

*(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 2019**

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 MARCH 2019

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

	ASSETS	Dipnot	Unaudited Current Period 31 Mart 2019			Audited Prior Period 31 Aralık 2018		
			TP	YP	TOPLAM	TP	YP	TOPLAM
I.	CASH, CASH EQUIVALENTS and CENTRAL BANK	4	6.608	471.713	478.321	3.581	268.988	272.569
II	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5	9.526	-	9.526	859	-	859
III.	DERIVATIVE FINANCIAL ASSETS	6	-	7.374	7.374	-	72.110	72.110
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	45.082	-	45.082	41.622	-	41.622
V.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		3.686.247	4.563.386	8.249.633	3.800.153	4.246.622	8.046.775
5.1	Factoring Receivables	8	2.125.897	853.393	2.979.290	2.201.496	528.479	2.729.975
5.1.1	Discounted Factoring Receivables (Net)		242.976	101.586	344.562	315.924	101.991	417.915
5.1.2	Other Factoring Receivables		1.882.921	751.807	2.634.728	1.885.572	426.488	2.312.060
5.2	Financing loans		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	Lease Receivables (Net)	9	1.350.114	3.718.656	5.068.770	1.495.532	3.722.565	5.218.097
5.3.1	Finance Lease Receivables		1.639.917	4.161.645	5.801.562	1.824.423	4.146.586	5.971.009
5.3.2	Operational Lease Receivables		-	-	-	-	1	1
5.3.3	Unearned Income (-)		(289.803)	(442.989)	(732.792)	(328.891)	(424.022)	(752.913)
5.4	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5	Non-Performing Loans	8,9	463.021	23.504	486.525	270.608	26.800	297.408
5.6	Expected Credit Loss (-) / Specific Provisions (-)		(252.785)	(32.167)	(284.952)	(167.483)	(31.222)	(198.705)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Investments in Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	11	15.562	-	15.562	13.486	-	13.486
VIII.	INTANGIBLE ASSETS (Net)	12	4.222	-	4.222	4.438	-	4.438
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSET	21	51.784	-	51.784	61.384	-	61.384
XI.	DEFERRED TAX ASSET	13	36.230	-	36.230	27.532	-	27.532
XII.	OTHER ASSETS	15	47.718	113.828	161.546	56.066	83.880	139.946
	SUB TOTAL		3.902.979	5.156.301	9.059.280	4.009.121	4.671.600	8.680.721
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	1.360	-	1.360	939	-	939
XI	Held for Sale		1.360	-	1.360	939	-	939
XII	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.904.339	5.156.301	9.060.640	4.010.060	4.671.600	8.681.660

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS AT 31 MARCH 2019**

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

	LIABILITIES	Dipnot	Unaudited Current Period 31 Mart 2019			Audited Prior Period 31 Aralık 2018		
			TP	YP	TOPLAM	TP	YP	TOPLAM
I.	FUNDS BORROWED	16	3.016.053	2.803.068	5.819.121	2.067.201	2.838.023	4.905.224
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE PAYABLES	18	198	1.101	1.299	-	-	-
IV.	SECURITIES ISSUED (Net)	19	1.847.874	-	1.847.874	2.352.041	-	2.352.041
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITY	6	-	88.712	88.712	-	96.521	96.521
VII.	PROVISIONS	20	10.792	5.334	16.126	11.088	4.275	15.363
7.1	Restructuring Provisions		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		9.744	-	9.744	10.229	-	10.229
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		1.048	5.334	6.382	859	4.275	5.134
VIII.	CURRENT PERIOD TAX LIABILITY	21	-	-	-	15.489	-	15.489
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITY	17	50.386	97.648	148.034	48.163	98.279	146.442
	SUB TOTAL		4.925.303	2.995.863	7.921.166	4.493.982	3.037.098	7.531.080
XII.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	SHAREHOLDER'S EQUITY		1.139.474	-	1.139.474	1.150.580	-	1.150.580
13.1	Paid-in Capital	23	695.303	-	695.303	695.303	-	695.303
13.2	Capital Reserves	23	1.938	-	1.938	1.938	-	1.938
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	23	(73)	-	(73)	(73)	-	(73)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	19.320	-	19.320	16.300	-	16.300
13.5	Profit Reserves	24	371.544	-	371.544	214.092	-	214.092
13.5.1	Legal Reserves		51.004	-	51.004	44.321	-	44.321
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		320.540	-	320.540	169.771	-	169.771
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		(10.921)	-	(10.921)	157.452	-	157.452
13.6.1	Prior Periods Profit/Loss	25	-	-	-	(40.085)	-	(40.085)
13.6.2	Current Period Profit/Loss		(10.921)	-	(10.921)	197.537	-	197.537
	Non-Controlling Interests	22	62.363	-	62.363	65.568	-	65.568
	TOTAL LIABILITIES		6.064.777	2.995.863	9.060.640	5.644.562	3.037.098	8.681.660

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 31 March 2019		
			TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		62.494	241.075	303.569
II.	REVOCABLE FACTORING TRANSACTIONS		134.725	49.651	184.376
III.	COLLATERALS RECEIVED	38	33.972.872	55.310.015	89.282.887
IV.	COLLATERALS GIVEN	26	1.507.754	1.801	1.509.555
V.	COMMITMENTS		67.914	249.570	317.484
5.1	Irrevocable Commitments		-	48.866	48.866
5.2	Revocable Commitments		67.914	200.704	268.618
5.2.1	Lease Commitments		67.914	200.704	268.618
5.2.1.1	Finance Lease Commitments		67.914	200.704	268.618
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		2.275.226	2.220.492	4.495.718
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	26	2.275.226	2.220.492	4.495.718
6.2.1	Forward Foreign Currency Purchases/Sales	26	-	-	-
6.2.2	Swap Purchases/Sales	26	2.275.226	2.220.492	4.495.718
6.2.3	Put/call options		-	-	-
6.2.4	Futures purchases/sales		-	-	-
6.2.5	Others		-	-	-
VII.	ITEMS HELD IN CUSTODY		259.378	113.420	372.798
	TOTAL OFF-BALANCE SHEET ITEMS		38.280.363	58.186.024	96.466.387

	OFF-BALANCE SHEET ITEMS	Notes	Audited Prior Period 31 December 2018		
			TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		58.178	65.715	123.893
II.	REVOCABLE FACTORING TRANSACTIONS		223.224	47.935	271.159
III.	COLLATERALS RECEIVED	38	33.795.392	52.589.160	86.384.552
IV.	COLLATERALS GIVEN	26	1.680.759	4.397	1.685.156
V.	COMMITMENTS		42.222	235.335	277.557
5.1	Irrevocable Commitments		-	63.806	63.806
5.2	Revocable Commitments		42.222	171.529	213.751
5.2.1	Lease Commitments		42.222	171.529	213.751
5.2.1.1	Finance Lease Commitments		42.222	171.529	213.751
5.2.1.2	Operational Lease Commitments		-	-	-
5.2.2	Other Revocable Commitments		-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		1.705.290	1.652.342	3.357.632
6.1	Derivative Financial Instruments for Risk Management		-	-	-
6.1.1	Fair Value Hedges		-	-	-
6.1.2	Cash Flow Hedges		-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-
6.2	Derivative Financial Instruments Held For Trading	26	1.705.290	1.652.342	3.357.632
6.2.1	Forward Foreign Currency Purchases/Sales	26	-	-	-
6.2.2	Swap Purchases/Sales	26	1.705.290	1.652.342	3.357.632
6.2.3	Put/call options		-	-	-
6.2.4	Futures purchases/sales		-	-	-
6.2.5	Others		-	-	-
VII.	ITEMS HELD IN CUSTODY		186.991	123.886	310.877
	TOTAL OFF-BALANCE SHEET ITEMS		37.692.056	54.718.770	92.410.826

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT OR LOSS STATEMENT		Dipnot	Unaudited Current Period 01.01-31.03.2019	Unaudited Prior Period 01.01-31.03.2018
I.	OPERATING INCOME	29	281.442	210.813
	FAKTÖRİNG GELİRLERİ		160.823	107.801
1.1	Factoring Interest Income		151.573	101.178
1.1.1	Discounted		14.742	26.767
1.1.2	Other		136.831	74.411
1.2	Factoring Commission Income		9.250	6.623
1.2.1	Discounted		432	1.585
1.2.2	Other		8.818	5.038
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest income from Financing Loans		-	-
1.4	Fees and Commission Income from Financing Loans		-	-
	LEASE INCOME		120.619	103.012
1.5	Finance Lease Income		120.380	102.907
1.6	Operational Lease Income		239	105
1.7	Fees and Commission Income from Lease Operations		-	-
II.	FINANCING EXPENSES (-)	32	(257.368)	(184.189)
2.1	Interest Expense on Funds Borrowed		(124.658)	(125.615)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		(14)	-
2.4	Interest Expense on Securities Issued		(120.570)	(50.804)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(12.126)	(7.770)
III.	GROSS PROFIT / LOSS (I-II)		24.074	26.624
IV.	OPERATING EXPENSES (-)	30	(21.114)	(17.909)
4.1	Personal Expenses		(13.835)	(11.831)
4.2	Employee Severance Indemnity Expense		(873)	(368)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(6.406)	(5.710)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		2.960	8.715
VI.	OTHER OPERATING INCOME	31	181.955	118.971
6.1	Interest Income on Bank Deposits		3.902	1.118
6.2	Interest Income on Marketable Securities Portfolio		-	71
6.3	Dividend Income		4.380	5.371
6.4	Gains on Securities Trading		-	-
6.5	Income From Derivative Financial Instruments		16.378	74.532
6.6	Foreign Exchange Gains		121.688	13.495
6.7	Other		35.607	24.384
VII.	PROVISION EXPENSES (-)	33	(115.755)	(7.381)
7.1	Specific Provisions		(96.946)	(6.463)
7.2	Expected Credit Losses	33	(18.809)	(918)
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	34	(82.547)	(34.376)
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		(80.946)	(32.587)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(1.601)	(1.789)
IX.	NET OPERATING PROFIT (V+...+VIII)		(13.387)	85.929
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)		(13.387)	85.929
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	35	(1.178)	(20.373)
14.1	Current Tax Provision		(9.876)	(16.262)
14.2	Deferred Tax Income Effect (+)		-	(4.111)
14.3	Deferred Tax Expense Effect (-)		8.698	-
XV.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		(14.565)	65.556
XVI.	INCOME ON DISCONTINUED OPERATIONS		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expense on Discontinued Operations		-	-
XVIII.	PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII±XIX)		-	-
	NON-CONTROLLING INTERESTS		3.644	(7.939)
XXI.	NET PROFIT FOR THE PERIOD (XV+XX)		(10.921)	57.617
	EARNINGS PER SHARE (*)	36	(0,016)	0,088
	Earnings Per Share from Continued Operations		(0,016)	0,088
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	36	(0,016)	0,088
	Earnings Per Share from Continued Operations		(0,016)	0,088
	Earnings Per Share from Discontinued Operations		-	-

(*) Shown in exact TL.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019
(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
		01.01-31.03.2019	01.01-31.03.2018
I.	CURRENT PERIOD PROFIT/LOSS	(14.565)	65.556
II.	OTHER COMPREHENSIVE INCOME	3.460	(6.927)
2.1	Items that will not be Reclassified to Profit or Loss	(131)	-
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	3.460	(6.927)
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	3.460	(6.927)
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)	(11.105)	58.629

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019 (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	CHANGES IN EQUITY	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Current Period Profit/ Loss	Non-Controlling Interest	Total Equity
							1	2	3	4	5	6					
	Prior Period (01.01 – 31.03.2018) (Unaudited)																
I.	Balance at the Beginning of the Period		650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	-	112.948	41.088	974.668
II.	Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(40.085)	-	(6.828)	(46.913)
2.1	Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(40.085)	-	(6.828)	(46.913)
III.	New Balance (I+II)	24	650.303	-	-	1.938	-	58	-	-	22.189	-	146.144	(40.085)	112.948	34.260	927.755
IV.	Total Comprehensive Income		-	-	-	-	-	-	-	(6.156)	-	-	-	-	57.617	7.168	58.629
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		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-
11.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	112.948	-	(112.948)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (III+IV+.....+XI)		650.303	-	-	1.938	-	58	-	-	16.033	-	259.092	(40.085)	57.617	41.428	986.384
	Current Period (01.01 – 31.03.2019) (Unaudited)																
I.	Balance at the Beginning of the Period		695.303	-	-	1.938	-	(73)	-	-	16.300	-	214.092	(40.085)	197.537	65.568	1.150.580
II.	Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	(40.085)	40.085	-	-	-
2.1	Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	(40.085)	40.085	-	-	-
III.	New Balance (I+II)	24	695.303	-	-	1.938	-	(73)	-	-	16.300	-	174.007	-	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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	197.537	-	(197.537)	-	-
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	197.537	-	(197.537)	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (III+IV+.....+XI+XII)		695.303	-	-	1.938	-	(73)	-	-	19.320	-	317.544	-	(10.921)	62.363	1.139.474

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)

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

		Unaudited Current Period	Unaudited Prior Period
	Notes	01.01-31.03.2019	01.01-31.03.2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		1.549.893	77.771
1.1.1 Interests Received/Lease Income		272.977	200.358
1.1.2 Interest Paid / Lease Expenses		(244.485)	(188.005)
1.1.4 Dividends Received		4.380	5.371
1.1.5 Fees and Commissions Received		9.250	6.623
1.1.6 Other Income		29.522	46.240
1.1.7 Collections from Non-performing Receivables	31	6.085	20.160
1.1.8 Payments to Personnel and Service Suppliers		(10.816)	(10.470)
1.1.9 Taxes Paid		(15.489)	(14.633)
1.1.10 Others	21	1.498.469	12.127
1.2 Changes in Operating Assets and Liabilities		(870.274)	(73.713)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(443.284)	250.061
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(1.130.313)	(140.502)
1.2.4 Net (Increase) Decrease in Other Assets		43.647	(5.398)
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		1.299	-
1.2.7 Net Increase (Decrease) in Funds Borrowed		735.153	(211.148)
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		(76.776)	33.274
I. Net Cash Provided from / (Used in) Operating Activities		676.619	4.058
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	(3.382)	(12.662)
2.4 Proceeds From Sale of Tangible and Intangible Assets	11,12	8	253
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		(3.374)	(12.602)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		1.692.030	1.001.453
3.2 Cash used for repayment of funds borrowed and securities issued		(2.165.900)	(831.762)
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		(473.870)	169.691
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		3.166	916
V. Net Increase / (Decrease) in Cash and Cash Equivalents		205.541	162.003
VI. Cash and Cash Equivalents at the Beginning of the Period		272.557	247.874
VII. Cash and Cash Equivalents at the End of the Period		478.098	409.877

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(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 2019, the Company and its subsidiary (“the Group”) have 264 employees (31 December 2018: 268 employees).

Dividend Payable

As at 31 March 2019, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements and consolidated profit and loss table of the Group as at 31 March 2019 have been approved by the Board of Directors of the Group and authorized for issue as at 25 April 2019. The General Assembly and / or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

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

Due to the amendment dated February 1, 2019 in the regulations on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies being entered into force on January 1, 2019, financial statements for the fiscal periods ended on March 31, 2019 and December 31, 2018 are submitted in the new financial statement formats which are entered into force with the relevant amendment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2019

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

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

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

Note 5 – Factoring receivables

Note 6 – Lease receivables

Note 17 – Provisions

Note 18 – Employee benefits

Note 24 – Provisions, contingent assets and liabilities

Basis of Consolidation

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

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

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

(i) Subsidiaries

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

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

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

(ii) Transactions eliminated on consolidation

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

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

(iii) Non-controlling interests

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2019
(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

Offsetting

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

2.2 Changes in Accounting Policies

The Group has applied TFRS 16 (Financial Reporting Standards of Turkey 16) in the financial statements of March 31, 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 March 31, 2019 and March 31, 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, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

TFRS 16 Leases

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

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(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)

IFRS 16 Leases (Continued)

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

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

Transition to IFRS 16:

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

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

Summary of the new accounting policies

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

Right-of-use assets

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

Right-of-use assets are subject to impairment.

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

This Interpretation will be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

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

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

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

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2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations (Continued)

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

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

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

TFRS 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.

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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)

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

Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

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

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

Other interest income: The outstanding amount of the principal and cash inflows to be calculated over the expected life of the asset is reduced to the related period at the effective interest rate.

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

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

b. Tangible Assets

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

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

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

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

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

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

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

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments

Financial Assets

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

Financial Assets at Fair Value Through Profit or Loss

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

Financial Assets Measured at Amortised Cost

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial Assets (Continued)

Financial Lease Receivables, Factoring Receivables and Other Receivables

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

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

Stage 1:

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

Stage 2:

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

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

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

Stage 3

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

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

Specific provision is provided for factoring receivables in Stage 3.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

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

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. 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 2019 and 31 December 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
USD	5,6284	5,2609
EUR	6,3188	6,0280
GBP	7,3354	6,6528
CHF	5,6393	5,3352
100 JPY	5,0704	4,7547
AUD	3,9806	3,7026

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

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

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

k. Events After the Reporting Period

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Leases

Group as Lessor

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

Group as Lessee

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

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

n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 24).

o. Taxes on Income

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

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.

p. Employee Benefits / Reserve for Employee Termination Benefits

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

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

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

q. 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 TAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge. For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 7).

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4.CASH AND CASH EQUIVALENTS

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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Demand Deposits	6.608	25.403	3.581	26.198
Time Deposits	-	446.087	-	242.778
Interest accrual	-	223	-	12
	6.608	471.713	3.581	268.988

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

Currency	Interest Rate (%)	Maturity	31 March 2019
USD	2,75%	01.04.2019	20.969
Euro	0,10%-1,75%	01.04.2019-29.05.2019	425.341
			446.310

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

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

As at 31 March 2019, TL 267.869 portion of total foreign currency deposits (31 December 2018: TL258.024) and TL 6.258 portion of total TL deposits (31 December 2018: TL 3.151) consist of accounts at the Group’s main shareholder, Türkiye İş Bankası A.Ş.

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

	31 March 2019	31 December 2018
Demand deposits	32.011	29.779
Time deposits (1-3 months) (excluding accrual)	446.087	242.778
Cash and cash equivalents	478.098	272.557

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

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

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

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

	31 March 2019	
	TL	FC
Debt securities issued by private sector(*)	400	-
Specific provisions/ Expected Credit Loss(-)	(400)	-
Mutual funds	9.526	-
	9.526	-

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

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

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 9.526 (31 December 2018: TL859).

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6. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

Derivative Financial Assets

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	7.374	-	72.110
	-	7.374	-	72.110

Derivative Financial Liabilities

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Swap Transactions	-	88.712	-	96.521
Total	-	88.712	-	96.521

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

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

<u>Name of the investment</u>	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				31 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	38.444	35.559
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.913	1.338
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	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						45.082	41.622

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8. FACTORING RECEIVABLES

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

	31 March 2019	31 December 2018
Factoring receivables	2.990.924	2.738.891
Factoring interest income accrual (-)	(11.634)	(8.916)
Total factoring receivables	2.979.290	2.729.975
Stage 1 (Expected Credit Loss)	(13.297)	(9.412)
Stage 2 (Expected Credit Loss)	(1.275)	(2.875)
Total factoring receivables	2.964.718	2.717.688
Non-performing factoring receivables	212.464	31.016
Specific provisions- Stage 3	(94.092)	(23.827)
Factoring receivables, net	3.083.090	2.724.877

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

Ratings – 31 March 2019	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.886.971	92.319	212.464	3.191.754
Very good	2.031.325	-	-	2.031.325
Standard	855.646	-	-	855.646
Substandard	-	92.319	212.464	304.783
Expected credit loss and specific provisions	(13.297)	(1.275)	(94.092)	(108.664)
Factoring receivables, net	2.873.674	91.044	118.372	3.083.090

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

Ratings – 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Total portfolio	2.471.235	258.740	31.016	2.760.991
Very good	1.714.790	-	-	1.714.790
Standard	756.447	-	-	756.447
Substandard	-	258.740	31.016	289.756
Expected credit loss and specific provisions	(9.412)	(2.875)	(23.827)	(36.114)
Factoring receivables, net	2.461.823	255.864	7.189	2.724.877

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8. FACTORING RECEIVABLES (Continued)

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

	1 January- 31 March 2019	1 January- 31 March 2018
Provision at the beginning of the period (*)	(36.114)	(79.841)
Provision reversed during the period	(78.398)	-
Cancellations	-	16.950
Collections	5.848	858
Provision at the end of the period	(108.664)	(62.033)

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

31 March 2019	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	10.722	-	-	(12)	-	-
Factoring receivables	2.886.971	92.319	212.464	(13.297)	(1.275)	(94.092)

31 December 2018	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	7.555	-	-	(10)	-	-
Factoring receivables	2.471.235	258.740	31.016	(9.412)	(2.875)	(23.827)

As at 31 March 2019, the average interest rates applicable for the factoring receivables are 25,37% for TL, 8,52% for USD, 3,07% for EUR and 4,60% for GBP (31 December 2018: 34,75% for TL, 14,24% for USD, 5,83% for EUR and 6,51% for GBP).

As of 31 March 2019, TL 531.262 thousand, EUR 139.207 thousand, USD 25.092 thousand and GBP 20.024 thousand factoring receivables have variable interest rates, (31 Aralık 2018: TL 593.136 thousand, EUR 34.952 thousand, USD 55.672 thousand and GBP 12 thousand), TL 1.616.490 thousand, EUR 499.163 thousand, USD 251.834 thousand, GBP 18 thousand factoring receivable have stable interest rates (31 Aralık 2018: TL 1.607.396 thousand, EUR 34.952 thousand, USD 55.672 thousand, GBP 13.667).

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

	31 March 2019	31 December 2018
Domestic irrevocable	1.491.930	1.564.723
Foreign irrevocable	414.410	223.994
Domestic revocable	1.007.331	817.688
Foreign revocable	169.419	118.472
	3.083.090	2.724.877

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8. FACTORING RECEIVABLES (Continued)

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

	31 March 2019	31 December 2018
Up to 90 days	187.081	-
Between 90 – 180 days	-	10.897
Between 180 – 360 days	58	5.725
Over 360 days	25.325	14.394
	212.464	31.016

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

As at 31 March 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	-	5.128
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	-	452
6 Months – 12 Months	-	2.893
1 – 2 Years	-	1.783
2 –5 Years	-	-
5 Years and More	-	-

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

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

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

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9. LEASE RECEIVABLES

A. Financial Lease Receivables

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

	Short Term	Long Term	Total
Financial Lease Receivables	2.431.948	3.369.614	5.801.562
Unearned interest income (-)	(365.529)	(367.263)	(732.792)
Expected Credit Loss– Stage 1	(618)	(6.483)	(7.101)
Expected Credit Loss – Stage 2	(3.843)	(14.921)	(18.764)
Total Financial Lease Receivables	2.061.958	2.980.947	5.042.905
Non- Performing Lease Receivables	260.476	13.585	274.061
Specific provision– Stage 3	(142.967)	(7.456)	(150.423)
Net finance lease receivables	2.179.467	2.987.076	5.166.543

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 2	Stage 3
Financial assets	478.321	-	-	(919)	-	-
Financial Lease Receivables	4.156.980	911.790	274.061	(7.101)	(18.764)	(150.423)

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

	Short Term	Long Term	Total
Financial Lease Receivables	2.511.476	3.459.533	5.971.009
Unearned interest income (-)	(369.320)	(383.593)	(752.913)
Expected Credit Loss– Stage 1	(2.943)	(7.724)	(10.668)
Expected Credit Loss – Stage 2	(3.861)	(11.455)	(15.316)
Total Financial Lease Receivables	2.135.352	3.056.761	5.192.113
Non- Performing Lease Receivables	250.803	15.589	266.392
Specific provision– Stage 3	(128.613)	(7.994)	(136.607)
Net finance lease receivables	2.257.542	3.064.356	5.321.898

	Carried value			Expected credit loss and specific provision		
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 2	Stage 3
Financial assets	272.569	-	-	(63)	-	-
Financial Lease Receivables	4.690.477	527.619	266.392	(10.667)	(15.316)	(136.607)

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

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

Ratings	Stage 1	Stage 2	Stage 3	Total
Internal ratings				
A+ (Excellent)	-	-	-	-
A (Very good))	10.107	10.223	1	20.331
A- (Good)	210.127	48.726	8.040	266.893
B+ (Enough)	920.396	333.858	28.357	1.282.611
B (Reasonable)	902.811	154.217	19.145	1.076.173
B- (Close Monitoring)	975.877	282.625	134.289	1.392.791
C+ (Insufficient)	605.940	38.548	15.845	660.333
C (Suspicious)	248.382	15.240	28.512	292.134
Scoring				
Y (High)	78.483	2.560	6.068	87.111
O (medium)	170.160	14.999	24.653	209.812
D (Low)	36.709	8.783	9.150	54.642
Expected Loss Provisions and specific provision	(7.101)	(18.764)	(150.423)	(176.288)
Leasing receivables	4.151.891	891.015	123.637	5.166.543

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

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

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9. LEASE RECEIVABLES(Continued)

A. Financial Lease Receivables(Continued)

As at 31 March 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	-	751.972
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	-	751.972
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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

	Standard Receivables	Receivables Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	-
Extended for 1 or 2 Times	-	396.834
Extended for 3,4 or 5 Times	-	-
Extended for More than 5 Times	-	-

	Standard Receivables	Receivables Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	-
0-6 Months	-	-
6 Months – 12 Months	-	396.834
1 – 2 Years	-	-
2 –5 Years	-	-
5 Years and More	-	-

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables (Continued)

As at 31 March 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)(*)	2.020.698	1.757.534	1.099.083	605.541	286.442	130.037	5.899.335
Unearned interest	<u>(287.839)</u>	<u>(235.337)</u>	<u>(122.365)</u>	<u>(49.811)</u>	<u>(31.472)</u>	<u>(5.968)</u>	<u>(732.792)</u>
Finance lease receivables (net)	<u>1.732.859</u>	<u>1.522.197</u>	<u>976.718</u>	<u>555.730</u>	<u>254.970</u>	<u>124.069</u>	<u>5.166.543</u>

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

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

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

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

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

As at 31 March 2019, the average compound interest rates applicable for the finance lease receivables are 18,32% for TL, 7,38% for USD, and 5,10 % for EUR (31 December 2018: 17,08 % for TL, 6,83 % for USD, and 5,01 % for EUR).

As at 31 March 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	162.739.000	915.960	24.661.126	138.026
EUR	441.567.000	2.790.174	48.189.789	304.502
CHF	1.506.000	8.493	81.837	461
TL	-	1.451.916	-	289.803
Total		<u>5.166.543</u>		<u>732.792</u>

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

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

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

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

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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 2019</u>	<u>31 December 2018</u>
Mortgages	250.503	262.482
Sureties of credit guarantee fund	142.492	140.457
Pledged equity	75.036	74.329
Pledged shares	49.094	51.369
Pledged movable	24.207	19.983
Letters of guarantee	6.769	7.123
Cash blockages	2.343	3.085
Share certificates	490	1.356
Guarantors	85	129
	<u>551.019</u>	<u>560.313</u>

In addition to collaterals above, the Group also has sureties amounting to TL 4.369.071, pledged vehicles amounting to TL 40.464, pledged accounts receivable to TL 58.748. (31 December 2018: sureties amounting to TL 4.510.688, pledged vehicles amounting to TL 45.430, pledged accounts receivable to TL 61.540).

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

	<u>31 December 2018</u>	<u>31 December 2018</u>
Up to 30 days	77.159	93.954
Between 30 – 60 days	7.920	7.006
Between 60 – 90 days	5.556	3.218
Total overdue	<u>90.635</u>	<u>104.178</u>

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

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

<u>Collateral type</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Mortgages	69.934	20.174
Sureties of credit guarantee fund	18.967	9.175
Pledged equity	17.757	17.494
Letters of guarantee	638	2.327
Pledged Shares	-	1.356
Pledged account	-	-
Cash blockages	-	-
Guarantors	-	-
	<u>107.296</u>	<u>50.526</u>

In addition to above guarantees, the Group also has sureties amounting to TL 552.973 , pledged vehicles amounting to TL 7.387, pledged accounts receivable to TL 45 (31 December 2018: sureties amounting to TL 882.876 , pledged vehicles amounting to TL 3.281, pledged accounts receivable to TL 1.118).

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Between 90 – 240 days (31.12.2017 : 150-240 days)	17.830	16.073
Between 240 – 360 days	7.500	5.693
Over 360 days	70.193	71.569
Uninvoiced non-performing finance lease receivables	171.811	168.034
Unearned interest of non-performing finance lease receivables	6.727	5.023
	<u>274.061</u>	<u>266.392</u>

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

<u>Guarantee type:</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Mortgages	12.515	12.544
	<u>12.515</u>	<u>12.544</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 163.589, pledged vehicles amounting to TL 3.378 and leased equipments amounting to TL 94.578 (31 December 2018: sureties amounting to TL 166.880, pledged vehicles amounting to TL 83.785 and leased equipments amounting to TL 3.182).

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9. LEASE RECEIVABLES (Continued)

A. Financial Lease Receivables(Continued)

Movement of specific provisions:

	1 January- 31 March 2019	1 January- 31 March 2018
Provision at the beginning of the period	(162.591)	(160.380)
Provision set during the period	(13.934)	(5.969)
Collections	237	1.557
Provision at the end of the period	(176.288)	(164.792)

B. Operating Lease Receivables

	31 March 2019	31 December 2018
Operating Lease Receivables	-	1
	-	1

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

	31 March 2019	31 December 2018
2019 Year	759	938
2020 Year	593	554
2021 Year	361	338
	1.713	1.830

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10. RELATED PARTIES

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
<u>Finance lease receivables from related parties</u>		
Tukaş Gıda San. ve Tic. A.Ş.	46.357	46.929
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	18.490	19.017
KKB Kredi Kayıt Bürosu A.Ş.	15.002	16.982
Numnum Yiyecek ve İçecek A.Ş.	1.154	1.261
Bankalararası Kart Merkezi A.Ş.	182	239
Total	81.185	84.428
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	1
Total	-	1
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	27.000	-
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	20.330	18.302
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	639	2.774
Toksöz Spor Malzemeleri Tic. A. Ş.	256	-
Total	48.225	21.076
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	18.729	19.623
İş Merkezleri Yönetim ve İşletim A.Ş.	82	90
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	9	45
KKB Kredi Kayıt Bürosu A.Ş.	6	4
Anadolu Hayat Emeklilik A.Ş.	1	5
Softtech Yazılım Teknolojileri	-	11
Total	18.827	19.778
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. time deposit	245.754	234.471
Türkiye İş Bankası A.Ş. demand deposit	28.373	26.704
İşbank AG demand deposit	1.126	459
Türkiye Sınai Kalkınma Bankası A.Ş. time deposit	23	53
Total	275.276	261.687

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10. RELATED PARTIES (Continued)

	<u>31 March 2019</u>	<u>31 December 2018</u>
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	17.610	-
Total	17.610	-

	<u>31 March 2019</u>	<u>31 December 2018</u>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	7.146	70.986
Türkiye Sınai Kalkınma Bankası A.Ş.	-	675
Total	7.146	71.661

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

Borrowings from related parties

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 March 2019</u>
TL	18,53%-29,40%	29.05.2019-31.12.2021	946.452
			946.452

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
TL	26,00%-29,40%	02.01.2019-31.12.2021	651.848
EUR	5,43%	08.01.2019	61.025
			712.873

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 March 2019</u>
USD	4,60%	20.06.2020	142.634
EUR	2,27%- 3,07%	18.12.2020-29.12.2025	315.034
			457.668

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2018</u>
USD	4,60%	20.06.2020	131.734
EUR	2,27%- 3,07%	18.12.2020-29.12.2025	317.092
			448.826

İş Bank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 March 2019</u>
TL	1,00%-1,90%	Spot	19.002
			19.002

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10. RELATED PARTIES (Continued)

For the periods ended 31 March 2019 and 31 March 2018, finance income and expenses from related parties are as follows:

	<u>31.03.2019</u>	<u>31.03.2018</u>
<u>Finance lease interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	845	169
Tukaş Gıda San. Ve Tic.A.Ş.	532	127
KKB Kredi Kayıt Bürosu	147	209
Numnum Yiyecek ve İçecek A.Ş.	19	28
Bankalararası Kart Merkezi A.Ş.	7	16
T. İş Bankası Gm İnşaat Emlak Müd.	4	-
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	-	5
İş Gayrimenkul Yatırım Ort.A.Ş.	-	5
Toksöz Spor Malzemeleri Tic. A.Ş.	-	1
Total	1.554	560
<u>Operating Lease Income from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	189	76
TSKB Gayrimenkul Değerleme A.Ş.	47	27
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	3	2
Total	239	105
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	679	500
Total	679	500
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	4.378	5.351
Yatırım Finansman Menkul Değerler A.Ş.	2	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	-	20
Total	4.380	5.371
<u>Finance expense</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	4.173	6.499
Türkiye İş Bankası A.Ş.	14.092	1.415
İş Yatırım Menkul Değerler A.Ş.	2.644	1.179
İşbank AG	303	7
Total	21.212	9.100
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	684	990
Total	684	990

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10. RELATED PARTIES (Continued)

<u>Commission income</u>	31.03.2019	31.03.2018
Anadolu Anonim Türk Sigorta Şirketi	976	1.334
Total	976	1.334
<u>Factoring commission income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	137	19
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	6	-
Toksöz Spor Malzemeleri	2	-
Total	145	19
<u>Factoring interest income from related parties</u>		
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	798	420
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	436	729
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	44	2
Toksöz Spor Malzemeleri	6	-
Total	1.284	1.151
<u>Mutual funds income</u>		
Türkiye İş Bankası A.Ş.	169	77
Total	169	77

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10. RELATED PARTIES (Continued)

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

	31 March 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	1.031.947	1.001.218	842.851	748.218
Total	1.031.947	1.001.218	842.851	748.218

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

	31 March 2019		31 December 2018	
	Purchase	Sale	Purchase	Sale
Swap Transactions	-	-	185.007	184.132
Total	-	-	185.007	184.132

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

	31 March 2019	31 December 2018
Türkiye İş Bankası A.Ş.	2.029	1.510
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	1.430	2.549
İş Yatırım Menkul Değerler A.Ş.	26	15.513
İş Yatırım Ortaklığı A.Ş.	-	943
Millî Reasürans T.A.Ş.	-	8.258
Total	3.485	28.773

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

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

	31 March 2019	31 March 2018
Salaries and other short-term benefits (**)	2.434	2.250
	2.434	2.250

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

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

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11. TANGIBLE ASSETS

For the periods ended 31 March 2019 and 31 March 2018, movements in tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Operating Lease Assets	Other Tangible Assets	Other Assets	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 1 January 2019	2.820	589	1.357	-	-	8.720	13.486
Cost							
Opening balance at 1 January 2018	6.168	3.916	1.057	1.456	-	-	12.597
Additions	-	56	-	-	12.341	-	12.397
Disposals	(194)	-	-	-	-	-	(194)
Closing balance at 31 March 2018	5.974	3.972	1.057	1.456	12.341	-	24.800
Accumulated depreciation							
Opening balance at 1 January 2018	(3.766)	(3.453)	(329)	(1.456)	-	-	(9.004)
Depreciation for the period	(176)	(61)	(88)	-	(7)	-	(332)
Disposals	9	-	-	-	-	-	9
Closing balance at 31 March 2018	(3.933)	(3.514)	(417)	(1.456)	(7)	-	(9.327)
Carrying amounts at 31 March 2018	2.041	458	640	-	12.334	-	15.473
Carrying amounts at 1 January 2018	2.402	463	728	-	-	-	3.593

(*) Grup'un kiracı olarak faaliyet kiralaması yoluyla kiraladığı menkul ve gayrimenkullerin TFRS-16 standardı uyarınca sabit kıymetlerinde sınıflandırdığı işlemlerden oluşmaktadır.

31 Mart 2019 ve 31 Mart 2018 tarihleri itibarıyla, Grup'un maddi duran varlıklarının üzerine herhangi bir rehin ve ipotek bulunmamaktadır.

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12. INTANGIBLE ASSETS

For the periods ended 31 March 2019 and 31 March 2018, movements in intangible assets except goodwill are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
<u>Cost</u>		
Opening balance at 1 January	8.966	7.215
Additions	122	518
Transfer	-	-
Disposals	-	(68)
Closing balance at the end of the period	<u>9.088</u>	<u>7.665</u>
<u>Amortization</u>		
Opening balance at 1 January	(4.694)	(3.441)
Amortization for the period	(338)	(281)
Transfer	-	-
Disposals	-	-
Closing balance at the end of the period	<u>(5.032)</u>	<u>(3.722)</u>
Carrying amounts(*)	<u>4.056</u>	<u>3.943</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 2019, net amount of goodwill is TL 166 (31 December 2018: TL 166). Based on TFRS 3, for the annual periods beginning on 1 January 2005, after the reporting period ended on 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

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13. DEFERRED TAX ASSETS AND LIABILITIES

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

<u>Temporary time differences subject to deferred tax</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Expected Credit Loss / Specific provisions	131.007	132.801
Valuation differences on financial instruments	81.338	24.411
Unearned factoring income	11.634	8.916
Provision for lawsuit	5.026	4.823
Reserve for employee benefits	5.144	4.510
Employee bonus accrual	2.635	4.138
Unused vacation provision	1.965	1.581
Provision for expected loss	931	-
Prepaid expenses	598	582
Expense accruals	425	237
Tax base differences in tangible and intangible assets	(4.473)	(4.805)
Finance lease adjustment	(7.553)	(4.558)
Finance lease income accruals	(49.806)	(40.228)
	178.871	132.408

<u>Deferred tax assets / (liabilities)</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Expected Credit Loss / Specific provisions	25.613	27.578
Valuation differences on financial instruments	17.894	5.370
Unearned factoring income	2.559	1.962
Provision for lawsuit	1.106	1.061
Reserve for employee benefits	1.049	916
Employee bonus accrual	580	910
Unused vacation provision	407	328
Provision for expected loss	205	-
Expense accruals	132	128
Prepaid expenses	94	52
Tax base differences in tangible and intangible assets	(941)	(1.012)
Finance lease adjustment	(1.511)	(911)
Finance lease income accruals	(10.957)	(8.850)
Deferred tax asset	36.230	27.532

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

Movements in deferred tax assets are as follows:

	<u>31 Mart 2019</u>	<u>31 Mart 2018</u>
Opening balance at 1 January	27.532	26.563
Deferred tax income / (expense)	8.698	(4.111)
Effect of Changes in Accounting Policies	-	13.231
Closing balance at 31 March	36.230	35.683

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14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Assets held for sale (*)	1.360	-	939	-
	1.360	-	939	-

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

15. OTHER ASSETS

As at 31 March 2019 and 31 December 2018, details of other assets are as follows:

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	14.937	-	20.493	-
Leasing Contracts in Progress	12.921	47.781	20.010	30.076
Advances Given for Lease Transactions	6.045	58.701	4.691	47.571
Other Finance Lease Receivables	5.674	6.636	5.104	5.859
Amounts to be invoiced	3.351	280	710	7
Deposits given	41	8	40	20
Advanced given	103	-	24	-
Others	4.646	422	4.994	347
	47.718	113.828	56.066	83.880

16. FUNDS BORROWED

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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Short-term borrowings	2.701.574	1.353.057	1.805.825	895.245
Short-term portion of long-term borrowings	20.680	228.964	19.728	303.850
Total short-term borrowings	2.722.254	1.582.021	1.825.553	1.199.095
Long-term borrowings	293.799	1.221.047	241.648	1.638.928
Total long-term borrowings	293.799	1.221.047	241.648	1.638.928
Total borrowings	3.016.053	2.803.068	2.067.201	2.838.023

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

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16. FUNDS BORROWED (Continued)

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

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 March 2019</u>
TL	17,68%-35,00%	2.651.860	2.651.860
USD	2,56%-4,60%	38.821.706	218.504
Euro	0,50%-5,61%	174.120.636	1.100.233
GBP	1,96%-4,50%	1.355.742	9.945
Interest accruals			74.089
TOTAL			4.054.631

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2018</u>
TL	17,68%-35,00%	1.780.114	1.780.114
USD	2,56%-4,60%	222.698	1.172
Euro	0,50%-5,61%	144.026.965	868.193
GBP	1,96%-4,50%	1.286.189	8.557
Interest accruals			43.034
TOTAL			2.701.070

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

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

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 March 2019</u>
TL	20,63%-18,54%	250.000	250.142
USD	1,51%-5,68%	76.169.457	428.712
Euro	0,80%-4,84%	171.810.416	1.085.636
TOTAL			1.764.490

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2018</u>
TL	20,63%-18,54%	200.000	200.000
USD	1,51%-5,68%	115.971.655	610.115
Euro	0,80%-4,84%	231.260.470	1.394.039
TOTAL			2.204.154

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

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16. FUNDS BORROWED (Continued)

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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Fixed rate	2.951.329	1.089.333	2.005.802	941.512
Variable rate	64.724	1.713.735	61.399	1.896.511
	3.016.053	2.803.068	2.067.201	2.838.023

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

As at 31 March 2019, the Group has available credit limit of TL 6.146.000 which has fulfilled all necessary conditions but has not been used. (31 December 2018: TL 13.026.317).

17. OTHER LIABILITIES

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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Advances received (**)	17.714	32.443	17.228	32.251
Value Added Tax	7.665	-	10.505	-
Banking and Insurance Transaction Tax	5.924	-	4.008	-
Payables to suppliers for lease transactions	719	37.262	2.382	32.221
Deferred Income	744	-	844	-
Income Tax Liability	1.138	-	695	-
Social Security Premium Liability	1.882	-	688	-
Other Tax and Liabilities	53	-	35	-
Other(*)	14.547	27.943	11.778	33.807
	50.386	97.648	48.163	98.279

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

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

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

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18. LEASE PAYABLES

	<u>31 March 2019</u>	<u>31 Decemeber 2018</u>
Lease Payables	1.299	-
	<u>1.299</u>	<u>-</u>

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

	<u>31 Mart 2019</u>	<u>31 December 2018</u>
2019	773	-
2020	445	-
2021	81	-
	<u>1.299</u>	<u>-</u>

19. DEBT SECURITIES ISSUED

	<u>31 March 2019</u>		<u>31 December 2018</u>	
	TL	FC	TL	FC
Bills bonds	1.772.811	-	2.246.681	-
Bonds issued	-	-	-	-
Interest accruals	75.063	-	105.360	-
	<u>1.847.874</u>	<u>-</u>	<u>2.352.041</u>	<u>-</u>

As of 31 March 2019, The characteristics of financing bills issued by the group are as follows:

<u>ISIN CODE</u>	<u>Maturity Starting Date</u>	<u>Nominal Value of Capital Market Instrument Sold</u>	<u>Maturity Date</u>	<u>Sale Type</u>	<u>Coupon Period</u>
TRFISFNA1827	18.10.2018	22.260	21.12.2018	Sale To Qualified Investor	Pay at tenor
TRFISFN41924	04.12.2018	16.000	03.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41932	14.12.2018	36.600	12.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41940	18.12.2018	115.409	17.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN51915	10.01.2019	330.000	10.05.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN41957	22.01.2019	182.500	17.04.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN51923	28.01.2019	264.000	27.05.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN81912	20.02.2019	134.571	09.08.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN71913	12.03.2019	93.000	23.07.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN71921	19.03.2019	99.500	23.07.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN61914	28.03.2019	135.000	25.06.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN61922	03.04.2019	174.500	14.06.2019	Sale To Qualified Investor	Pay at tenor
TRFISFN61930	12.04.2019	146.000	28.06.2019	Sale To Qualified Investor	Pay at tenor

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20. PROVISIONS

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Reserve for employee severance indemnity	5.144	4.510
Provision for employee bonus	2.635	4.138
Vacation pay provision	1.965	1.581
	<u>9.744</u>	<u>10.229</u>

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

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. As at 31 March 2019 and 31 March 2018, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Discount rate	%4,22	%4,49
Inflation	%11,30	%7,00
Estimated probability of retirement	%100	%100

For the periods ended 31 March 2019 and 31 March 2018, movements in reserve for employee severance indemnity are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Balance at the beginning of the year	4.510	3.880
Cost of services	873	368
Amounts paid to employee severance indemnity	(239)	-
Balance at the end of the year	<u>5.144</u>	<u>4.248</u>

The movement of the vacation pay liability for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Balance at the beginning of the year	1.581	1.498
Increase during the period	384	327
Balance at the end of the year	<u>1.965</u>	<u>1.825</u>

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20. PROVISIONS (Continued)

The movement of the provision for employee bonus for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Balance at the beginning of the year	4.138	4.077
Increase during the period	2.635	1.034
Reversals	(1.684)	(390)
Payment made during the period	(2.454)	(2.435)
Balance at the end of the year	<u>2.635</u>	<u>2.286</u>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Provision for lawsuits	5.026	4.823
Provision for general administrative expenses	931	237
Expected Credit Loss for Financial Assets	425	74
	<u>6.382</u>	<u>5.134</u>

Movements in other provisions for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	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

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses	Expected Credit Loss for Financial Assets
31 March 2018				
At the beginning of the year	-	3.753	216	179
Period Expense	-	245	383	509
Payments	-	-	(216)	-
Cancellations	-	-	-	-
At the end of the period	-	3.998	383	688

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21. CURRENT PERIOD TAX ASSET AND PAYABLE

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Refundable Deferred Tax	50.361	60.237
Income taxes withheld	1.423	1.147
Total	<u>51.784</u>	<u>61.384</u>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Current period corporate tax provision (Note:33)	9.876	67.091
Current period investment incentive provision(Note:33)	(9.876)	-
Taxes paid for the current period	-	(111.839)
Refundable Corporate Tax	-	60.237
Corporate tax payable	<u>-</u>	<u>15.489</u>

For the periods ended 31 March 2019 and 31 March 2018, movements of corporate tax payable are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Corporate tax payable at the beginning of the year	15.489	23.360
Current period tax expense	9.876	16.262
Provision for previous period corporate tax	-	(8.727)
Taxes paid during the year	(15.489)	(14.633)
Refundable Corporate Tax	(9.876)	-
Corporate tax payable	<u>-</u>	<u>16.262</u>

22. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 31 March 2019, the non-controlling interests amounting to TL 62.363 (31 December 2018: TL 65.568) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 3.644 (31 December 2018: TL 32.004) have been calculated on the net profit of the subsidiary.

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
“		
Balance at the beginning of the year	65.568	41.088
Fair value changes of marketable securities	439	(696)
Effect of Changes in Accounting Policies	-	(6.828)
From the Profit/Loss of the year	(3.644)	32.004
Balance at the end of the year	<u>62.363</u>	<u>65.568</u>

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23. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 March 2019 nominal capital of the Company is TL 695.303, the share capital of the Company consists of 65.030.264.500 shares Kurus 1 price.

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

Shareholders	(%)	31 March 2019	(%)	31 December 2018
Türkiye Sınai Kalkınma Bankası A.Ş.	29,46	193.253	29,46	193.253
Türkiye İş Bankası A.Ş.	27,79	198.578	27,79	198.578
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 2019	31 December 2018
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Trakya Yatırım Holding A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

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

Capital Reserves

	31 March 2019	31 December 2018
Other Capital Reserves(*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Accumulated Other Comprehensive</i>		
<i>Income/Expenditure Reclassified in Profit/Loss</i>	(73)	(73)
Other Comprehensive Income or Expenses to be Reclassified in Profit or Loss(**)	19.320	16.300
Total	19.247	16.227

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

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

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24. PROFIT RESERVES

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Legal reserves	51.004	44.321
Extraordinary reserves	320.540	169.771
Total	<u>371.544</u>	<u>214.092</u>

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

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

25. PRIOR YEARS’ PROFIT/LOSS

As of 31 March 2019, the group has no profit or loss for the year. (31 December 2018: 40.085).

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2019, TL 1.509.555 of letters of guarantee are given to customs, authorities and banks (31 December 2018: TL 1.685.156).

As at 31 March 2019, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 12.361 (31 December 2018: TL 12.301). The Group has provided a provision amounting to TL 5.026 for litigations (31 December 2018: TL 4.823) in the accompanying consolidated financial statements (Note 17). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 March 2019, the Group has letter of credit commitments of USD 3.624.966, EUR 4.504.600 (TL 48.866) (31 December 2018: USD 5.098.500, EUR 6.135.250 (TL 63.806)).

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

As at 31 March 2019, the Group has lease commitments of USD 2.913.530, EUR 29.167.862 and full TL 67.913.275 (TL 268.618) (31 December 2018: USD 2.796.477, EUR 26.014.727, full TL 42.221.796 (TL 213.751)).

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

As at 31 March 2019 details of derivatives are as follows:

	31 March 2019	
	Amount as	
	Original Currency	TL
Currency Swap Purchases:		
EUR	1.323.041	8.360
TL	2.275.225.956	2.275.226
		2.283.586
Currency Swap Sales:		
USD	93.800.000	527.944
EUR	263.919.957	1.667.657
GBP	1.150.000	8.436
CHF	1.435.500	8.095
		2.212.132

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26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

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

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

The Group has no unrealized loss and TL 2.979.290 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 March 2019 (Note 4) (31 December 2018: TL 72.110 unrealized loss and TL 96.521 unrealized income).

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

	Short Term	Long Term	Total
Currency Swap Purchases	2.002.509	281.077	2.283.586
Currency Swap Sales	1.954.800	257.332	2.212.132
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

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

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

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27. SEGMENT REPORTING

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

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

Business segments

The Group comprises the following main business segments:

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

<u>31 March 2019</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	5.973.948	3.140.458	(53.766)	9.060.640
Total liabilities	5.067.106	2.854.060	-	7.921.166
Net profit for the year	2.175	(16.740)	3.644	(10.921)

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

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27. SEGMENT REPORTING (Continued)

<u>31 March 2019</u>	Leasing	Factoring	Consolidation Adjustments	Total
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 before tax	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)
<u>31 March 2018</u>	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	103.012	107.801	-	210.813
Financial Expenses (-)	(76.445)	(107.744)	-	(184.189)
Gross Profit / Loss	26.567	57	-	26.624
Operating Expense (-)	(10.715)	(7.194)	-	(17.909)
Gross Operating Profit/Loss	15.852	(7.137)	-	8.715
Other Operating Income	64.630	54.341	-	118.971
Provisions (-)	(5.969)	(1.412)	-	(7.381)
Other operating Expenses (-)	(34.334)	(42)	-	(33.867)
Net Operating Profit / Loss	40.179	45.750	-	85.929
Profit or Loss from Continuing Operations	40.179	45.750	-	85.929
Provision for Taxes from Continuing Operations (±)	(11.091)	(9.282)	-	(20.373)
Net Profit or Loss from Continuing Operations	29.088	36.468	-	65.556
Non-controlling Interests	-	-	(7.939)	(7.939)
Net Profit or Loss for the Period	29.088	36.468	(7.939)	57.617
Fixed Asset Additions	12.533	382	-	12.915
Depreciation and Amortisation	(420)	(193)	-	(613)

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28. EVENTS AFTER THE REPORTING PERIOD

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 174.500 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 3 April 2019. The bond have a maturity of 14 June 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 146.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 22 April 2019. The bond have a maturity of 28 June 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 160.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 58/1324 dated 23 November 2018). Issuance of bond was held on 17 April 2019. The bond have a maturity of 09 July 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 160.000 has been paid on 3 April 2019.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 68.500 has been paid on 5 April 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 36.600 has been paid on 12 April 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 115.409 has been paid on 17 April 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 182.500 has been paid on 17 April 2019.

Bond issued by İş Factoring A.Ş. having nominal value of TL 67.700 has been paid on 5 April 2019.

29. OPERATING INCOME

For the periods ended 31 March 2019 and 31 March 2018, details of operating income are as follows:

	31 March 2019	31 March 2018
Finance Lease income	120.380	102.907
Operating lease income	239	105
Factoring income	160.823	107.801
	281.442	210.813

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30. OPERATING EXPENSES

For the periods ended 31 March 2019 and 31 March 2018, operating expenses are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Personnel expenses	(13.835)	(11.831)
Depreciation and amortization expenses	(1.514)	(613)
Office rent expenses	(1.100)	(1.407)
Provision for employee severance indemnity	(873)	(368)
Information technology expenses	(778)	(664)
Board of Directors attendance fee	(652)	(580)
Travel and car expenses	(351)	(571)
Taxes, duties and charges	(484)	(342)
BRSA participation fee	(437)	(304)
Communication expense	(126)	(154)
Consultancy expenses	(120)	(178)
Advertising expense	(75)	(128)
Capital increase expense	(57)	(62)
Insurance expense	(53)	(18)
Representation expense	(38)	(47)
Write-off expenses	-	-
Other general administrative expenses	(621)	(642)
	<u>(21.114)</u>	<u>(17.909)</u>

31. OTHER OPERATING INCOME

For the periods ended 31 March 2019 and 31 March 2018, details of other operating income are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Foreign exchange gains	121.688	13.495
Income from derivative financial transactions	16.378	74.532
Collections from prior period non-performing receivables and cancellation income	6.085	20.160
Dividend income	4.380	5.371
Interest income	3.902	1.189
Commission income	976	1.334
Other	28.547	2.890
	<u>181.955</u>	<u>118.971</u>

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32. FINANCE EXPENSES

For the periods ended 31 March 2019 and 31 March 2018, details of finance expenses are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Interest expense on funds borrowed	(124.658)	(125.615)
Interest expense on debt securities issued	(120.570)	(50.804)
Fees and commissions expense	(12.126)	(7.770)
Interest expense related to rents	(14)	-
	<u>(257.368)</u>	<u>(184.189)</u>

33. PROVISIONS

For the periods ended 31 March 2019 and 31 March 2018, details of provision for non-performing receivables are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Expected Credit Loss	(18.809)	(918)
Specific provision expenses	(96.946)	(6.463)
	<u>(115.755)</u>	<u>(7.381)</u>

34. OTHER OPERATING EXPENSES

For the periods ended 31 March 2019 and 31 March 2018, details of other operating expenses are as follows:

	<u>31 March 2019</u>	<u>31 March 2018</u>
Exchange difference expenses	-	-
Losses from derivative financial transactions	(80.946)	(32.587)
Other	(1.601)	(1.789)
	<u>(82.547)</u>	<u>(34.376)</u>

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

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

The difference as foreign currency expenses difference between income/loss is at amounting TL 43.275 from measurement difference of such transactions in the Group’s financial statements as at 31 March 2019 (31 December 2018: TL 20.134 foreign exchange gain). The difference is expected to be substantially expired at the maturity of transactions.

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35. TAXATION

For the periods ended 31 March 2019 and 31 March 2018, details of tax expense are as follows:

	31 March 2019	31 March 2018
Current corporate tax charge	(9.876)	(16.262)
Deferred tax income/(expense)	8.698	(4.111)
	(1.178)	(20.373)

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

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20 % (31 December 2017: 20 %). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

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35. TAXATION (Continued)

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

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

Income Withholding Tax

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

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

Investment Incentives

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

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

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35. TAXATION (Continued)

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

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

The statement “the amount of investment allowance to be utilized may not exceed 25% of earnings for the year” which was previously added to the temporary article 69 1st clause, of Income Tax Law with the 5th article of Law numbered 6009, was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

Transfer Pricing

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

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

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

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36. EARNINGS PER SHARE

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

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

The weighted average number of shares of the Group and earnings per share for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	<u>1 January- 31 March 2019</u>	<u>1 January- 31 March 2018</u>
Weighted average number of outstanding shares (*)(**)	69.530.264.500	65.030.264.500
Net profit for the year (TL)	(10.921)	57.617
Basic earnings per share (full TL)	(0,016)	0,0008

(*) As at 31 March 2019, the share capital of the Company consists of 69.530.264.500 shares having Kurus 1 nominal price.

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Number of shares at beginning of the year	65.030.264.500	65.030.264.500
Capital increase (**)	4.500.000.000	4.500.000.000
Number of shares at end of the year	<u>69.530.264.500</u>	<u>69.530.264.500</u>

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

None.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Funds borrowed	5.819.121	4.905.224
Debt securities issued	1.847.874	2.352.041
Other liabilities	148.034	146.441
Total liabilities	<u>7.815.029</u>	<u>7.403.706</u>
Cash and Cash Equivalents (-)	<u>(478.321)</u>	<u>(272.569)</u>
Net liabilities	<u>7.336.708</u>	<u>7.131.137</u>
Total shareholders’ equity	1.139.475	1.150.581
Shareholders’ equity / liabilities	16%	16%

According to the credit rating reports of Fitch issued at 3 October 2018, credit ratings of the Company are as follows:

Foreign Currency

Long term	B+
Short term	B
Outlook	Negative

TL

Long term	BB-
Short term	B
Outlook	Negative

National

Long term	A+ (tur)
Outlook	Stable
Support	4

(b) Significant accounting policies

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 March 2019	31 December 2018
<u>Financial Assets:</u>		
Cash and Cash Equivalents	478.321	272.569
Financial Assets at Fair Value Through Profit or Loss	9.526	859
Derivative Financial Assets	7.374	72.110
Finance lease receivables and non-performing receivables, net	5.166.543	5.321.898
Leasing Contracts in Progress	60.702	50.086
Advances Given for Lease Transactions	64.745	52.262
Other Finance Lease Receivables	12.309	10.963
Factoring receivables and non-performing factoring receivables, Net	3.083.090	2.724.877
Financial Assets at Fair Value Through Other Comprehensive Income	45.082	41.622
<u>Financial Liabilities:</u>		
Derivative financial liabilities at fair value	(88.712)	(96.521)
Finance Lease Obligations	(1.299)	-
Other liabilities	(148.034)	(146.442)
Funds borrowed	(5.819.121)	(4.905.224)
Debt securities issued	(1.847.874)	(2.352.041)

(*) Included in other receivables.

(d) Financial risk management objectives

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

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

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

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

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

(f) Currency risk management

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

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

31 March 2019 (*)	USD (000)	Avro (000)	CHF (000)	GBP (000)	JPY (000)	AUD (000)	TL Equivalent
Banks	4.552	70.501	17	61	26	16	471.713
Finance lease receivables	162.739	441.567	1.506	-	-	-	3.714.627
Factoring receivables	49.243	101.027	-	2.732	-	-	935.340
Advances given for lease transactions	2.672	6.786	-	107	-	-	58.701
Leasing contracts in progress	2.939	4.944	-	-	-	-	47.781
Other receivables from leasing transactions	207	866	-	-	-	-	6.636
Other assets	36	80	-	-	-	-	710
Total assets (**)	222.388	625.771	1.523	2.900	26	16	5.235.508
Funds borrowed(*)	(116.368)	(348.623)	-	(1.356)	-	-	(2.867.791)
Lease Obligations	-	(174)	-	-	-	-	(1.101)
Other provisions	(1)	(841)	-	-	-	-	(5.334)
Other Liabilities	(5.146)	(10.864)	-	(5)	-	-	(97.648)
Total liabilities (**)	(121.516)	(360.504)	-	(1.361)	-	-	(2.971.874)
Balance sheet position	100.831	265.267	1.523	1.539	26	16	2.263.634
Off balance sheet position	(93.799)	(262.597)	(1.436)	(1.150)	-	-	(2.203.772)
Net foreign currency position	7.032	2.670	87	389	26	16	59.862

(*) As at 31 March 2019, foreign currency indexed borrowings amounting to EUR 10.243 (Total: TL 64.723), foreign currency indexed factoring receivables amounting to USD 3.087, EUR 11.018 (Total: TL 86.995) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 March 2019, accruals of derivative assets amounting to TL 2.979.290 and derivative liabilities amounting to TL 0 are not included.

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35. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

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

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

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

Foreign currency sensitivity

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

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

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36. 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 2019				
15% change of the USD against TL				
1- Net USD asset/liability	85.128	(85.128)	85.128	(85.128)
2- Hedged portion of TL against USD risk (-)	(79.191)	79.191	(79.191)	79.191
3- Net effect of USD (1+ 2)	5.937	(5.937)	5.937	(5.937)
15% change of the Euro against TL				
4- Net Euro asset/liability	251.425	(251.425)	251.425	(251.425)
5- Hedged portion of TL against Euro risk (-)	(248.895)	248.895	(248.895)	248.895
6- Net effect of Euro (4+5)	2.530	(2.530)	2.530	(2.530)
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	502	(502)	502	(502)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	502	(502)	502	(502)
TOTAL (3+6+9)	8.969	(8.969)	8.969	(8.969)

(*) Includes profit/loss effect.

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

(*) Includes profit/loss effect.

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

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

Interest rate sensitivity

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Cash and Cash Equivalents	446.310	242.790
Finance lease receivables (*)	5.047.640	5.186.777
Other Finance Lease Receivables	12.309	10.963
Factoring receivables	2.367.505	2.027.450
Financial liabilities:		
Funds borrowed	4.040.662	2.947.314
Debt securities issued	1.847.874	2.352.041
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	118.903	135.121
Factoring receivables	715.585	697.427
Financial liabilities:		
Borrowings	1.778.459	1.957.910
Debt securities issued	-	-

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

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

Interest income from finance leases with variable interest rates would be higher at an amount of TL 326 (31 March 2018: TL 229).

Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 3.529 (31 March 2018: TL 3.005).

Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 4.152 (31 March 2018: TL 18.660).

(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 157 (31 December 2018: TL 2.152).

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

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

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

Sectoral allocation of finance lease receivables is as follows:

	<u>31 March 2019(%)</u>	<u>31 December 2018(%)</u>
Construction	23,62	24,55
Metal industry	10,74	10,93
Textile	12,17	10,49
Energy	8,06	-
Transportation	7,56	7,80
Mining	6,61	6,47
Chemical and plastic	5,78	5,74
Healthcare	4,52	4,54
Food and beverage	3,54	3,67
Retail and wholesale	2,39	2,82
Finance	2,85	2,51
Forestry products and paper	2,31	2,39
Agriculture and forestry	2,01	2,05
Machinery and equipment	1,84	1,96
Tourism	1,26	1,47
Other	4,74	12,61
	<u>100,00</u>	<u>100,00</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 March 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 March 2019								
Exposure to maximum credit risk as at reporting date (*)	81.185	5.085.358	48.225	3.034.865	9.526	2.642.102	45.082	2.979.290
- The portion of maximum risk covered by guarantee	-	563.535	-	219.174	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	81.185	4.294.020	48.225	2.759.763	9.526	2.642.102	45.082	2.979.290
- The portion covered by guarantee	-	443.723	-	157.803	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	40	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	667.700	-	62.598	-	-	-	-
- The portion covered by guarantee	-	107.296	-	61.371	-	-	-	-
				-				
D. Net carrying value of impaired assets	-	123.638	-	212.464	-	-	-	-
- Overdue (gross book value)	-	247.250	-	212.464	-	-	-	-
- Impairment (-)	-	(141.197)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	12.516	-	-	-	-	-	-
(**) -	-	-	-	-	-	-	-	-
- Not past due (gross book value)	-	26.811	-	-	-	-	-	-
- Impairment (-)	-	(9.226)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-	-	-
(**) -	-	-	-	-	-	-	-	-

E. Off balance sheet items with credit risks

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	<u>Receivables</u>				<u>Cash and Cash Equivalents</u>	<u>Financial Assets at Fair value through profit/loss</u>	<u>Financial Assets at Fair Value Through Other Comprehensive Income (***)</u>	<u>Derivative Financial Assets</u>
	<u>Finance Lease Receivables</u>	<u>Factoring Receivables</u>						
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>				
31 December 2018								
Exposure to maximum credit risk as at reporting date (*)	84.428	5.350.779	21.076	2.703.801	272.569	859	41.622	72.110
- The portion of maximum risk covered by guarantee	-	572.858	-	205.746	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	84.428	4.283.194	21.076	2.675.517	272.569	859	41.622	72.110
- The portion covered by guarantee	-	509.787	-	201.067	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	746	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	937.801	-	20.349	-	-	-	-
- The portion covered by guarantee	-	50.526	-	4.679	-	-	-	-
				-				
D. Net carrying value of impaired assets	-	129.785	-	7.189	-	-	-	-
- Overdue (gross book value)	-	233.384	-	31.016	-	-	-	-
- Impairment (-)	-	(135.330)	-	(23.827)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	12.545	-	-	-	-	-	-
(**)	-	-	-	-	-	-	-	-
- Not past due (gross book value)	-	33.008	-	-	-	-	-	-
- Impairment (-)	-	(1.277)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-	-	-
(**)	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks								

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

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

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

	31 March 2019		31 December 2018	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	76.102.206	7.396.576	73.546.054	7.196.698
Collaterals of factoring transaction	9.182.494	206.621	8.772.559	189.749
Guaranties of factoring transaction	1.164.500	-	1.293.956	-
Mortgage	1.154.772	275.571	1.132.352	290.123
Pledged accounts	762.533	58.748	744.055	61.540
Pledged commercial	215.000	49.094	215.000	51.369
Pledged shares	179.623	75.036	172.996	74.329
Sureties of credit guarantee fund	175.614	142.492	165.380	140.457
Pledged vehicles	153.658	43.842	153.208	48.612
Guarantors	60.828	86	60.391	130
Commercial receivable insurance	33.594	-	32.140	-
Letters of guarantee	30.800	24.207	31.810	8.023
Pledged movable	29.688	6.769	30.800	19.983
Ship mortgage	14.071	-	13.152	-
Collaterals given by vendors	8.591	-	7.442	3.085
Cash blockages	7.708	2.343	7.275	-
Funds bonds as collateral	3.004	-	2.450	1.356
Share certificates	2.450	490	1.735	-
Collaterals of leasing transaction	1.251	-	1.295	-
Pledged machines	502	-	502	-
Pledged account	-	-	-	-
	89.282.887	8.281.875	86.384.552	8.085.455

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

(j) Liquidity risk management

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

Liquidity risk table

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table

31 March 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	478.321	478.743	281.769	196.974	-	-
Financial Assets at Fair value through profit and Loss	9.526	9.526	9.526	-	-	-
Lease Receivables (*)	5.166.543	5.849.529	793.313	1.673.017	3.286.763	96.436
Factoring Receivables	3.083.090	3.141.559	2.765.018	376.541	-	-
Other Lease Receivables	12.310	12.310	12.310	-	-	-
Total Assets	8.749.790	9.491.667	3.861.936	2.246.532	3.286.763	96.436
Non-derivative Financial Liabilities:						
Funds Borrowed	5.819.121	6.031.418	3.086.974	1.309.270	1.505.577	129.597
Debt Securities Issued	1.847.874	1.903.880	1.576.809	327.071	-	-
Lease Obligations	1.299	1.299	254	780	265	0
Other Liabilities	148.033	148.033	143.359	-	4.674	-
Total Liabilities	7.816.328	8.084.631	4.807.397	1.637.121	1.510.516	129.597

31 December 2018

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk table (Continued)

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

31 March 2019		Contractual	Less than	3-12		More
<u>Contractual Maturities</u>	<u>Carrying</u>	<u>Cash Flows</u>	<u>3 Months</u>	<u>Months</u>	<u>1-5 Years</u>	<u>than 5</u>
	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>	<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	71.454	2.283.586	1.665.975	336.534	281.077	-
Cash outflows from derivatives	-	2.212.132	1.633.112	321.688	257.332	-
31 December 2018		Contractual	Less than	3-12		More
<u>Contractual Maturities</u>	<u>Carrying</u>	<u>Cash Flows</u>	<u>3 Months</u>	<u>Months</u>	<u>1-5 Years</u>	<u>than 5</u>
	<u>Amount</u>	<u>(I+II+III+IV)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>	<u>Years</u>
						<u>(IV)</u>
Cash inflows from derivatives	70.496	1.714.064	1.355.041	77.533	281.490	-
Cash outflows from derivatives	-	1.643.568	1.325.184	72.193	246.191	-

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

31 March 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	-	478.321	-	-	-	478.321	478.321	4
Financial Assets at Fair Value Through Profit or Loss	9.526	-	-	-	-	9.526	9.526	5
Financial Assets at Fair Value Through other comprehensive Income	-	-	-	45.082	-	45.082	45.082	7
Derivative financial assets	7.374	-	-	-	-	7.374	7.374	6
Finance lease receivables and non-performing lease receivables	-	-	5.166.543	-	-	5.166.543	4.965.044	9
Factoring receivables and non-performing factoring receivables	-	-	3.083.090	-	-	3.083.090	3.083.090	8
<u>Financial liabilities</u>								
Derivative financial Liabilities	88.712	-	-	-	-	88.712	88.712	6
Other liabilities	-	-	-	-	148.033	148.033	148.033	17
Lease Payables	-	-	-	-	1.299	1.299	1.299	18
Funds borrowed	-	-	-	-	5.819.121	5.819.121	5.761.132	16
Debt securities issued	-	-	-	-	1.847.874	1.847.874	1.892.399	19

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

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

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38. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(l) Fair value hierarchy

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

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

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

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

31 March 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	9.526	-	9.526
Derivative financial assets	-	7.374	-	7.374
Financial Assets at Fair Value Through Other Comprehensive Income	40.357	-	686	41.043
Total financial assets carried at fair value	40.357	16.900	686	57.943
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-
31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	-	859	-	859
Derivative financial assets	-	72.110	-	72.110
Financial Assets at Fair Value Through Other Comprehensive Income	36.897	-	686	37.583
Total financial assets carried at fair value	36.897	72.969	686	110.552
Derivative financial liabilities	-	96.521	-	96.521
Total financial liabilities carried at fair value	-	96.521	-	96.521