.689	7.956	-	94	-	-	84.118
Leasing contracts in progress	1.417	30.626	-	-	-	-	221.353
Other receivables	214	767	-	-	-	-	6.615
Other assets	68	192	-	-	-	-	1.741
Total assets (**)	295.523	570.864	1.804	2.622	26	16	5.769.616
Funds borrowed	(129.535)	(447.602)	-	(576)	-	-	(3.891.493)
Miscellaneous payables and other Liabilities	(8.830)	(18.927)	-	(12)	-	-	(184.540)
Other provisions	-	(697)	-	-	-	-	(4.846)
Total liabilities (**)	(138.365)	(467.226)	-	(588)	-	-	(4.080.879)
Balance sheet position	157.158	103.638	1.804	2.034	26	16	1.688.737
Off balance sheet position	(149.699)	(101.813)	(1.723)	(1.750)	-	-	(1.628.589)
Net foreign currency position	7.459	1.825	81	284	26	16	60.148

(*) As at 30 September 2018, foreign currency indexed borrowings amounting to EUR 11.888 (Total: TL 82.628), foreign currency indexed factoring receivables amounting to USD 6.203, EUR 11.987 (Total: TL 120.475) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 30 September 2018, accruals of derivative assets amounting to TL 8.360 and derivative liabilities amounting to TL 304.722 are not included.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

	USD 000	EUR 000	CHF 000	GBP 000	JP Y 000	AUD 000	TL Equivalent
31 December 2017 (*)							
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 December 2017, 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.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 September 2018				
15% change of the USD against TL				
1- Net USD asset/liability	141.211	(141.211)	141.211	(141.211)
2- Hedged portion of TL against USD risk (-)	(155.143)	155.143	(155.143)	155.143
3- Net effect of USD (1+ 2)	(13.932)	13.932	(13.932)	13.932
15% change of the Euro against TL				
4- Net Euro asset/liability	108.051	(108.051)	108.051	(108.051)
5- Hedged portion of TL against Euro risk (-)	(138.485)	138.485	(138.485)	138.485
6- Net effect of Euro (4+5)	(30.434)	30.434	(30.434)	30.434
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	(17)	17	(17)	17
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	(17)	17	(17)	17
TOTAL (3+6+9)	(44.383)	44.383	(44.383)	44.383

(*) Includes profit/loss effect.

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

(*) Includes profit/loss effect.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

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

Interest rate sensitivity

- The interest rate sensitivity analysis below is based on the Group’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.
- As at 30 September 2018 and 31 December 2017, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	30 September 2018	31 December 2017
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	214.267	212.504
Finance lease receivables (*)	6.046.209	4.243.950
Factoring receivables	1.461.282	3.091.909
Financial liabilities:		
Funds borrowed	3.206.351	5.140.051
Debt securities issued	1.869.146	1.368.677
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	104.463	95.306
Factoring receivables	696.219	1.115.427
Financial liabilities:		
Borrowings	2.371.293	1.437.092
Debt securities issued	-	92.185

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

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35. 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 854 (30 September 2017: TL 825).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 3.433 (30 September 2017: TL 7.661).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 16.716 (30 September 2017: TL 32.897).

(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 2.555 (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.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Sectoral allocation of finance lease receivables is as follows:

	<u>31 September 2018(%)</u>	<u>31 December 2017(%)</u>
Construction	26,35	24,42
Metal industry	11,53	12,75
Textile	10,94	10,09
Transportation	6,50	7,33
Mining	6,46	3,80
Chemical and plastic	4,40	4,30
Healthcare	4,39	3,45
Food and beverage	2,92	2,79
Retail and wholesale	2,86	4,83
Finance	2,54	3,27
Forestry products and paper	2,51	2,49
Agriculture and forestry	2,20	2,23
Machinery and equipment	2,07	2,11
Tourism	1,64	2,19
Other	12,69	13,95
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 30 September 2018, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				<u>Cash and Cash Equivalents</u>	Fair value through profit/loss financial <u>assets</u>	Financial Assets reflected in the other comprehensive income of the fair value(***)	Derivative Financial Assets
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>					
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>				
30 September 2018								
Exposure to maximum credit risk as at reporting date (*)	65.155	6.514.544	21.108	2.136.393	242.518	-	-	8.360
- The portion of maximum risk covered by guarantee	-	583.496	-	699.708	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	65.155	5.235.696	21.108	2.097.565	242.518	-	-	8.360
- The portion covered by guarantee	-	424.066	-	675.121	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	773	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	1.174.927	-	24.587	-	-	-	-
- The portion covered by guarantee	-	151.815	-	24.587	-	-	-	-
D. Net carrying value of impaired assets	-	103.921	-	13.468	-	-	-	-
- Overdue (gross book value)	-	259.247	-	58.044	-	-	-	-
- Impairment (-)	-	(156.262)	-	(44.576)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	7.615	-	-	-	-	-	-
- Not past due (gross book value)	-	1.618	-	-	-	-	-	-
- Impairment (-)	-	(682)	-	-	-	-	-	-
- 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.

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35. 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:

	<u>Receivables</u>				<u>Cash and Cash Equivalents</u>	Fair value through profit/loss financial assets	Financial Assets reflected in the other comprehensive income of the fair value(***)	Derivative Financial Assets
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>					
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>				
31 December 2017								
Exposure to maximum credit risk as at reporting date (*)	39.796	4.661.305	66.608	4.140.728	247.893	5.147	-	5.383
- The portion of maximum risk covered by guarantee	-	313.483	-	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	5.147	-	5.383
- 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.

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35. 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:

	30 September 2017		31 December 2017	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	82.932.972	6.934.685	57.510.563	7.243.087
Collaterals of factoring transaction	9.196.206	477.116	6.738.353	800.554
Mortgage	1.230.379	469.763	797.914	238.899
Guaranties of factoring transaction	955.330	-	429.658	-
Pledged accounts	725.583	61.532	625.010	118.326
Pledged commercial	215.000	40.428	115.000	34.092
Pledged shares	191.327	76.235	127.328	-
Sureties of credit guarantee fund	183.360	164.109	104.193	48.793
Pledged vehicles	166.197	57.200	139.860	51.787
Guarantors	61.680	162	21.116	288
Letters of guarantee	60.104	16.544	73.728	26.088
Commercial receivable insurance	36.753	-	17.500	392
Pledged movable	30.800	30.800	-	-
Ship mortgage	14.976	-	9.430	-
Cash blockages	8.649	3.979	7.554	3.008
Funds bonds as collateral	5.906	-	-	-
Collaterals given by vendors	4.060	-	11.792	-
Share certificates	2.450	2.450	2.450	2.446
Pledged account	1.617	1.617	1.051	1.051
Collaterals of leasing transaction	1.477	-	1.326	-
Pledged machines	502	-	30.502	12.514
	96.025.328	8.336.620	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.

Liquidity risk table

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

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

30 September 2018

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	242.518	242.536	242.536	-	-	-
Financial Assets Held For Trading	-	-	-	-	-	-
Lease Receivables (*)	6.150.672	6.954.540	997.796	1.868.548	3.910.097	178.099
Factoring Receivables	2.157.501	2.276.760	1.480.270	784.150	12.340	-
c	12.251	12.251	12.251	-	-	-
Total Assets	8.562.942	9.486.087	2.732.853	2.652.698	3.922.437	178.099
Non-derivative Financial Liabilities:						
Funds Borrowed	5.577.644	5.820.315	2.280.237	1.140.844	2.244.419	154.815
Debt Securities Issued	1.869.146	1.924.450	1.597.520	326.930	-	-
Miscellaneous Payables and Other Liabilities	246.799	237.759	221.481	8.895	7.383	-
Total Liabilities	7.693.589	7.982.524	4.099.238	1.476.669	2.251.802	154.815

(*) 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.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

31 December 2017

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	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	-
Other Lease Receivables	9.376	9.376	9.376	-	-	-
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 30 September 2018 and 31 December 2017.

<u>30 September 2018</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Cash inflows from derivatives	-	1.474.747	939.919	251.076	283.752	-
Cash outflows from derivatives	(164.877)	1.639.624	999.750	355.177	284.697	-
31 December 2017						
<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
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	-

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

30 September 2018	<u>Financial assets and liabilities Held for trading</u>	<u>Financial assets at amortized cost</u>	<u>Loans and receivables</u>	<u>Available for sale financial assets</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Notes</u>
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	242.518	-	-	-	242.518	242.518	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	4
Financial Assets reflected in the other comprehensive income of the fair value	-	-	-	42.719	-	42.719	42.719	4
Derivative financial assets held for trading	8.360	-	-	-	-	8.360	8.360	4
Finance lease receivables and non-performing lease receivables	-	-	6.579.699	-	-	6.579.699	5.820.926	6
Factoring receivables and non-performing factoring receivables	-	-	2.157.501	-	-	2.157.501	2.157.501	5
<u>Financial liabilities</u>								
Derivative financial assets held for trading	304.722	-	-	-	-	304.722	304.722	4
Other liabilities	-	-	-	-	246.799	246.799	246.799	14
Funds borrowed	-	-	-	-	5.577.644	5.577.644	5.283.900	13
Debt securities issued	-	-	-	-	1.869.146	1.869.146	1.870.794	16

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35. 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
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	247.893	-	-	-	247.893	247.893	4
Financial Assets at Fair Value Through Profit or Loss	5.147	-	-	-	-	5.147	5.147	4
Financial Assets reflected in the other comprehensive income of the fair value	-	-	-	47.187	-	47.187	47.187	4
Derivative financial assets held for trading	5.383	-	-	-	-	5.383	5.383	4
Finance lease receivables and non- performing lease receivables	-	-	4.710.476	-	-	4.710.476	4.683.545	6
Factoring receivables and non-performing factoring receivables	-	-	4.207.336	-	-	4.207.336	4.207.336	5
<u>Financial liabilities</u>								
Derivative financial assets held for trading	19.613	-	-	-	-	19.613	19.613	4
Other liabilities	-	-	-	-	208.890	208.890	208.890	14
Funds borrowed	-	-	-	-	6.577.143	6.577.143	6.571.886	13
Debt securities issued	-	-	-	-	1.460.862	1.460.862	1.481.797	16

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(1) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2018	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	8.360	-	8.360
Available-for-sale financial assets (*)	37.994	-	686	38.680
Total financial assets carried at fair value	37.994	8.360	686	47.040

Derivative financial liabilities held for trading	-	304.722	-	304.722
Total financial liabilities carried at fair value	-	304.722	-	304.722

(*) As at 30 September 2018, securities that are not publicly traded amounting to TL 4.039 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.