

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

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

**Consolidated Financial Statements as at and for the
year ended 31 March 2020**

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONTENTS	PAGE
Consolidated Balance Sheet (Statement of Financial Position)	3 - 4
Consolidated Statement of Off-Balance Sheet Items.....	5
Consolidated Statement of Profit/Loss.....	6
Consolidated Statement of Profit/Loss and Other Comprehensive Income.....	7
Consolidated Statement of Changes in Shareholders' Equity.....	8
Consolidated Statement of Cash Flows.....	9
Consolidated Profit Distribution Table.....	10
Notes to the Consolidated Financial Statements	11 - 84
Note 1 Organization and Operations of the Company	11
Note 2 Basis of the Financial Statements.....	11 - 19
Note 3 Significant Accounting Policies	20 - 28
Note 4 Cash, cash equivalents	29
Note 5 Financial assets at fair value through profit or loss.....	30
Note 6 Derivative financial assets and liabilities.....	31
Note 7 Financial assets at fair value through other comprehensive income	31
Note 8 Factoring Receivables.....	32 - 34
Note 9 Lease Receivables.....	35 - 41
Note 10 Related Parties.....	41 - 45
Note 11 Tangible Assets.....	46
Note 12 Intangible Assets.....	47
Note 13 Deferred Tax Assets and Liabilities	48
Note 14 Assets Held For Sale and Discontinued Operations	48
Note 15 Other Assets.....	49
Note 16 Funds Borrowed.....	49 - 51
Note 17 Other Liabilities	51
Note 18 Lease Payables.....	52
Note 19 Debt Securities Issued	52
Note 20 Provisions	53 - 54
Note 21 Current Period Tax Asset and Payable.....	55
Note 22 Non-Controlling Interests	55
Note 23 Paid-in Capital and Capital Reserves	56
Note 24 Profit Reserves.....	57
Note 25 Prior Years' Profit / Loss.....	57
Note 26 Provisions, Contingent Assets and Liabilities.....	58 - 59
Note 27 Segment Reporting	60 - 61
Note 28 Events After The Reporting Date.....	62
Note 29 Operating Income	62
Note 30 Operating Expenses	62
Note 31 Other Operating Income	63
Note 32 Finance Expenses.....	63
Note 33 Provisions.....	63
Note 34 Other Operating Expenses	64
Note 35 Taxation	65 - 66
Note 36 Earnings Per Share	67
Note 37 Other Issues That Significantly Affect the Financial Statements or Other Issues Required for Understanding of the Financial Statements.....	67
Note 38 Additional Information on Financial Instruments.....	68 - 84

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

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

	ASSETS	Notes	Unaudited Current Period 31 March 2020			Audited Prior Period 31 December 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	4	4.547	266.138	270.685	2.078	419.650	421.728
II	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	301	-	301	951	-	951
III.	DERIVATIVE FINANCIAL ASSETS	6	-	-	-	-	1.388	1.388
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	79.414	-	79.414	86.279	-	86.279
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		3.698.340	4.581.030	8.279.370	3.966.344	4.319.071	8.285.415
5.1	Factoring Receivables	8	2.288.176	650.633	2.938.809	2.545.266	614.482	3.159.748
5.1.1	Discounted Factoring Receivables (Net)		687.396	193.228	880.624	623.702	141.297	764.999
5.1.2	Other Factoring Receivables		1.600.780	457.405	2.058.185	1.921.564	473.185	2.394.749
5.2	Financing loans		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	Lease Receivables (Net)	9	1.267.374	4.033.255	5.300.629	1.253.324	3.754.306	5.007.630
5.3.1	Finance Lease Receivables		1.559.928	4.479.513	6.039.441	1.540.524	4.189.793	5.730.317
5.3.2	Operational Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		(292.554)	(446.258)	(738.812)	(287.200)	(435.487)	(722.687)
5.4	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5	Non-Performing Loans	8,9	550.913	10.037	560.950	563.946	15.894	579.840
5.6	Expected Credit Loss (-) / Specific Provisions (-)		(408.123)	(112.895)	(521.018)	(396.192)	(65.611)	(461.803)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	11	14.118	-	14.118	12.417	-	12.417
VIII.	INTANGIBLE ASSETS (Net)	12	5.352	-	5.352	3.965	-	3.965
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSET	21	892	-	892	18.019	-	18.019
XI.	DEFERRED TAX ASSET	13	49.618	-	49.618	33.071	-	33.071
XII.	OTHER ASSETS	15	77.402	151.753	229.155	70.510	152.567	223.077
	SUB TOTAL		3.929.984	4.998.921	8.928.905	4.193.634	4.892.676	9.086.310
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	1.989	-	1.989	1.989	-	1.989
XI	Held for Sale		1.989	-	1.989	1.989	-	1.989
XII	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.931.973	4.998.921	8.930.894	4.195.623	4.892.676	9.088.299

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

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

	LIABILITIES	Notes	Unaudited Current Period 31 March 2020			Audited Prior Period 31 December 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FUNDS BORROWED	16	2.748.824	4.244.374	6.993.198	3.217.423	3.953.221	7.170.644
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE PAYABLES	18	2.124	274	2.398	383	457	840
IV.	SECURITIES ISSUED (Net)	19	385.802	-	385.802	369.966	-	369.966
V.	FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITY	6	-	42.518	42.518	-	10.723	10.723
VII.	PROVISIONS	20	12.055	5.108	17.163	13.844	4.704	18.548
7.1	Restructuring Provisions		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		9.286	-	9.286	11.434	-	11.434
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		2.769	5.108	7.877	2.410	4.704	7.114
VIII.	CURRENT PERIOD TAX LIABILITY	21	29.796	-	29.796	20.637	-	20.637
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITY	17	54.366	112.762	167.128	97.570	125.438	223.008
	SUB TOTAL		3.232.967	4.405.036	7.638.003	3.719.823	4.094.543	7.814.366
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDER'S EQUITY		1.292.891	-	1.292.891	1.273.933	-	1.273.933
13.1	Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2	Capital Reserves	23	1.938	-	1.938	1.938	-	1.938
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	23	(588)	-	(588)	(588)	-	(588)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	49.893	-	49.893	55.960	-	55.960
13.5	Profit Reserves	24	455.357	-	455.357	396.081	-	396.081
13.5.1	Legal Reserves		56.130	-	56.130	51.004	-	51.004
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		399.227	-	399.227	345.077	-	345.077
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		25.893	-	25.893	59.755	-	59.755
13.6.1	Prior Periods Profit/Loss	25	479	-	479	(24.537)	-	(24.537)
13.6.2	Current Period Profit/Loss		25.414	-	25.414	84.292	-	84.292
	Non-Controlling Interests	22	65.095	-	65.095	65.484	-	65.484
	TOTAL LIABILITIES		4.525.858	4.405.036	8.930.894	4.993.756	4.094.543	9.088.299

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS
AS AT 31 MARCH 2020**

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 31 March 2020			Audited Prior Period 31 December 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		46.289	301.857	348.146	58.645	253.234	311.879
II.	REVOCABLE FACTORING TRANSACTIONS		130.516	64.229	194.745	126.107	80.548	206.655
III.	COLLATERALS RECEIVED	38	39.294.393	62.385.075	101.679.468	37.002.683	56.303.541	93.306.224
IV.	COLLATERALS GIVEN	26	96.325	55.952	152.277	109.903	39.345	149.248
V.	COMMITMENTS		180.125	623.447	803.572	111.157	372.388	483.545
5.1	Irrevocable Commitments		-	83.880	83.880	-	53.434	53.434
5.2	Revocable Commitments		180.125	539.567	719.692	111.157	318.954	430.111
5.2.1	Lease Commitments		180.125	539.567	719.692	111.157	318.954	430.111
5.2.1.1	Finance Lease Commitments		180.125	539.567	719.692	111.157	318.954	430.111
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	26	561.117	606.393	1.167.510	797.431	886.085	1.683.516
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		561.117	606.393	1.167.510	797.431	886.085	1.683.516
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		561.117	606.393	1.167.510	797.431	886.085	1.683.516
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		661.539	126.985	788.524	444.387	112.766	557.153
	TOTAL OFF-BALANCE SHEET ITEMS		40.970.304	64.163.938	105.134.242	38.650.313	58.047.907	96.698.220

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SEMİ ANNUAL PERIOD ENDED 31 MARCH 2020
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	PROFIT OR LOSS STATEMENT	Notes	Unaudited Current Period 01.01-31.03.2020	Unaudited Prior Period 01.01-31.03.2019
I.	OPERATING INCOME	29	202.690	281.442
	FAKTÖRİNG İNCEME		82.172	160.823
1.1	Factoring Interest Income		79.798	151.573
1.1.1	Discounted		21.244	14.742
1.1.2	Other		58.554	136.831
1.2	Factoring Commission Income		2.374	9.250
1.2.1	Discounted		1.121	432
1.2.2	Other		1.253	8.818
	İNCEME DÖNEMİNDEN İZLENİMLERDEN İZLENİMLER		-	-
1.3	Interest income from Financing Loans		-	-
1.4	Fees and Commission Income from Financing Loans		-	-
	İNCEME DÖNEMİNDEN İZLENİMLERDEN İZLENİMLER		120.518	120.619
1.5	Finance Lease Income		120.358	120.380
1.6	Operational Lease Income		160	239
1.7	Fees and Commission Income from Lease Operations		-	-
II.	FİNANSMAN GİDERİMLERİ (-)	32	(122.608)	(257.368)
2.1	Interest Expense on Funds Borrowed		(108.801)	(124.658)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		(78)	(14)
2.4	Interest Expense on Securities Issued		(10.523)	(120.570)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(3.206)	(12.126)
III.	GROSS PROFIT / LOSS (I+II)		80.082	24.074
IV.	OPERATING EXPENSES (-)	30	(23.740)	(21.114)
4.1	Personal Expenses		(15.568)	(13.835)
4.2	Employee Severance Indemnity Expense		(700)	(873)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(7.472)	(6.406)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		56.342	2.960
VI.	OTHER OPERATING INCOME	31	105.202	181.955
6.1	Interest Income on Bank Deposits		115	3.902
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		6.812	4.380
6.4	Gains on Securities Trading		4	-
6.5	Income From Derivative Financial Instruments		17.654	16.378
6.6	Foreign Exchange Gains		59.250	121.688
6.7	Other		21.367	35.607
VII.	PROVISION EXPENSES (-)	33	(75.525)	(115.755)
7.1	Specific Provisions		-	-
7.2	Expected Credit Losses		(75.525)	(115.755)
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(47.824)	(82.547)
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment Losses on Tangible and Intangible Assets		-	-
8.3	Losses on Securities Trading		-	-
8.4	Losses From Derivative Financial Instruments		(46.330)	(80.946)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(1.494)	(1.601)
IX.	NET OPERATING PROFIT (V+...+VIII)		38.195	(13.387)
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN/LOSS		-	-
XIII.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (IX+X+XI+XII)		38.195	(13.387)
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(12.372)	(1.178)
14.1	Current Tax Provision		(28.919)	(9.876)
14.2	Deferred Tax Income Effect (+)		-	-
14.3	Deferred Tax Expense Effect (-)		16.547	8.698
XV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII+XIV)		25.823	(14.565)
XVI.	İNCEME DÖNEMİNDEN İZLENİMLERDEN İZLENİMLER		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	İNCEME DÖNEMİNDEN İZLENİMLERDEN İZLENİMLER		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expense on Discontinued Operations		-	-
XVIII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI+XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII+XIX)		(409)	3.644
XXI.	NET PROFIT FOR THE PERIOD (XV+XX)		25.414	(10.921)
	EARNINGS PER SHARE (**)	36	0,0004	(0,016)
	Earnings Per Share from Continued Operations		0,0004	(0,016)
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	36	0,0004	(0,016)
	Earnings Per Share from Continued Operations		0,0004	(0,016)
	Earnings Per Share from Discontinued Operations		-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Unaudited Current Period	Unaudited Prior Period
		01.01-31.03.2020	01.01-31.03.2019
I.	CURRENT PERIOD PROFIT/LOSS	25.823	(14.565)
II.	OTHER COMPREHENSIVE INCOME	(6.865)	3.459
2.1	Items that will not be Reclassified to Profit or Loss	-	-
2.1.1	Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	-	-
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.2	Items that may be Reclassified subsequently to Profit or Loss	(6.865)	3.459
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	(6.865)	3.459
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)	18.958	(11.106)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2020 (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 – 31.03.2019)																	
II. Balance at the Beginning of the Period		695.303	-	-	1.938		(73)	-		16.300	-	214.092	(40.085)	197.537	65.568	1.150.850	
III. Correction Made According to TAS 8		-	-	-	-		-	-		-	-	(40.058)	40.085	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-		-	-		-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-		-	-		-	-	(40.085)	-	-	-	-	
III. New Balance (I+II)	24	695.303	-	-	1.938		(73)	-		16.300	-	174.007	40.085	197.537	65.568	1.150.580	
IV. Total Comprehensive Income		-	-	-	-		-	-		3.020	-	-	-	(10.921)	(3.205)	(11.106)	
V. Cash Capital Increase		-	-	-	-		-	-		-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-		-	-		-	-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-		-	-		-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-		-	-		-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-		-	-		-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-		-	-		-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-		-	-		-	-	197.537	-	(197.537)	-	-	
11.1 Dividend Paid		-	-	-	-		-	-		-	-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-		-	-		-	-	197.537	-	(197.537)	-	-	
11.3 Other		-	-	-	-		-	-		-	-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XI)		695.303	-	-	1.938		(73)	-		19.320	-	371.544	-	(10.921)	62.363	1.139.474	
I. Current Period (01.01 – 31.03.2020)																	
II. Balance at the Beginning of the Period		695.303	-	-	1.938		(588)	-		55.960	-	396.081	(24.537)	84.292	65.484	1.273.933	
III. Correction Made According to TAS 8		-	-	-	-		-	-		-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-		-	-		-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-		-	-		-	-	-	-	-	-	-	
III. New Balance (I+II)	24	695.303	-	-	1.938		(588)	-		55.960	-	396.081	(24.537)	84.292	65.484	1.273.933	
IV. Total Comprehensive Income		-	-	-	-		-	-		(6.067)	-	-	-	25.414	(389)	18.958	
V. Cash Capital Increase		-	-	-	-		-	-		-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-		-	-		-	-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-		-	-		-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-		-	-		-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-		-	-		-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-		-	-		-	-	-	-	-	-	-	
XII. Profit Distribution		-	-	-	-		-	-		-	-	59.276	25.016	(84.292)	-	-	
12.1 Dividend Paid		-	-	-	-		-	-		-	-	-	-	-	-	-	
12.2 Transfer to Reserves		-	-	-	-		-	-		-	-	59.276	25.016	(84.292)	-	-	
12.3 Other		-	-	-	-		-	-		-	-	-	-	-	-	-	
Balance at the End of the Period (III+IV+.....+XI+XII)		695.303	-	-	1.938		(588)	-		49.893	-	455.357	479	25.414	65.095	1.292.891	

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

		Unaudited Current Period	Restated Unaudited Prior Period(*)
	Notes	01.01-31.03.2020	01.01-31.03.2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		166.602	103.451
1.1.1 Interests Received/Lease Income		215.874	272.977
1.1.2 Interest Paid / Lease Expenses		(105.176)	(244.485)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		6.812	4.380
1.1.5 Fees and Commissions Received		2.374	9.250
1.1.6 Other Income		5.056	6.099
1.1.7 Collections from Non-performing Receivables		16.311	29.508
1.1.8 Payments to Personnel and Service Suppliers	31	(13.770)	(10.816)
1.1.9 Taxes Paid		(19.760)	(15.489)
1.1.10 Others	21	58.881	52.027
1.2 Changes in Operating Assets and Liabilities		(324.394)	576.168
1.2.1 Net (Increase) Decrease in Factoring Receivables		206.760	(443.284)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		33.260	316.129
1.2.4 Net (Increase) Decrease in Other Assets		13.088	43.647
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		1.558	1.299
1.2.7 Net Increase (Decrease) in Funds Borrowed		(516.988)	735.153
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		(62.072)	(76.776)
I. Net Cash Provided from / (Used in) Operating Activities		(157.792)	679.619
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	11,12	(4.708)	(3.382)
2.4 Proceeds From Sale of Tangible and Intangible Assets	11,12	20	8
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Other		-	-
II. Net cash used in investing activities		(4.688)	(3.374)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		166.313	1.692.030
3.2 Cash used for repayment of funds borrowed and securities issued		(155.436)	(2.165.900)
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		10.877	(473.870)
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		561	3.166
V. Net Increase / (Decrease) in Cash and Cash Equivalents		(151.042)	205.541
VI. Cash and Cash Equivalents at the Beginning of the Period	4	421.727	272.557
VII. Operating Profit Before Changes In Operating Assets And Liabilities	4	270.685	478.098

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

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

As at 31 March 2020, the Company and its subsidiary (“the Group”) have 251 employees (31 December 2019: 249 employees).

Dividend Payable

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

Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 31 March 2020 have been approved by the Board of Directors of the Group and authorized for issue as at 30 April 2020. The General Assembly and / or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

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

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

Note 8 – Factoring receivables

Note 9 – Lease receivables

Note 20 – Provisions

Note 26 – Provisions, contingent assets and liabilities

Basis of Consolidation

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

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

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

(i) Subsidiaries

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

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

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

(ii) Transactions eliminated on consolidation

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

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

(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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued) Offsetting

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

2.2 Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 Changes in Standards and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at March 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

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

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

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

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

On March 12, 2020, the PAO issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

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

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

b. Tangible Assets

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

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

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

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

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

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

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

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

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

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Financial Assets

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

Financial Assets at Fair Value Through Profit or Loss

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

Financial Assets Measured at Amortised Cost

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial Assets (Continued)

Financial Lease Receivables, Factoring Receivables and Expected Credit Loss

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

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

Stage 1:

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

Stage 2:

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

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

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

Stage 3

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

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

Specific provision is provided for factoring receivables in Stage 3.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

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

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

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

i. Effects of Changes in Exchange Rates

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

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
USD	6.5160	5,9402
EUR	7.2150	6,6506
GBP	8,0579	7,7765
CHF	6,8013	6,0932
100 JPY	6,0227	5,4291
AUD	3,9898	4,1433

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

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

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

k. Events After the Reporting Period

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

1. Provisions, Contingent Liabilities and Contingent Assets:

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Segment Reporting

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

n. Taxes on Income

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

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

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

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

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

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Discount rate	4,20%	4,20%
Expected rate of salary/limit increase	7,20%	7,20%
Probability of retirement	100%	100%

p. Statement of Cash Flows

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

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

r. Share Capital and Dividends

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

s. Related Parties

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

4. CASH AND CASH EQUIVALENTS

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

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Demand Deposits	4.547	10.758	2.078	24.615
Time Deposits	-	255.380	-	395.034
Interest accrual	-	-	-	1
	4.547	266.138	2.078	419.650

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

Currency	Interest Rate (%)	Maturity	31 March 2020
USD	0,15%	01.04.2020	80.896
Euro	0,05% - 0,10%	01.04.2020-04.05.2020	174.484
			255.380

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

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

As at 31 March 2020, TL 257.023 portion of total foreign currency deposits (31 December 2019: TL 415.265) and TL 3.986 portion of total TL deposits (31 December 2019: TL 1.863) consist of accounts at the Group’s main shareholder, Türkiye İş Bankası A.Ş.

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

	31 March 2020	31 December 2019
Demand deposits	15.305	26.693
Time deposits (1-3 months) (excluding accrual)	255.380	395.034
Cash and cash equivalents	270.685	421.727

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

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

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

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

	31 March 2020	
	TL	FC
Debt securities issued by private sector(*)	400	-
Specific provisions/ Expected Credit Loss(-)	(400)	-
Mutual funds	301	-
	301	-

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

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

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 301 (31 December 2019: TL 951).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

6. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

Derivative Financial Assets

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

Derivative Financial Liabilities

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Swap Transactions	-	42.518	-	10.723
	-	42.518	-	10.723

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

As at 31 March 2020 and 31 December 2019, details of financial assets at fair value through other comprehensive income (formerly known as financial assets available for sale) are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				31 March 2020	31 December 2019	31 March 2020	31 December 2019
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities	İstanbul	4,86	4,86	4,86	72.552	78.959
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	2.137	2.595
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities	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	686
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	4.000	4.000
TOTAL						79.414	86.279

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

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

8. FACTORING RECEIVABLES

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

	31 March 2020	31 December 2019
Factoring receivables	2.960.686	3.173.684
Factoring interest income accrual (-)	(21.877)	(13.936)
Total factoring receivables	2.938.809	3.159.748
Stage 1 (Expected Credit Loss)	(27.704)	(23.486)
Stage 2 (Expected Credit Loss)	(3.673)	(4.674)
Total factoring receivables	2.907.432	3.131.588
Non-performing factoring receivables	225.590	227.541
Specific provisions- Stage 3	(195.655)	(180.388)
Factoring receivables, net	2.937.367	3.178.741

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

Ratings – 31 March 2020	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.874.252	64.557	225.590	3.164.399
Very good	1.267.435	-	-	1.267.435
Standard	1.606.817	-	-	1.606.817
Substandard	-	64.557	225.590	290.147
Expected credit loss and specific provisions	(27.704)	(3.673)	(195.655)	(227.032)
Factoring receivables, net	2.846.548	60.884	29.935	2.937.367

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

8. FACTORING RECEIVABLES (Continued)

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

	1 January- 31 March 2020	1 January- 31 March 2019
Provision at the beginning of the period	(208.549)	(36.114)
Provision reversed during the period	(23.226)	(78.398)
Collections	4.743	5.848
Provision at the end of the period	(227.032)	(108.664)

As at 31 March 2020, the average interest rates applicable for the factoring receivables are 14,02% for TL, for 5,18% USD, 3,32 % for EUR and 5,56% for GBP (31 December 2019: 15,03% for TL, for 6,26% USD, 2,76 % for EUR and 5,50% for GBP).

As of 31 March 2020, TL 457.748 thousand, EUR 13.051 thousand, USD 4.709 thousand and GBP 1.522 thousand factoring receivables have variable interest rates, (31 December 2019: TL 449,874 thousand, EUR 7.583 thousand, USD 4.111 thousand and GBP 1.695 thousand), TL 1.837.500 thousand, EUR 37.575 thousand, USD 35.894 thousand, GBP 2 thousand factoring receivable have stable interest rates (31 December 2019: TL 2.117.293 thousand, EUR 52.244 thousand, USD 29.640 thousand, GBP 2 thousand).

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

	31 March 2020	31 December 2019
Domestic irrevocable	1.443.745	1.992.268
Foreign irrevocable	103.095	130.767
Domestic revocable	1.220.435	919.905
Foreign revocable	170.092	135.800
	2.937.367	3.178.740

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

	31 March 2020	31 December 2019
Up to 90 days	281	15.402
Between 90 – 180 days	14.561	64
Between 180 – 360 days	6.416	192.698
Over 360 days	204.332	19.377
	225.590	227.541

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

8. FACTORING RECEIVABLES (Continued)

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

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	15.656
Extended for 3,4 or 5 Times	-	1.125
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	-
6 Months – 12 Months	-	1.576
1 – 2 Years	-	-
2 –5 Years	-	15.205
5 Years and More	-	-

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	1.125
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months – 12 Months	-	1.125
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES

A. Financial Lease Receivables

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

	Short Term	Long Term	Total
Financial Lease Receivables	2.529.053	3.510.388	6.039.441
Unearned interest income (-)	(362.052)	(376.760)	(738.812)
Subtotal	2.167.001	3.133.628	5.300.629
Expected Credit Loss– Stage 1	(1.481)	(28.704)	(30.185)
Expected Credit Loss – Stage 2	(81.725)	(2.747)	(84.472)
Total Financial Lease Receivables	2.083.795	3.102.177	5.185.972
Non- Performing Lease Receivables	331.330	4.030	335.360
Specific provision– Stage 3	(177.174)	(2.155)	(179.329)
Net finance lease receivables	2.237.951	3.104.052	5.342.003

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial Assets	270.685	-	-	64	-	-
Financial Lease Receivables	4.859.454	441.174	335.361	(30.185)	(84.472)	(179.329)

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	296	-	-	296
A (Very good))	9.471	12.904	1	22.376
A- (Good)	179.719	1.059	8.063	188.840
B+ (Enough)	1.060.742	142.410	119.027	1.322.180
B (Reasonable)	1.199.682	99.610	14.278	1.313.570
B- (Close Monitoring)	1.230.425	95.847	117.622	1.443.893
C+ (Insufficient)	697.649	37.820	15.477	750.947
C (Suspicious)	293.035	36.453	26.995	356.483
Scoring				
Y (High)	41.216	3.215	3.838	48.269
O (medium)	118.355	7.124	20.434	145.913
D (Low)	28.863	4.732	9.626	43.221
Expected Loss Provisions and specific provision	(30.185)	(84.472)	(179.329)	(293.986)
Leasing receivables	4.829.269	356.702	156.032	5.342.003

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	250	-	-	250
A (Very good))	9.709	11.430	1	21.140
A- (Good)	150.770	1.108	8.046	159.924
B+ (Enough)	1.104.653	79.496	118.480	1.302.629
B (Reasonable)	1.081.994	72.818	14.820	1.169.631
B- (Close Monitoring)	1.206.796	93.578	126.501	1.426.875
C+ (Insufficient)	614.524	64.297	18.291	697.113
C (Suspicious)	257.995	51.570	28.678	338.243
Scoring				
Y (High)	54.806	94	3.964	58.864
O (medium)	111.153	7.121	23.826	142.100
D (Low)	28.180	5.288	9.692	43.160
Expected Loss Provisions and specific provision	(21.095)	(47.397)	(184.763)	(253.255)
Leasing receivables	4.599.735	339.403	167.536	5.106.674

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES(Continued)

A. Financial Lease Receivables(Continued)

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan		
Extended for 1 or 2 Times	-	68.610
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-
	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan		
0-6 Months	-	-
6 Months – 12 Months	-	68.610
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 and after</u>	<u>Toplam</u>
Finance lease receivables (gross)(*)	2.044.571	1.861.121	1.151.784	628.838	283.961	110.540	6.080.815
Unearned interest	<u>(287.334)</u>	<u>(239.329)</u>	<u>(121.923)</u>	<u>(68.838)</u>	<u>(15.904)</u>	<u>(5.484)</u>	<u>(738.812)</u>
Finance lease receivables (net)	<u>1.757.237</u>	<u>1.621.792</u>	<u>1.029.861</u>	<u>560.000</u>	<u>268.057</u>	<u>105.056</u>	<u>5.342.003</u>

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

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

As at 31 March 2020, the average compound interest rates applicable for the finance lease receivables are 18,59% for TL, 7,56% for USD, 5,18% for EUR and 3,92% for CHF (31 December 2019: 20,44% for TL, 7,61% for USD, 5,27% for EUR and 3,99% for CHF).

As at 31 March 2020, 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	123.924.460	807.492	19.313.910	125.849
EUR	433.147.000	3.125.156	44.378.878	320.194
CHF	921.000	6.264	31.655	215
TL		1.403.091		292.554
Total		<u>5.342.003</u>		<u>738.812</u>

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

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

<u>Collateral type:</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
Mortgages	267.590	229.258
Pledged equity	138.669	75.049
Sureties of credit guarantee fund	123.013	123.518
Pledged shares	30.795	33.502
Pledged movable	10.813	7.047
Letters of guarantee	2.913	3.250
Share certificates	2.314	328
Cash blockages	1.689	1.625
Guarantors	-	11
	577.796	473.588

In addition to collaterals above, the Group also has sureties amounting to TL 4.448.511 , pledged vehicles amounting to TL 21.522, pledged accounts receivable to TL 202.681 (31 December 2019: sureties amounting to TL 4.256.379 , pledged vehicles amounting to TL 22.483, pledged accounts receivable to TL 200.881).

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Up to 30 days	72.939	50.015
Between 30 – 60 days	10.846	7.105
Between 60 – 90 days	17.989	8.767
Total overdue	101.774	65.887

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

<u>Collateral type</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
Mortgages	75.313	66.397
Pledged Shares	20.795	-
Pledged equity	18.117	18.091
Sureties of credit guarantee fund	16.951	17.004
Letters of guarantee	707	426
Pledged deposit	115	-
	131.998	101.918

In addition to above guarantees, the Group also has sureties amounting to TL 751.486, pledged vehicles amounting to TL 5.490, pledged accounts receivable to TL 4.259 (31 December 2019: sureties amounting to TL 432.123, pledged vehicles amounting to TL 8.103, pledged accounts receivable to TL 4.593).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

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

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

	31 March 2020	31 December 2019
Between 90 – 240 days	4.603	52.591
Between 240 – 360 days	51.029	3.285
Over 360 days	92.067	94.448
Uninvoiced non-performing finance lease receivables	184.225	205.743
Unearned interest of non-performing finance lease receivables	(3.436)	(3.768)
	335.360	352.299

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

<u>Guarantee type:</u>	31 March 2020	31 December 2019
Mortgages	11.947	12.490
	11.947	12.490

In addition to the above collaterals, the Group also has sureties amounting to TL 186.055, pledged vehicles amounting to TL 2.266 and leased equipments amounting to TL 135.091 (31 December 2019: sureties amounting to TL 194.485, pledged vehicles amounting to TL 74.582 and leased equipments amounting to TL 70.371).

Movement of specific provisions:

	1 January- 31 March 2020	1 January- 31 March 2019
Provision at the beginning of the period	(253.255)	(162.591)
Provision set during the period	(52.299)	(37.357)
Collections	11.568	23.660
Provision at the end of the period	(293.986)	(176.288)

B. Operating Lease Receivables

	31 March 2020	31 December 2019
Operating Lease Receivables	-	1
	-	1

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

9. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables(Continued)

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
2020 Year	489	626
2021 Year	418	381
	<u>907</u>	<u>1.007</u>

10. RELATED PARTIES

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
<u>Finance lease receivables from related parties</u>		
Tukaş Gıda San. ve Tic. A.Ş.	40.885	40.767
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	5.315	6.492
KKB Kredi Kayıt Bürosu A.Ş.	4.968	6.681
Radore Veri Merkezi Hizm.A.Ş.	2.377	2.233
Toksöz Spor Malzemeleri Ticaret A.Ş.	441	511
Numnum Yiyecek ve İçecek A.Ş.	-	827
Total	<u>53.986</u>	<u>57.511</u>
<u>Factoring receivables from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	7.920	9.852
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	1.914	2.796
Toksöz Spor Malzemeleri Tic. A. Ş.	1.284	2.381
Total	<u>11.118</u>	<u>15.029</u>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	16.884	16.066
Türkiye İş Bankası A.Ş.	47	189
İş Merkezleri Yönetim ve İşletim A.Ş.	12	96
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	6	26
Softtech Yazılım Teknolojileri	5	-
KKB Kredi Kayıt Bürosu A.Ş.	4	4
Anadolu Hayat Emeklilik A.Ş.	1	4
Erişim Hizmetleri A.Ş.	-	1
Total	<u>16.959</u>	<u>16.386</u>
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. time deposit	249.386	395.036
Türkiye İş Bankası A.Ş. demand deposit	11.623	22.093
İşbank AG demand deposit	65	193
Türkiye Sınai Kalkınma Bankası A.Ş. demand deposit	41	28
Total	<u>261.115</u>	<u>417.350</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

10. RELATED PARTIES (Continued)

	<u>31 March 2020</u>	<u>31 December 2019</u>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	-	1.351
Total	-	1.351
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	13.337	3.041
Total	13.337	3.041
<u>Finance lease liability to related parties</u>		
İş Gayrimenkul Yatırım Ort. A.Ş.	2	9
Türkiye İş Bankası A.Ş.	56	238
Total	58	247

As at 31 March 2020 and 31 December 2019, 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>31 March 2020</u>
TL	12,00% - 18,54%	08.05.2020-16.12.2020	920.405
EUR	2,53% - 3,15%	01.04.2020-10.07.2020	502.871
Avro	0,75%-1,75%	20.05.2020-11.01.2021	877.386
			2.300.662

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2019</u>
TL	11,20% - 29,40%	31.01.2020-31.12.2021	1.149.178
EUR	3,45%	23.06.2020	118.860
Avro	0,75%-3,44%	03.01.2020-26.06.2020	553.764
			1.821.802

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 March 2020</u>
ABD Doları	4,00%	20.06.2020	54.953
EUR	2,17%-3,79%	18.12.2020-23.08.2025	464.671
			519.624

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

10. RELATED PARTIES (Continued)

İş Bank AG

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

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

	<u>01.01.2020- 31.03.2020</u>	<u>01.01.2019- 31.03.2019</u>
<u>Finance lease interest income from related parties</u>		
Tukaş Gıda San. Ve Tic.A.Ş.	429.334	532
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	178.312	845
Radore Veri Merkezi Hizm.A.Ş.	167.723	-
KKB Kredi Kayıt Bürosu A.Ş.	55.259	147
Toksöz Spor Malzemeleri Ticaret A.Ş.	39.454	-
Bankalararası Kart Merkezi A.Ş.	20	7
Numnum Yiyecek ve İçecek A.Ş.	-	19
T.İş Bankası Gm İnşaat Emlak Müd.	-	4
Toplam	870.102	1.554
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	122	189
TSKB Gayrimenkul Değerleme A.Ş.	38	47
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	1	3
Toplam	161	239
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	43	679
Toplam	43	679
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	6.810	4.378
Yatırım Finansman Menkul Değerler A.Ş.	2	2
Toplam	6.812	4.380
<u>Finance expense</u>		
Türkiye İş Bankası A.Ş.	24.687	14.092
Türkiye Sınai Kalkınma Bankası A.Ş.	4.635	4.173
İş Yatırım Menkul Değerler A.Ş.	336	2.644
İşbank AG	15	303
Toplam	29.673	21.212
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	761	684
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	10	-
Toplam	771	684

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

10. RELATED PARTIES (Continued)

	<u>01.01.2020-</u> <u>31.03.2020</u>	<u>01.01.2019-</u> <u>31.03.2019</u>
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	791	976
Toplam	791	976
<u>Factoring commission income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	37	137
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	6	6
Toksöz Spor Malzemeleri	6	2
Toplam	49	145
<u>Factoring interest incomeef from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	209	798
Toksöz Spor Malzemeleri	102	6
Anadolu Cam Sanayii A.Ş	80	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	58	44
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	436
Toplam	449	1.284
<u>Finance lease expence</u>		
Türkiye İş Bankası A.Ş.	56	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	2	-
Toplam	58	-
<u>Mutual funds income</u>		
Türkiye İş Bankası A.Ş.	46	169
Toplam	46	169

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

10. RELATED PARTIES (Continued)

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

	31 March 2020		31 December 2019	
	Purchase	Sale	Purchase	Sale
Swap Transactions	119.970	130.320	312.894	310.202
Total	119.970	130.320	312.894	310.202

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

	31 March 2020	31 December 2019
Türkiye İş Bankası A.Ş.	82	-
Total	82	-

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

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

	31 March 2020	31 March 2019
Salaries and other short-term benefits (**)	2.772	2.434
	2.772	2.434

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

11. TANGIBLE ASSETS

For the periods ended 31 March 2020 and 30 March 2019, movements in tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Operating Lease Assets	Vehicles	Other Tangible Assets	Right of Use	Real Estate	Total
Cost								
Opening balance at 1 January 2020	6.860	4.269	1.511	410	1.456	3.294	8.750	26.550
Additions	587	16	-	309	-	2.043	-	2.955
Disposals	(26)	-	(108)	-	-	(51)	-	(185)
Closing balance at 31 March 2020	7.421	4.285	1.403	719	1.456	5.286	8.750	29.320
Accumulated depreciation								
Opening balance at 1 January 2020	(5.040)	(3.855)	(804)	(52)	(1.456)	(2.721)	(205)	(14.133)
Depreciation for the period	(215)	(37)	(129)	(49)	-	(761)	(43)	(1.234)
Transference	-	-	-	-	-	-	-	-
Disposals	7	-	107	-	-	51	-	165
Closing balance at 31 March 2020	(5.248)	(3.892)	(826)	(101)	(1.456)	(3.431)	(248)	(15.202)
Carrying amounts at 31 March 2020	2.173	393	577	618	-	1.855	8.502	14.118
Carrying amounts at 31 March 2020	1.820	414	707	358	-	573	8.545	12.417

(*)The amount consists of the transactions classified as fixed assets of the Group as a lessee in accordance with IFRS-16

	Furniture and Fixtures	Leasehold Improvements	Operating Lease Assets	Other Tangible Assets	Right of Use	Real Estate	Total
Cost							
Opening balance at 1 January 2019	7.281	4.263	2.138	1.456	-	8.750	23.888
Additions	21	6	-	-	3.233	-	3.260
Disposals	(9)	-	-	-	-	-	(9)
Closing balance at 31 March 2019	7.293	4.269	2.138	1.456	3.233	8.750	27.139
Accumulated depreciation							
Opening balance at 1 January 2019	(4.461)	(3.674)	(781)	(1.456)	-	(30)	(10.402)
Depreciation for the period	(225)	(52)	(177)	-	(679)	(43)	(1.176)
Disposals	1	-	-	-	-	-	1
Closing balance at 31 March 2019	(4.685)	(3.726)	(958)	(1.456)	(679)	(73)	(11.577)
Carrying amounts at 31 March 2019	2.608	543	1.180	-	2.554	8.677	15.562
Carrying amounts at 31 March 2019	2.820	589	1.357	-	-	8.720	13.486

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

12. INTANGIBLE ASSETS

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
<u>Cost</u>		
Opening balance at 1 January	9.901	8.966
Additions	1.753	122
Disposals	-	-
Closing balance at the end of the period	<u>11.654</u>	<u>9.088</u>
<u>Amortization</u>		
Opening balance at 1 January	(6.102)	(4.694)
Amortization for the period	(366)	(338)
Disposals	-	-
Closing balance at the end of the period	<u>(6.468)</u>	<u>(5.032)</u>
Carrying amounts(*)	<u>5.186</u>	<u>4.056</u>

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

GOODWILL

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

13. DEFERRED TAX ASSETS AND LIABILITIES

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

Temporary time differences subject to deferred tax	31 March 2020	31 December 2019
Expected Credit Loss / Specific provisions	222.714	175.635
Valuation differences on financial instruments	42.518	9.334
Unearned factoring income	21.877	13.936
Provision for lawsuit	7.268	6.874
Reserve for employee benefits	6.041	5.449
Unused vacation provision	1.954	1.447
Employee bonus accrual	1.291	4.538
Prepaid expenses	902	725
Expense accruals	528	171
Provision for expected loss	81	68
Financial Tax loss	-	9.511
IFRS-16 correction	(5)	-
Tax base differences in tangible and intangible assets	(5.419)	(3.675)
Finance lease adjustment	(6.054)	(5.463)
Finance lease income accruals	(50.988)	(55.043)
	242.708	163.507

Deferred tax assets / (liabilities)	31 March 2020	31 December 2019
Expected Credit Loss / Specific provisions	45.170	35.690
Valuation differences on financial instruments	9.354	2.054
Unearned factoring income	4.813	3.066
Provision for lawsuit	1.599	1.512
Reserve for employee benefits	1.238	1.114
Unused vacation provision	406	301
Employee bonus accrual	284	998
Expense accruals	199	159
Prepaid expenses	115	38
Provision for expected loss	18	15
Financial Tax loss	-	2.092
IFRS-16 correction	(1)	-
Tax base differences in tangible and intangible assets	(1.149)	(776)
Finance lease adjustment	(1.211)	(1.093)
Finance lease income accruals	(11.217)	(12.109)
Deferred tax asset	49.618	33.071

The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years (31 December 2019: Calculation of deferred tax assets and liabilities is 22% for the taxable income to be realized between 2018 and 2020 and 20% for the following years).

Movements in deferred tax assets are as follows:

	31 March 2020	31 March 2019
Opening balance at 1 January	33.071	27.532
Deferred tax income / (expense)	16.547	8.698
Closing balance at at 31 March	49.618	36.230

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

15. OTHER ASSETS

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

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Advances Given for Lease Transactions(*)	9.279	131.844	2.372	106.638
Leasing Contracts in Progress(*)	28.687	13.764	39.531	39.822
Commissions expense on debt securities issued and funds borrowed	12.989	-	13.158	-
Other Finance Lease Receivables	6.642	5.877	8.423	5.866
Amounts to be invoiced	1.597	89	1.323	109
Advanced given	183	-	23	-
Deposits given	30	-	30	-
Others	17.995	179	5.650	132
	77.402	151.753	70.510	152.567

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

16. FUNDS BORROWED

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

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Short-term borrowings	2.682.255	2.540.537	3.084.383	2.450.769
Short-term portion of long-term borrowings	20.333	321.648	18.743	241.146
Total short-term borrowings	2.702.588	2.862.185	3.103.126	2.691.915
Long-term borrowings	46.236	1.382.189	114.297	1.261.306
Total long-term borrowings	46.236	1.382.189	114.297	1.261.306
Total borrowings	2.748.824	4.244.374	3.217.423	3.953.221

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

16. FUNDS BORROWED (Continued)

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

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 March 2020</u>
TL	9,49%-22,71%	2.605.500.000	2.605.500
USD	1,51%-4,34%	113.697.147	740.851
Euro	0,30%-3,53%	245.825.259	1.773.629
GBP	1,90%-2,58%	1.387.129	11.177
Interest accruals			91.635
TOTAL			5.222.792

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

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

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

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 March 2020</u>
TL	26,53%	20.000.000	20.000
USD	2,33% - 5,13%	35.541.117	231.586
Euro	0,80% - 4,84%	210.508.673	1.518.820
TOTAL			1.770.406

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

16. FUNDS BORROWED (Continued)

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

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Fixed rate	1.883.409	2.887.796	2.194.456	2.108.167
Variable rate	865.415	1.356.578	1.022.967	1.845.054
	2.748.824	4.244.374	3.217.423	3.953.221

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

As at 31 March 2020 the Group has available credit limit of TL 7.241.393 which has fulfilled all necessary conditions but has not been used. (31 December 2019: TL 14.772.424).

17. OTHER LIABILITIES

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

	31 March 2020		31 December 2019	
	TL	FC	TL	FC
Advances received (**)	23.910	49.538	22.870	41.742
Payables to suppliers for lease transactions	7.315	39.624	60.491	62.087
Other Tax and Liabilities	6.773	-	55	-
Banking and Insurance Transaction Tax	2.328	-	2.636	-
Income Tax Liability	1.740	-	723	-
Social Security Premium Liability	1.315	-	750	-
Deferred Income	462	-	554	-
Value Added Tax	77	-	36	-
Other(*)	10.447	23.600	9.454	21.609
	54.366	112.762	97.569	125.438

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

18. LEASE PAYABLES

	<u>31 March 2020</u>	<u>31 December 2019</u>
Lease Payables	2.398	840
	<u>2.398</u>	<u>840</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
2020	1.974	656
2021	300	184
2022	114	-
2023	10	-
	<u>2.398</u>	<u>840</u>

19. DEBT SECURITIES ISSUED

	<u>31 March 2020</u>		<u>31 December 2019</u>	
	TL	FC	TL	FC
Bills bonds	373.566	-	362.689	-
Interest accruals	12.236	-	7.277	-
	<u>385.802</u>	<u>-</u>	<u>369.966</u>	<u>-</u>

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

<u>ISIN CODE</u>	<u>Maturity Starting Date</u>	<u>Nominal Value of Capital Market Instrument Sold</u>	<u>Maturity Date</u>	<u>Sale Type</u>	<u>Coupon Period</u>
TRFISFN52012	19.11.2019	122.000	15.05.2020	Qualified Investor	Date of maturity
TRFISFN52020	27.11.2019	97.000	22.05.2020	Qualified Investor	Date of maturity
TRFISFN72010	13.03.2020	175.000	10.07.2020	Qualified Investor	Date of maturity

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

20. PROVISIONS

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Reserve for employee severance indemnity	6.041	5.449
Vacation pay provision	1.954	1.447
Provision for employee bonus	1.291	4.538
	<u>9.286</u>	<u>11.434</u>

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

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Discount rate	4,20%	4,20%
Inflation	7,20%	7,20%
Estimated probability of retirement	100%	100%

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Balance at the beginning of the year	5.449	4.510
Cost of services	700	873
Amounts paid to employee severance indemnity	(108)	(239)
Balance at the end of the year	<u>6.041</u>	<u>5.144</u>

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Balance at the beginning of the year	1.447	1.581
Increase during the period	507	384
Balance at the end of the year	<u>1.954</u>	<u>1.965</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

20. PROVISIONS (Continued)

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

	31 March 2020	31 March 2019
Balance at the beginning of the year	4.538	4.138
Increase during the period	1.291	2.635
Reversals	(1.842)	(1.684)
Payment made during the period	(2.696)	(2.454)
Balance at the end of the year	1.291	2.635

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

	31 March 2020	31 March 2019
Provision for lawsuits	7.268	5.026
Provision for general administrative expenses	527	931
Expected Credit Loss for Financial Assets	81	425
	7.876	6.382

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

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
31 March 2020				
At the beginning of the year	-	6.874	171	69
Period Expense	-	394	527	13
Payments	-	-	(164)	-
Cancellations	-	-	(7)	(1)
At the end of the period	-	7.268	527	81

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
31 March 2019				
At the beginning of the year	-	4.823	237	74
Period Expense	-	203	425	931
Payments	-	-	(237)	(74)
Cancellations	-	-	-	-
At the end of the period	-	5.026	425	931

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

21. CURRENT PERIOD TAX ASSET AND PAYABLE

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Refundable Deferred Tax	-	12.819
Refundable VAT	-	4.323
Income taxes withheld	892	877
Total	<u>892</u>	<u>18.019</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Current period corporate tax provision (Note:35)	28.919	34.738
Previous period corporate tax provision	877	-
Taxes paid for the current period	-	(26.920)
Refundable Corporate Tax	-	12.819
Corporate tax payable	<u>29.796</u>	<u>20.637</u>

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Corporate tax payable at the beginning of the year	20.637	15.489
Current period tax expense	28.919	9.876
Prior Period Corporate Tax Provision	877	-
Taxes paid during the year	(19.760)	(15.489)
Refundable Corporate Tax	(877)	(9.876)
Corporate tax payable	<u>29.796</u>	<u>-</u>

22. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 31 March 2020, the non-controlling interests amounting to TL ait 65.095 (31 December 2019: TL 65.484) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 409 (31 December 2019: TL 5.082) have been calculated on the net profit of the subsidiary.

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the year	65.484	65.568
Fair value changes of marketable securities	(798)	4.998
Effect of Changes in Accounting Policies	-	-
From the Profit/Loss of the year	409	(5.082)
Balance at the end of the year	<u>65.095</u>	<u>65.484</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

23. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 March 2020 nominal capital of the Company is 695.303 TL, the share capital of the Company consists 69.530.264.500 of shares Kurus 1 price.

As at 31 March 2020 and 31 December 2019, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 March 2020	(%)	31 December 2019
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	198.578	29,46	198.578
Türkiye İş Bankası A.Ş.	27,79	193.253	27,79	193.253
Trakya Yatırım Holding A.Ş.	0,90	6.258	0,90	6.258
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	531	0,08	531
Publicly traded	41,77	296.683	41,77	296.683
TOTAL	100,00	695.303	100,00	695.303

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

Shareholders	31 March 2020	31 December 2019
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Trakya Yatırım Holding A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

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

Capital Reserves

	31 March 2020	31 December 2019
Other Capital Reserves(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss</i>	(588)	(588)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss(**)	49.893	55.960
Total	49.305	55.372

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

24. PROFIT RESERVES

As at 31 March 2020 and 31 December 2019, details of profit reserves are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Legal reserves	56.130	51.004
Extraordinary reserves	399.227	345.077
Total	<u>455.357</u>	<u>396.081</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 22.626 classified in extraordinary tax income reserves which will not be considered in profit distribution and capital increase as at 31 March 2020 (31 December 2019: TL 24.177).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10 % per annum of all cash dividend distributions. Legal reserves, if less than 50 % of the paid-in capital, can only be used to net-off the losses. TL 5.126 calculated on legal profit has been transferred to legal reserves by a decision of the Company’s Board of Directors.

25. PRIOR YEARS’ PROFIT/LOSS

As of 31 March 2020, the group has profit to TL 479 for the year (31 December 2019: 24.537).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2020, TL 152.277 of letters of guarantee are given to customs, authorities and banks (31 December 2019: TL 149.248).

As at 31 March 2020, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 12.923 (31 December 2019: TL 13.141). The Group has provided a provision amounting to TL 7.268 for litigations (31 December 2019: TL 6.874) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 March 2020, the Group has letter of credit commitments of USD 2.776.350, EUR 8.991.134, CHF 135.000 (TL 83.880) (31 December 2019: USD 4.009.298, EUR 4.453.500 (TL 53.434)).

As at 31 March 2020 has no factoring commitment. (31 December 2019: None)

As at 31 March 2020, the Group has lease commitments of USD 15.335.597, EUR 60.934.186 and full TL 180.124.727 (TL 719.692) (31 December 2019: USD 8.901.950, EUR 40.007.625 and full TL 111.157.327 (TL 430.111)).

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

As at 31 March 2020 details of derivatives are as follows:

	31 March 2020	
	Amount as	
	Original Currency	TL
Currency Swap Purchases:		
EUR	793.825	5.727
TL	561.116.538	561.118
		566.845
Currency Swap Sales:		
USD	31.000.000	201.996
EUR	54.443.672	392.811
CHF	861.300	5.858
		600.665

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2019 details of derivatives transactions are as follows:

	31 December 2019	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	7.619.271	50.673
TL	797.431.369	797.431
		848.104
Currency Swap Sales:		
USD	55.700.000	330.869
EUR	74.943.672	498.420
CHF	1.004.850	6.123
		835.412

Group’s derivative transactions performed with related parties are presented in Note 10.

The Group has and TL 42.518 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 March 2020 (Note 6) (31 December 2019: TL 1.388 unrealized loss and TL 10.723 unrealized income).

As at 31 March 2020 analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	561.118	5.727	566.845
Currency Swap Sales	594.807	5.858	600.665

As at 31 December 2019, analysis of derivative transactions according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	841.945	6.159	848.104
Currency Swap Sales	829.289	6.123	835.412

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

27. SEGMENT REPORTING

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

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

Business segments

The Group comprises the following main business segments:

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

<u>31 March 2020</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.959.975	3.024.685	(53.766)	8.930.894
Total liabilities	4.912.030	2.725.973		7.638.003
Net profit for the year	23.943	1.880	(409)	25.414

<u>31 December 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.876.819	3.265.246	(53.766)	9.088.299
Total liabilities	4.849.612	2.964.754	-	7.814.366
Net profit for the year	102.557	(23.347)	5.082	84.292

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

27. SEGMENT REPORTING (Continued)

<u>31 March 2020</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Operating Income	120.518	82.172	-	202.690
Financial Expenses (-)	(60.604)	(62.004)	-	(122.608)
Gross Profit / Loss	59.914	20.168	-	80.082
Operating Expense (-)	(13.810)	(9.930)	-	(23.740)
Gross Operating Profit/Loss	46.104	10.238	-	56.342
Other Operating Income	80.540	24.662	-	105.202
Provisions (-)	(52.299)	(23.226)	-	(75.525)
Other operating Expenses (-)	(38.433)	(9.391)	-	(47.824)
Net Operating Profit / Loss	35.912	2.283	-	38.195
Profit or Loss from Continuing Operations before tax	35.912	2.283	-	38.195
Provision for Taxes from Continuing Operations (±)	(11.969)	(403)	-	(12.372)
Net Profit or Loss from Continuing Operations	23.943	1.880	-	25.823
Non-controlling Interests	-	-	(409)	(409)
Net Profit or Loss for the Period	23.943	1.880	(409)	25.414
Fixed Asset Additions	2.233	2.233	-	4.708
Depreciation and Amortisation	(800)	(800)	-	(1.600)
<u>31 March 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Operating Income	120.619	160.823	-	281.442
Financial Expenses (-)	(144.683)	(112.685)	-	(257.368)
Gross Profit / Loss	(24.064)	48.138	-	24.074
Operating Expense (-)	(12.614)	(8.500)	-	(21.114)
Gross Operating Profit/Loss	(36.678)	39.638	-	2.960
Other Operating Income	149.633	32.322	-	181.955
Provisions (-)	(37.356)	(78.399)	-	(115.755)
Other operating Expenses (-)	(68.725)	(13.822)	-	(82.547)
Net Operating Profit / Loss	6.874	(20.261)	-	(13.387)
Profit or Loss from Continuing Operations	6.874	(20.261)	-	(13.387)
Provision for Taxes from Continuing Operations (±)	(4.699)	3.521	-	(1.178)
Net Profit or Loss from Continuing Operations	2.175	(16.740)	-	(14.565)
Non-controlling Interests	-	-	3.644	3.644
Net Profit or Loss for the Period	2.175	(16.740)	3.644	(10.921)
Fixed Asset Additions	1.647	1.735	-	3.382
Depreciation and Amortisation	(873)	(641)	-	(1.514)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

28. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 75.000 was registered in accordance with the decision of Capital Markets Board of Turkey (numbered 58/1324 dated 11 October 2019). Issuance of bond was held on 21 April 2020. The bond have a maturity of 20 July 2020 .

29. OPERATING INCOME

For the periods ended 31 March 2020 and 31 March 2019, details of operating income are as follows:

	<u>31 March 2020</u>	<u>31 March 2019</u>
Finance Lease income	120.358	120.380
Operating lease income	160	239
Factoring income	82.172	160.823
	<u>202.690</u>	<u>281.442</u>

30. OPERATING EXPENSES

For the periods ended 31 March 2020 and 31 March 2019, operating expenses are as follows:

	<u>31 March 2020</u>	<u>31 March 2019</u>
Personnel expenses	(15.568)	(13.835)
Depreciation and amortization expenses	(1.600)	(1.514)
Office rent expenses	(1.153)	(1.100)
Information technology expenses	(887)	(778)
Taxes, duties and charges	(804)	(484)
Board of Directors attendance fee	(738)	(652)
Provision for employee severance indemnity	(700)	(873)
BRSA participation fee	(432)	(437)
Travel and car expenses	(287)	(351)
Consultancy expenses	(182)	(120)
Communication expense	(132)	(126)
Advertising expense	(89)	(75)
Representation expense	(83)	(38)
Insurance expense	(64)	(53)
Capital increase expense	(15)	(57)
Write-off expense	-	-
Other general administrative expenses	(1.006)	(621)
	<u>(23.740)</u>	<u>(21.114)</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

31. OTHER OPERATING INCOME

For the periods ended 31 March 2020 and 31 March 2019, details of other operating income are as follows:

	31 March 2020	31 March 2019
Foreign exchange gains	59.250	121.668
Income from derivative financial transactions	17.654	16.378
Collections from prior period non-performing receivables and cancellation income	16.311	29.508
Dividend income	6.812	4.380
Commission income	791	976
Interest income	119	3.902
Other	4.265	5.123
	105.202	181.955

32. FINANCE EXPENSES

For the periods ended 31 March 2020 and 31 March 2019, details of finance expenses are as follows:

	31 March 2020	31 March 2020
Interest expense on funds borrowed	(108.801)	(124.658)
Interest expense on debt securities issued	(10.523)	(120.570)
Fees and commissions expense	(3.206)	(12.126)
Interest expense related to rents	(78)	(14)
	(122.608)	(257.368)

33. PROVISIONS

For the periods ended 31 March 2020 and 31 March 2019, details of provision for non-performing receivables are as follows:

	31 March 2020	31 March 2019
Expected Credit Loss	(75.525)	(115.755)
	(75.525)	(115.755)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

34. OTHER OPERATING EXPENSES

For the periods ended 31 March 2020 and 31 March 2019, details of other operating expenses are as follows:

	31 March 2020	31 March 2019
Losses from derivative financial transactions	(46.330)	(80.946)
Other	(1.494)	(1.601)
	<u>(47.824)</u>	<u>(82.547)</u>

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

The difference as foreign currency expenses difference between loss is at amounting TL 2.428 from measurement difference of such transactions in the Group’s financial statements as at 31 March 2020 (31 December 2019: TL 2.127 foreign exchange loss). The difference is expected to be substantially expired at the maturity of transactions.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

35. TAXATION

For the periods ended 31 March 2020 and 31 March 2019, details of tax expense are as follows:

	31 March 2020	31 March 2019
Current corporate tax charge	(28.919)	(9.876)
Deferred tax income/(expense)	16.547	8.698
	(12.372)	(1.178)

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

	%	31 March 2020	%	31 March 2019
Net profit for the period		25.823		(14.565)
Total tax expense		12.372		1.178
Profit before tax		38.195		(13.387)
Income tax using the Group's tax rate	22,00	8.403	(22,00)	(2.945)
Non-deductible expenses	11.90	4.544	27,21	3.642
taxable other income	0,00	-	(7,20)	(964)
Financial loss	5,48	2.092	2,67	358
Tax exempt income	(3,92)	(1.498)	-	-
Other	(3,06)	(1.169)	8,12	1.087
Total income tax expense	32,40	12.372	8,80	1.178

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

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

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

As at 31 March 2020, corporate income tax rate is 22% (31 December 2019: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22 % (31 December 2019: 22 %). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

35. TAXATION (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 30 April of the following year (between 1st and 30th of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing dated 18 November 2007 sets details about implementation.

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

Purchase, sale, manufacturing and construction operations, leasing and leasing transactions, borrowing and issuing money, bonuses, fees and similar transactions that require payments are considered as purchase or sale of goods or services in every condition. Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

36. EARNINGS PER SHARE

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

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

The weighted average number of shares of the Group and earnings per share for the periods ended 31 March 2020 and 31 March 2019 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Weighted average number of outstanding shares (*)(**)	69.530.264.500	69.530.264.500
Net profit for the year (TL)	25.414	(10.921)
Basic earnings per share (full TL)	0,0004	(0,016)

(*) As at 31 March 2020, the share capital of the Company consists 69.530.264.500 of shares having Kurus 1 nominal price.

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

	31 March 2020	31 December 2019
Number of shares at beginning of the year	69.530.264.500	69.030.264.500
Capital increase (**)	-	-
Number of shares at end of the year	69.530.264.500	69.530.264.500

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

None.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

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

Although there is no change in the capital risk management strategy in 2020, the debt/equity ratio is 18 % (31 December 2019: 17 %). As at 31 March 2020 and 31 December 2019, the leverage ratios are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Funds borrowed	6.993.198	7.170.644
Debt securities issued	385.802	369.966
Other liabilities	167.128	223.007
Total liabilities	7.546.128	7.763.617
Cash and Cash Equivalents (-)	(270.685)	(421.728)
Net liabilities	7.275.443	7.341.889
Total shareholders' equity	1.292.891	1.273.934
Shareholders' equity / liabilities	18%	17%

According to the credit rating reports of Fitch issued at 12.11.2019 , credit ratings of the Company are as follows:

Foreign Currency

Long term	B
Short term	B
Outlook	Negative

TL

Long term	B+
Short term	B
Outlook	Stable

National

Long term	A+(tur)
Outlook	Stable
Support	4

(b) Significant accounting policies

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 March 2020	31 December 2019
<u>Financial Assets:</u>		
Cash and Cash Equivalents	270.685	421.728
Financial Assets at Fair Value Through Profit or Loss	301	951
Derivative Financial Assets	-	1.388
Finance lease receivables and non-performing receivables, net	5.342.003	5.106.674
Leasing Contracts in Progress	42.451	79.353
Advances Given for Lease Transactions	141.123	109.010
Other Finance Lease Receivables	12.519	14.289
Factoring receivables and non-performing factoring receivables, Net	2.937.367	3.178.740
Financial Assets at Fair Value Through Other Comprehensive Income	79.414	86.279
<u>Financial Liabilities:</u>		
Derivative financial liabilities at fair value	(42.518)	(10.723)
Finance Lease Obligations	(2.398)	(840)
Other liabilities	(167.128)	(223.007)
Funds borrowed	(6.993.198)	(7.170.644)
Debt securities issued	(385.802)	(369.966)

(*) Included in other receivables.

(d) Financial risk management objectives

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

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

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

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

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

(f) Currency risk management

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

As 31 March 2020 and 31 December 2019, details of foreign currency denominated assets and liabilities are as follows:

31 March 2020 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	12.645	25.117	-	313	26	-	266.138
Finance lease receivables	123.924	433.147	921	-	-	-	3.938.911
Factoring receivables(*)	40.603	50.626	-	1.524	-	-	642.119
Advances given for lease transactions	5.914	12.922	11	-	-	-	131.844
Leasing contracts in progress	72	1.843	-	-	-	-	13.764
Other receivables from leasing transactions	281	561	-	-	-	-	5.877
Other assets	21	18	-	-	-	-	268
Total assets (**)	183.461	524.234	932	1.837	26	-	4.998.921
Funds borrowed(*)	(150.214)	(458.009)	-	(1.388)	-	-	(4.294.514)
Lease Obligations		(38)	-	-	-	-	(274)
Other provisions	(2)	(706)	-	-	-	-	(5.108)
Other Liabilities	(4.961)	(10.876)	-	(244)	-	-	(112.761)
Total liabilities (**)	(155.177)	(469.629)	-	(1.632)	-	-	(4.412.657)
Balance sheet position	28.284	54.605	932	205	26	-	586.264
Off balance sheet position	(31.000)	(53.650)	(861)	-	-	-	(594.937)
Net foreign currency position	(2.716)	955	71	205	26	-	(8.673)

(*) As at 31 March 2020, foreign currency indexed borrowings amounting to EUR 6.949 (Total: TL 50.140) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 March 2020, derivative liabilities amounting to TL 42.518 are not included.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

31 December 2019 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	3.919	59.473	-	99	26	16	419.650
Finance lease receivables	123.950	446.282	1.068	-	-	-	3.710.836
Factoring receivables(*)	33.751	59.826	-	1.698	-	-	611.573
Advances given for lease transactions	10.106	7.008	-	-	-	-	106.638
Leasing contracts in progress	646	5.411	-	-	-	-	39.822
Other receivables from leasing transactions	175	726	-	-	-	-	5.866
Other assets	19	19	-	-	-	-	241
Total assets (**)	172.566	578.745	1.068	1.797	26	16	4.894.626
Funds borrowed(*)	(109.900)	(501.324)	-	(1.576)	-	-	(3.999.187)
Lease Obligations	-	(69)	-	-	-	-	(457)
Other provisions	(3)	(705)	-	-	-	-	(4.704)
Other Liabilities	(6.203)	(13.276)	-	(38)	-	-	(125.438)
Total liabilities (**)	(116.106)	(515.373)	-	(1.614)	-	-	(4.129.787)
Balance sheet position	56.460	63.372	1.068	183	26	16	764.840
Off balance sheet position	(55.700)	(67.324)	(1.005)	-	-	-	(784.738)
Net foreign currency position	760	(3.952)	63	183	26	16	(19.898)

(*)As at 31 December 2019, foreign currency indexed borrowings amounting to EUR 6.912 (Total: TL 45.967), foreign currency indexed factoring receivables amounting to USD 562 (Total: TL 3.338) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2019, derivative assets amounting to TL 1.338 and derivative liabilities amounting to TL 10.723 are not included.

Foreign currency sensitivity

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2020				
15% change of the USD against TL				
1- Net USD asset/liability	27.645	(27.645)	27.645	(27.645)
2- Hedged portion of TL against USD risk (-)	(30.299)	30.299	(30.299)	30.299
3- Net effect of USD (1+ 2)	(2.654)	2.654	(2.654)	2.654
15% change of the Euro against TL				
4- Net Euro asset/liability	59.096	(59.096)	59.096	(59.096)
5- Hedged portion of TL against Euro risk (-)	(58.063)	58.063	(58.063)	58.063
6- Net effect of Euro (4+5)	1.033	(1.033)	1.033	(1.033)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	320	(320)	320	(320)
8- Hedged portion of TL against other currencies risk (-)				
9- Net effect of other foreign currencies (7+8)	320	(320)	320	(320)
TOTAL (3+6+9)	(1.301)	1.301	(1.301)	1.301

(*) 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 2019				
15% change of the USD against TL				
1- Net USD asset/liability	50.307	(50.307)	50.307	(50.307)
2- Hedged portion of TL against USD risk (-)	(49.630)	49.630	(49.630)	49.630
3- Net effect of USD (1+ 2)	677	(677)	677	(677)
15% change of the Euro against TL				
4- Net Euro asset/liability	63.219	(63.219)	63.219	(63.219)
5- Hedged portion of TL against Euro risk (-)	(67.162)	67.162	(67.162)	67.162
6- Net effect of Euro (4+5)	(3.943)	3.943	(3.943)	3.943
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	271	(271)	271	(271)
8- Hedged portion of TL against other currencies risk (-)				
9- Net effect of other foreign currencies (7+8)	271	(271)	271	(271)
TOTAL (3+6+9)	(2.995)	2.995	(2.995)	2.995

(*) Includes profit/loss effect.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

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

Interest rate sensitivity

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

As at 31 March 2020 and 31 December 2019, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	255.380	395.035
Finance lease receivables	5.318.281	5.077.819
Other Finance Lease Receivables	-	-
Factoring receivables	2.342.508	2.640.831
Financial liabilities:		
Funds borrowed	4.771.205	4.302.623
Debt securities issued	385.802	369.966
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables	23.722	28.855
Factoring receivables	594.859	537.909
Financial liabilities:		
Borrowings	2.221.993	2.868.021

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

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

Interest income from finance leases with variable interest rates would be higher at an amount of TL 67 (31 March 2019: TL 326).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 1.467 (31 March 2019: TL 3.529).

Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 5.251 (31 March 2019: TL 4.152).

(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 9.718 (31 December 2019: TL 1.753).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

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

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

Sectoral allocation of finance lease receivables is as follows:

	<u>31 March 2020 (%)</u>	<u>31 December 2019 (%)</u>
Construction	17,58	19,00
Transportation	13,36	14,07
Textile	14,05	13,00
Metal industry	12,31	12,15
Energy	9,57	7,77
Mining	7,23	7,36
Food and beverage	3,91	3,65
Healthcare	3,89	4,11
Chemical and plastic	3,46	3,73
Forestry products and paper	2,33	2,33
Finance	2,19	2,50
Retail and wholesale	1,75	1,68
Agriculture and forestry	1,64	1,76
Machinery and equipment	1,55	1,57
Tourism	0,80	1,03
Other	4,38	4,29
	<u>100,00</u>	<u>100,00</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 March 2020, exposure to credit risk based on categories of financial instruments is as follows:

	<u>Receivables</u>				<u>Cash and Cash</u> <u>Equivalents</u>	<u>Financial</u> <u>Assets at Fair</u> <u>value through</u> <u>profit/loss</u>	<u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> <u>(***)</u>	<u>Derivative</u> <u>Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>				
31 March 2020								
Exposure to maximum credit risk as at reporting date (*)	53.986	5.288.017	11.118	2.926.249	301	2.058.185	79.414	2.938.809
- The portion of maximum risk covered by guarantee	-	589.744	-	590.115	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	53.986	4.353.410	11.118	2.684.469	301	2.058.185	79.414	2.938.809
- The portion covered by guarantee	-	445.798	-	574.538	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	613	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	893.233	-	15.577	-	-	-	-
- The portion covered by guarantee	-	131.998	-	15.577	-	-	-	-
	-	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	41.374	-	225.590	-	-	-	-
- Overdue (gross book value)	-	325.307	-	225.590	-	-	-	-
- Impairment (-)	-	(291.941)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	11.948	-	-	-	-	-	-
- Not past due (gross book value)	-	10.053	-	-	-	-	-	-
- Impairment (-)	-	(2.045)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks								

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2019, exposure to credit risk based on categories of financial instruments is as follows:

	<u>Receivables</u>				<u>Cash and Cash</u> <u>Equivalents</u>	<u>Financial</u> <u>Assets at Fair</u> <u>value through</u> <u>profit/loss</u>	<u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> <u>(***)</u>	<u>Derivative</u> <u>Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>	<u>Related</u> <u>party</u>	<u>Third</u> <u>party</u>				
31 December 2019								
Exposure to maximum credit risk as at reporting date (*)	57.511	5.049.163	15.029	3.163.711	951	2.396.137	86.279	3.159.747
- The portion of maximum risk covered by guarantee	-	486.079	-	471.747	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	57.511	4.403.382	15.029	2.936.096	951	2.396.137	86.279	3.159.747
- The portion covered by guarantee	-	371.670	-	471.731	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	58	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	546.737	-	16	-	-	-	-
- The portion covered by guarantee	-	101.918	-	16	-	-	-	-
D. Net carrying value of impaired assets	-	99.044	-	227.541	-	-	-	-
- Overdue (gross book value)	-	337.776	-	227.541	-	-	-	-
- Impairment (-)	-	(246.469)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	12.491	-	-	-	-	-	-
- Not past due (gross book value)	-	14.523	-	-	-	-	-	-
- Impairment (-)	-	(6.786)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	31 March 2020		31 December 2019	
	Nominal Değeri	Gerçeğ Uygun Değeri (*)	Nominal Değeri	Gerçeğ Uygun Değeri (*)
Sureties	83.514.515	6.981.818	76.954.532	7.158.227
Collaterals of factoring transaction	11.316.764	515.023	10.470.687	396.934
Mortgage	3.841.679	354.129	3.398.634	316.061
Share certificates	1.088.544	202.681	860.446	200.881
Guaranties of factoring transaction	766.211	-	647.199	-
Pledged shares	458.534	138.669	278.520	75.049
Pledged commercial	210.000	30.795	210.000	33.502
Sureties of credit guarantee fund	196.105	123.013	184.930	123.518
Pledged vehicles	123.488	23.788	122.870	97.065
Guarantors	62.779	1	61.991	12
Pledged movable	30.325	10.813	31.096	7.047
Commercial receivable insurance	-	-	-	-
Letters of guarantee	23.195	3.413	21.190	3.750
Ship mortgage	16.290	-	14.851	-
Cash blockages	9.524	1.689	8.519	1.625
Collaterals given by vendors	9.320	-	30.420	-
Funds bonds as collateral	7.814	-	5.773	-
Pledged accounts	2.450	2.314	2.450	328
Collaterals of leasing transaction	1.429	-	1.317	-
Pledged machines	502	-	799	-
	101.679.468	8.388.146	93.306.224	8.413.999

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

(j) Liquidity risk management

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

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table

31 March 2020

<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	270.685	270.686	262.225	8.461	-	-
Financial Assets at Fair value through profit and Loss	301	301	301	-	-	-
Lease Receivables (*)	5.342.003	6.029.827	788.407	1.727.002	3.439.570	74.848
Factoring Receivables	2.937.367	3.020.479	2.076.622	906.549	37.308	-
Other Lease Receivables	12.519	12.519	12.519	-	-	-
Total Assets	8.562.875	9.333.812	3.140.074	2.642.012	3.476.878	74.848
Non-derivative Financial Liabilities:						
Funds Borrowed	6.993.198	7.188.119	4.121.514	1.553.595	1.419.213	93.797
Debt Securities Issued	385.802	394.000	219.000	175.000	-	-
Lease Obligations	2.398	2.559	733	1.474	352	-
Other Liabilities	167.128	168.755	165.291	1.385	2.079	-
Total Liabilities	7.548.526	7.753.433	4.506.538	1.731.454	1.421.644	93.797

31 December 2019

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	421.728	421.730	413.932	7.798	-	-
Financial Assets at Fair value through profit and Loss	951	951	951	-	-	-
Lease Receivables (*)	5.106.674	5.774.318	781.267	1.659.673	3.259.947	73.431
Factoring Receivables	3.178.740	3.232.424	2.847.544	381.756	3.124	-
Other Lease Receivables	14.289	14.289	14.289	-	-	-
Total Assets	8.722.382	9.443.712	4.057.983	2.049.227	3.263.071	73.431
Non-derivative Financial Liabilities:						
Funds Borrowed	7.170.644	7.405.712	3.671.981	2.317.978	1.303.403	112.350
Debt Securities Issued	369.966	380.000	161.000	219.000	-	-
Lease Obligations	840	873	333	350	190	-
Other Liabilities	223.007	223.007	218.913	2.148	1.946	-
Total Liabilities	7.764.457	8.009.592	4.052.227	2.539.476	1.305.539	112.350

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2020**

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 March 2020 and 31 December 2019.

31 March 2020	Carrying	Contractual	Less than	3-12	1-5 Years	More
<u>Contractual Maturities</u>	<u>Amount</u>	<u>Cash Flows</u>	<u>3 Months</u>	<u>Months</u>	<u>(III)</u>	<u>than 5</u>
		<u>(I+II+III+IV)</u>	<u>(I)</u>	<u>(II)</u>		<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	-	566.845	561.118	-	5.727	-
Cash outflows from derivatives	33.820	600.665	594.807	-	5.858	-
31 December 2019	Carrying	Contractual	Less than	3-12	1-5 Years	More
<u>Contractual Maturities</u>	<u>Amount</u>	<u>Cash Flows</u>	<u>3 Months</u>	<u>Months</u>	<u>(III)</u>	<u>than 5</u>
		<u>(I+II+III+IV)</u>	<u>(I)</u>	<u>(II)</u>		<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	12.692	848.104	347.293	494.652	6.159	-
Cash outflows from derivatives	-	835.412	348.402	480.887	6.123	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

31 March 2020	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	270.685	-	-	-	270.685	270.685	4
Financial Assets at Fair Value Through Profit or Loss	301	-	-	-	-	301	301	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	79.414	-	79.414	79.414	7
Derivative financial assets	-	-	-	-	-	-	-	6
Finance lease receivables and non-performing lease receivables	-	-	5.342.003	-	-	5.342.003	5.436.752	9
Factoring receivables and non-performing factoring receivables	-	-	2.937.367	-	-	2.937.367	2.937.367	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	42.518	-	-	-	-	42.518	42.518	6
Other liabilities	-	-	-	-	167.128	167.128	167.128	17
Lease Payables	-	-	-	-	2.398	2.398	2.398	18
Funds borrowed	-	-	-	-	6.993.198	6.993.198	7.026.575	16
Debt securities issued	-	-	-	-	385.802	385.802	398.711	19

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2019	Financial assets and liabilities	Financial assets Measured at amortized cost	Loans and receivables	Financial Assets at Fair Value Through Other Comprehensive Income	Financial liabilities Measured at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Cash and Cash Equivalents	-	421.728	-	-	-	421.728	421.728	4
Financial Assets at Fair Value Through Profit or Loss	951	-	-	-	-	951	951	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	86.279	-	86.279	86.279	7
Derivative financial assets	1.388	-	-	-	-	1.388	1.388	6
Finance lease receivables and non-performing lease receivables	-	-	5.106.674	-	-	5.106.674	5.475.785	9
Factoring receivables and non-performing factoring receivables	-	-	3.178.740	-	-	3.178.740	3.178.740	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	10.723	-	-	-	-	10.723	10.723	6
Other liabilities	-	-	-	-	223.007	223.007	223.007	17
Lease Payables	-	-	-	-	840	840	840	18
Funds borrowed	-	-	-	-	7.170.644	7.170.644	7.230.270	16
Debt securities issued	-	-	-	-	369.966	369.966	374.312	19

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

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

38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(1) Fair value hierarchy

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

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

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

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

31 March 2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	301	-	301
Derivative financial assets	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	74.689	-	686	75.375
Total financial assets carried at fair value	74.689	301	686	75.676
Derivative financial liabilities	-	42.518	-	42.518
Total financial liabilities carried at fair value	-	42.518	-	42.518
31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	951	-	951
Derivative financial assets	-	1.388	-	1.388
Financial Assets at Fair Value Through Other Comprehensive Income	81.554	-	686	82.240
Total financial assets carried at fair value	81.554	2.339	686	84.579
Derivative financial liabilities	-	10.723	-	10.723
Total financial liabilities carried at fair value	-	10.723	-	10.723