



# 2017

## ACTIVITY REPORT







✓ CONFORMITY REPORT OF  
ANNUAL ACTIVITY REPORT**INDEPENDENT AUDITOR'S REPORT ON  
ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS****To The Board of Directors of Vakıf Finansal Kiralama Anonim Şirketi;  
Report on Annual Activity Report of Board of Directors within the scope of  
External Audit Guidelines**

1. We have audited annual activity report of Vakıf Leasing Inc. ("Company"), and its subsidiaries (hereafter referred as "Group") for the accounting period ending on 31 December, 2017.

**Responsibility of Board of Directors for the Annual Activity Report**

2. Company's management is responsible for preparation of annual activity report, which coincides with consolidated financial statements in accordance with Turkish Commercial Code ("TCC") under article 514 of law number 6102, and which reflects provisions of "Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1)" ("Communiqué") of Capital Markets Board ("CMB"), and for assurance of internal control required for preparation of such an activity report.

**Responsibility of Independent Auditor**

3. Our responsibility is to issue an opinion based on the independent audit we carried out in accordance to article 397 of TCC and Communiqué, in order to evaluate whether the financial information in this activity report coincides with consolidated financial statements of the independent auditors report of Group, dated 18 February, 2015.

We carried out an independent audit in accordance to External Audit Standards, which is a part of Turkish Auditing Standards issued by Public Oversight Accounting and Auditing Standards Authority. These standards ensure reconciliation to ethical provisions and executions and assure that independent audit and financial information within this activity report coincide with consolidated financial statements.

Independent audit involves application of audit procedures in order to obtain audit evidence about historical financial data. The selection of such procedures is based on professional judgment of independent auditor.

We believe that audit evidence we obtain while an independent audit is sufficient and appropriate to provide a basis for an audit opinion.



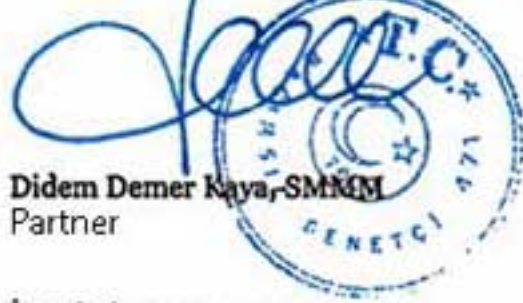
#### Opinion

4. As a result of our assessment, we found no evidence of inconsistency regarding the information stated in audited financial data of Board of Directors and consolidated financial statements.

#### Other liabilities arising from legislation

5. In accordance with the third paragraph of Article 402 of Turkish Commercial Code, law number 6102; there was no evidence that need to be reported about that Vakıf Leasing Inc. cannot continue on activities in the foreseeable future within the framework of BDS 570 "continuity of business".

**PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**

  
**Didem Demer Kaya, SMMM**  
Partner

**İstanbul, 1 March 2017**





# Future Towards You

**We understand the future well and we shape it for your investments.**

With 29 years of experience, Vakif Leasing offers leasing advantages in a special and innovative manner, adding value to your productions and turning your opportunities into profitable.



 **Vakif Leasing**  
Future Towards You





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*Vakıf Leasing  
In its 29<sup>th</sup> Year*



MESSAGE FROM  
CHAIRMAN



## ✓ MESSAGE FROM CHAIRMAN



Dear Stakeholders,

The year 2017 was a year in which the global economy could not get out of the low growth spell and the overall outlook grew upward. In its report on global economic outlook, the OECD said that it had kept its global growth forecast of 3.5% previously for 2017, while it raised its 2018 growth estimate to 3.7%. At the beginning of the developed economies, the US economy grew by 3.3% in the third quarter of 2017, above expectations. The US economy is expected to close the year with 2.3% growth. Eurozone growth of 2.6% in the third quarter. The economic activity in the region pointed to the Brexit decision, a relatively positive outlook compared to the economic crisis in Greece and the political uncertainties in Spain. The eurozone is expected to finish 2017 with a growth rate of 2.3%.

While there these developments in the global economy, Turkey's economy and the Credit Guarantee Fund in the active fiscal policy of 2017 (CGF) within the scope of the economy's gross result of the stimulus investment of loans granted domestic product (GDP) of 5.3% and 5.4% respectively in the first two quarters of the year it increased. Turkey's economy in the third quarter from the third quarter of 2011 by exhibiting the best performance seen since has grown by 11.1% on an annual basis. Thus, the highest growth rate of the last 6 years has been realized. GDP in the third quarter of 2017 increased by 24.2% in current prices and amounted to 827 billion 230.1 million TL.



*The year 2017 was a year in which the global economy could not get out of the low growth recession and the growth in overall outlook had an upward momentum. In its report on global economic outlook, the OECD said that it had kept its global growth forecast of 3.5% previously for 2017, while it raised its 2018 growth estimate to 3.7%. At the beginning of the developed economies, the US economy grew by 3.3% in the third quarter of 2017, above expectations. The US economy is expected to close the year with 2.3% growth.*



In 2017, total assets in the leasing sector increased by 19,70% to TRY 58,053,131 Thousand, leasing receivables increased by 18,10% to TRY 51,989,917 Thousand and the sector's total profit increased by 1.95% to TRY 940,052 Thousand and shareholders' to TRY 8.567.392 Thousand.

When we look at our Company in 2017, our total assets increased by 24,24% to TRY 2,095,369 Thousand, our leasing receivables increased by 21,45% to TRY 1,880,201 Thousand and our net period profit increased by 45,25% to TRY 33,819 Thousand, while our shareholders' equity increased by 20,60% to TRY 205,138 Thousand.

By this means; We would like to thank our valued customers who have a great share in our successes, our dedicated employees and our shareholders for the confidence they have heard and our investors on behalf of our Company while we wish that the same success will continue to increase with the strength of 30 years of experience.

Best Regards,

  
SERDAR TUNÇBİLEK  
Chairman of the Board



## MESSAGE OF THE GENERAL MANAGER



## ✓ MESSAGE OF THE GENERAL MANAGER



*Vakıf Leasing, which will celebrate the 30th anniversary of its founding in 2018, continues to act as an intermediary for the investments of our country with its strong financial structure and the confidence given by its dominant shareholder, Vakıfbank. Our company, which is one of the important actors of the financial leasing sector which also keeps the pulse of the economy because of direct financing of investment and production, continues to contribute to our country's economy in 2017 with its customer-oriented approach without sacrificing its asset quality.*

Dear stakeholders,

Vakıf Leasing, which will celebrate the 30th anniversary of its founding in 2018, continues to act as an intermediary for the investments of our country with its strong financial structure and the confidence given by its dominant shareholder, Vakıfbank. Our company, which is one of the important actors of the financial leasing sector which also keeps the pulse of the economy because of direct financing of investment and production, continued to contribute to our country's economy in 2017 with its customer-oriented approach without sacrificing its asset quality.

Our company, which makes the financial solutions given to locomotives SMEs by our industrial sector, which makes up 75% of our country's employment and achieves 56% of its exports and has limited access to financial resources in the confidence environment created by strong fiscal policies applied in our country, will continue with an effective role.

In 2017, the Company's total assets increased by 24% to TRY 2,095,369 Thousand and leasing receivables increased by 21% to TRY 1,880,201 Thousand. Our company achieved the highest profit of Company history with TRY 33,191 Thousand profit with TRY 205,138 Thousand of equity capital accumulation in the direction of sustainable, healthy and long term growth strategy. In order to improve the diversity of financial resources, the first bond was exported in 2017 and the year 2018 is continuing to work on the issue of sukuk export.

Our company will continue to create value added to its customers and shareholders through long term sales and marketing policies in line with its strategic goals in order to contribute to the growth of the national economy by diversifying financial solutions according to the needs and expectations of its customers in 2018.

By this means; We would like to thank Vakıfbank for our support to our company, our other shareholders, our Board of Directors, our trustworthy customers, our business partners and all our employees, who have contributed to the success of our Company and have contributed to the success of our Company and who are our founders and our main shareholders. I offer my respects.

Best Regards,

ŞEREF AKŞAK  
General Manager



MEMBER OF THE  
BOARDS





Left to Right

Mahmut Süleyman GÜVEN  
Member of the Board

Hüseyin KEÇECİ  
Member of the Board

Şeref AKSAÇ  
General Manager

Serdar TUNÇDİLER  
Chairman of the Board

Şeyh Mehmet BOZ  
Member of the Board, Deputy Chairman

İbrahim Halil ÇİFTÇİ  
Member of the Board

Alper ERDOY  
Member of the Board



**EXECUTIVE  
BOARD MEMBERS AND  
THEIR PERSONEL  
BACKGROUND**



## ✓ EXECUTIVE BOARD MEMBERS AND THEIR PERSONEL BACKGROUND



**Serdar TUNÇBİLEK**

Chairman of the Board

(14.6.2017 - ...)

Serdar Tunçbilek graduated from the Faculty of Political Sciences of Ankara University and started his career in 1985 as an Inspector at T. Emlak Bankası A.Ş. After 4 years as an Inspector, Tunçbilek undertook the positions of Credit Marketing, Credit Monitoring, Securities Department and Düsseldorf Financial Services Branch Director for 11 years and General Secretary at Egebank A.Ş. between 2000-2001. Between 2001-2005 Serdar Tunçbilek worked as Deputy Head of the Department at B.D.D.K. (Banking Regulation and Supervision Agency), 2006-7 served as Group Coordinator and Deputy Head of Department at T.M.S.F (Savings Deposits Insurance Fund). At the same time, Tunçbilek, T.M.S.F. a member of the Board of Directors, a Member of the Supervisory Board and Chairman of the Board of Directors. Tunçbilek was elected as a member of the Board of Directors of T. Vakıflar Bankası TAO in 2007 and has been serving as Vice General Manager of Vakıf Sistem Pazarlama, Vakıf Yatırım Menkul Değerler, Vakıf Securities and Vakıf Portföy A.Ş. between 2008 and 2014 as well as the Credit Committee and Audit Committee Members for 5 years. He is a member of the Board of Directors and Chairman of the Board of Directors. Between the years 2014-2017, Güneş Sigorta A.Ş. Serving as a Board Member Serdar Tunçbilek has been serving as the Chairman of the Board of Directors since 14.06.2017.



**Şeyh Mehmet BOZ**

Member of the Board, Deputy Chairman

(14.06.2017 - ...)

Şeyh Mehmet Boz graduated from Çukurova University Faculty of Economic and Administrative Sciences Department of Economics and completed his Master's degree in the same department. He started his banking career in 1995 as an Assistant Inspector at Vakıfbank. After serving for six years as Assistant Manager and Manager in branches of Istanbul and Adapazarı, he served as the President of the General Accounting and Finance Department, the Retirement and Health Care Department, the Head of the SME Banking Department and the Head of the Retail and SME Loans respectively. Boz, who was brought to Istanbul First District Directorate in 2015, was appointed as Assistant General Manager on 1 August 2017. Boz is married with two children and speaks English. Since 14.06.2017, he has served as Vice Chairman of the Board of Directors.



**Alper ERSOY**

Member of the Board

(12.04.2016 - ...)

Born in 1978 in Izmir, Alper ERSOY graduated from ITU Department of Business Engineering in 2000. T.Vakıflar Bankası T.A.O. Alper ERSOY, who started as an "Assistant Inspector" in the Board of Inspectors, respectively, is a member of T.Vakıflar Bankası T.A.O. Deputy Director at the Validesultan Branch, Head of Product Management at the General Directorate, Directorate of Agricultural Credits. He is currently serving as the President of Vakıfbank- Credit Policies and Processes Implementation. He is married and has one child. He speaks English. It has the SMMM document. Alper ERSOY, a member of our Board of Directors since 12.04.2016, is also a member of Corporate Governance Committee and Riskin Early Detection Committee.



**Mahmut Süleyman GÜVEN**

Member of the Board

(07.08.2017 - ...)

1971 Born in Samsun, Mahmut Süleyman GÜVEN completed his primary and secondary education in Terme and Samsun. In 1993, he graduated from Istanbul Technical University, Faculty of Business Administration, Department of Business Engineering. In 1996, Turkey Foundations began working as an Assistant Financial Analyst at Bank t.a.o.n. In the same year he was appointed as an Assistant Inspector. Vakıfbank, Assistant Inspector, Assistant Vice President and Tuzla Branch Manager. Since October 2016, he has been the Head of Cash Management Transactions. Mahmut Süleyman GÜVEN, who is married and has two children, has been serving as a Member of the Board of Directors since 07.08.2017.



EXECUTIVE BOARD MEMBERS AND  
THEIR PERSONEL BACKGROUND**İbrahim Halil ÇİFTÇİ**

Member of the Board - Independent Member

(29.03.2012 - ...)

İbrahim Halil ÇİFTÇİ graduated from Middle East Technical University Department of Business Administration and in 1974 entered İş Bankası A.Ş. between 1974 and 2001 as Inspector in the Board of Inspectors, 2nd credits Assistant Manager, 2nd Regional Manager, Taksim Branch Manager, Galata Branch Manager. Between 1987-2008, Trakya İplik San.A.Ş., Man Motor San.A.Ş., Topkapı Şişe Cam San.A.Ş., Anadolu Cam San.A. Inc., Anadolu Sigorta A.Ş., Şişe Cam Fabrikaları A.Ş., İş Girişim A.Ş., and İş Factoring A.Ş. İbrahim Halil ÇİFTÇİ General Manager at İş Finansal Kiralama A.Ş. between 2001 and 2009, Vice Chairman of the Board of Directors at Leasing Association between 2004-2009. İbrahim Halil ÇİFTÇİ, who was elected as a Board Member at Vakıf Finansal Kiralama A.Ş. as of 29.03.2012, is also a member of Corporate Governance Committee, Riskin Early Detection Committee and Audit Committee. İbrahim Halil ÇİFTÇİ Vice President of Economic Research Foundation and Member of Board of Directors of Istanbul University Teknokent A.Ş., Board of Trustees of Tema Foundation and Board Member.

**Hüseyin KEÇECİ**

Member of the Board - Independent Member

(14.06.2017 - ...)

He was born in 1964 in Gaziantep. In 1987, he graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Business Administration in English. He completed his master's degree in Gazi University. He studied international business and finance in the United States. Working life in 1985 in the company of the Sabancı Group companies starting in Marsa Margarine Industry Hussein KEÇECİ, respectively, Development Bank of Turkey, İş Bankası A.Ş., Turkey Electrical Industry Inc. has continued to work life. He then served as Executive Committee Member at Kıraca Holding A.Ş. and as finance director at Petrol Ofisi A.Ş. between 2005 and 2007. Member of the Board of Directors at Unit Investments NV, Member of the Board of Directors at Heksagon Group Companies and Member of the Board at Tosyalı Holding A.Ş. In 2007, he founded his own company, Erke Danışmanlık ve Ticaret AS. Hüseyin KEÇECİ is also a member of the Board of Directors of Erke Fertilizer Production Sales and Marketing Inc. Since 14.06.2017, he has been an Independent Member of the Board of Directors.

**Şeref AKSAÇ**

Member of the Board - General Manager

(14.06.2017 - ...)

Born in 1956 in Bayburt. He graduated from the Department of Public Administration at the Faculty of Political Sciences, Istanbul Academy of Economic and Commercial Sciences in 1979. He started his professional career in 1982 with T.C. Ziraat Bankası A.Ş. Aksaç started as an Assistant Inspector in 1986 and became an Inspector in 1986. Between 1990 and 1993, he worked as the Assistant Manager of the Istanbul Branch and from 1993 to 2003 served as the Director at various branches of the Bank. Between 2003-2005 he was appointed as Executive Vice President in charge of Human Resources. In addition to these responsibilities, he also served as a member of the Board of Auditors in Başak Sigorta, Türkmen Turkish Joint-Stock Commercial Bank and Board Member in Ziraat Yatırım ve Securities. While working as General Manager Responsible for Sales and Marketing at Ziraat Hayat ve Emeklilik A.Ş. and Acting General Manager at August 2012, Aksaç became General Manager of Ziraat Hayat ve Emeklilik A.Ş. It has been assigned. Şeref AKSAÇ, who served as a Member of the Board of Directors at T.Vakıflar Bankası T.A.O. between 2014 and 2016 and as the Chairman of the Board at the Company between April 1, 2015 and June 13, 2017, has been serving as the Company's General Manager since 14.06.2017. He is married and has one child.





*Vakıf Leasing  
In its 29<sup>th</sup> Year*



THE MANAGEMENT



## ✓ THE MANAGEMENT



**Şeref AKSAÇ**  
General Manager

**Yılmaz Arslan AYDIN**  
Assistant General Manager

**Emre AYDEDE**  
Assistant General Manager

**Mehmet İlkey COŞKUN**  
Group Manager

**Gonca YADİGAR**  
Marketing Manager

**Mustafa ÇOLAK**  
Marketing Manager

**Ahmet Erdoğan  
NEHROZOĞLU**  
Ankara Branch Manager

**Feruh ATALAY**  
Adana Branch Manager

**Levent DEMİRCİ**  
Bursa Branch Manager

**Bora KIRGIZ**  
İzmir Branch Manager

**Murat KURTTAŞ**  
Antalya Branch Manager

**Sedat TAŞKIN**  
Credit Manager

**Tolga AKOCAK**  
Finance Manager

**Melda AKGÜN**  
Insurance and Operations Manager

**Mustafa SARITAŞ**  
Information Technology Manager

**Hülya YILDIRIM**  
Asset and Risk Management Manager

**Bayram KUYTAN**  
Risk Management Manager /  
Deputy Internal Control Manager



## GENERAL INFORMATION REGARDING COMPANY



✓ GENERAL INFORMATION  
REGARDING COMPANY

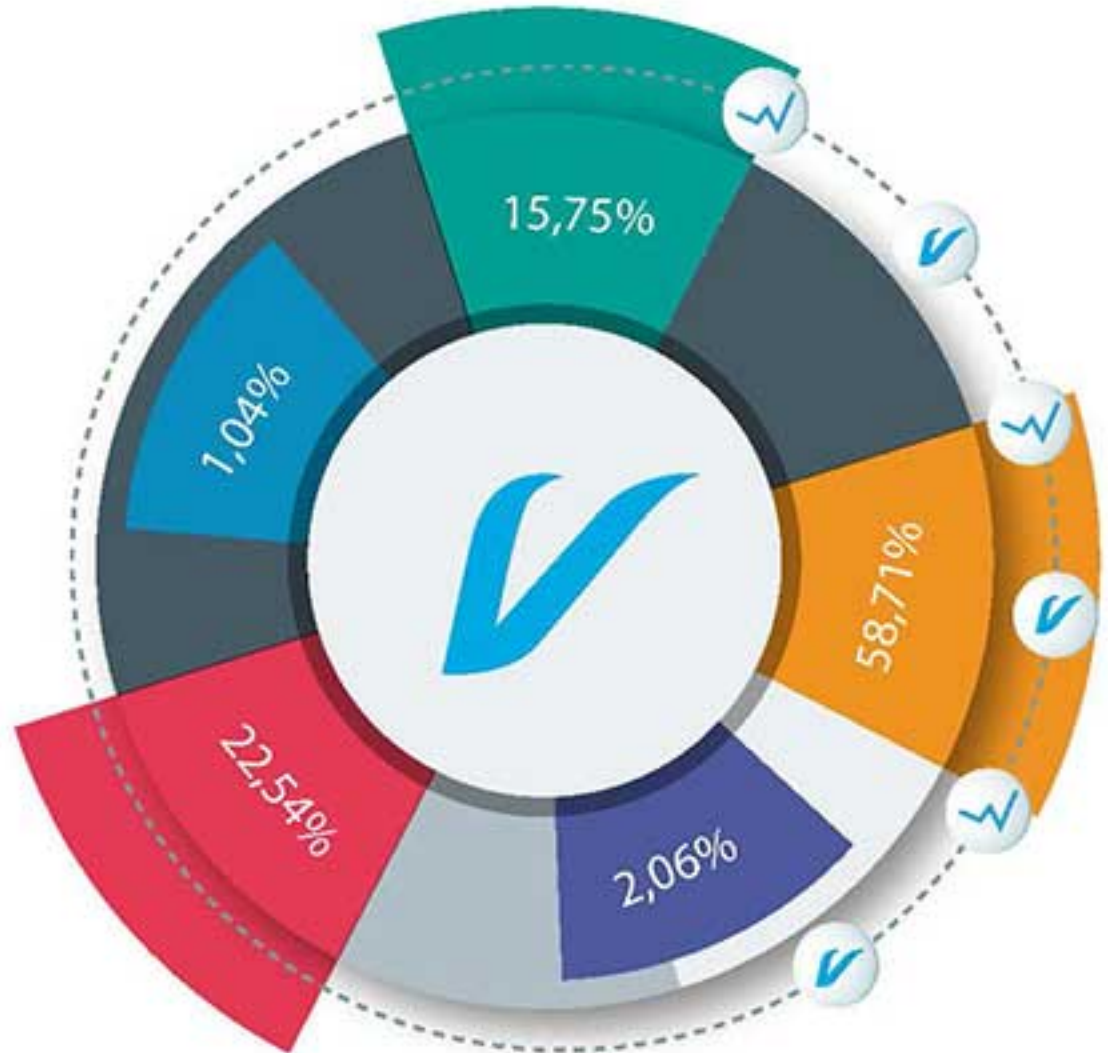
• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	109.000 Thousand TL
• Number of Employees	74
• Board Chairman	Serdar TUNÇBİLEK
• General Manager Deputy	Şeref AKSAÇ
• Independent Auditing Firm	PWC Independent Auditor and independent Accountant Public Accountant Inc.
• Address - Corporate Headquarters	Büyükdere Av. Matbuat Street Gazeteciler Site No: 13 Esentepe/Şişli/İstanbul
• Telephone	+90 (212) 337 67 67 - (Santral)
• Trade Registry Number	248616
• Fax	+90 (212) 337 67 99
• Website	www.vakifleasing.com.tr

## AVAILABLE FOR SALE FINANCIAL ASSETS

- Vakıf Sigorta Aracılık Hizmetleri Ltd.Şti.
- Vakıf Faktoring A.Ş.
- Vakıf Pazarlama Sanayi ve Tic. A.Ş.
- Vakıf Enerji ve Madencilik A.Ş.
- Doğu Yatırım Holding A.Ş.
- Vakıf Yatırım Menkul Değerler A.Ş.
- Tasfiye Halinde World Vakıf UBB. Ltd.

## PARTNERSHIP STRUCTURE

	%	Thousand TL
• T.Vakıflar Bankası TAO	58,71%	63,996
• Güneş Sigorta AŞ	15,65%	17,057
• Vakıflar Bankası Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı	2,06%	2,274
• Vakıfbank Personeli Özel Sosyal Güvenlik Hizmetleri	1,04%	1,133
• Public Offering	22,54%	24,567
Total	100,00%	109.000





CORPORATE  
IDENTITY



## ✓ CORPORATE IDENTITY- History / Milestones



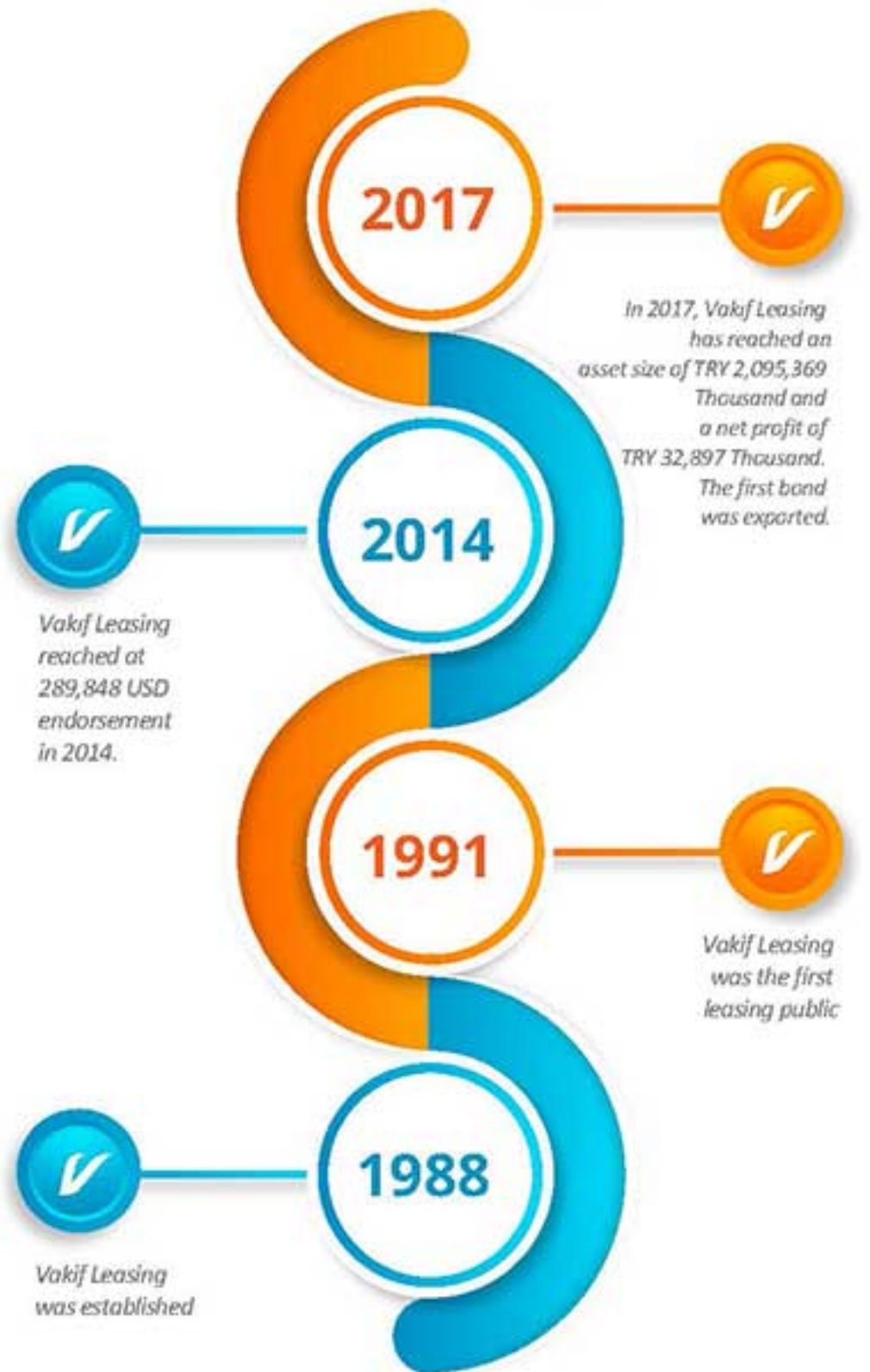
Vakıf Leasing has been transferred to Vakıf Finansal Kiralama A.Ş. Vakıfbank was established as an affiliate. It was listed on the Istanbul Stock Exchange in 1991 and became the first leasing company to be opened to the public.

Success full 29 years to fill Foundations Leasing bulunarak in the development of our country and employment artmasınakatki continue to be one of Turkey's surplus etmektedir.özenl a run at the right time the right moves can make the experience by providing important advantages to investors regarding leasing Foundation Leasing, with the right principles adopted from yesterday to today; decisively, faithfully and progressively, with more robust steps in the future.

Having a wide range of expertise, Vakıf Leasing targets real estate, energy, technology, transportation and tourism investments in particular.

The most important demonstration of Vakıf Leasing's innovative approach; is the first company to provide leasing services in sectors such as aircraft and aviation, wind energy.

Vakıf Leasing has offices in Ankara, Adana, İzmir, Bursa and Antalya and continues to work extensively with a broad customer portfolio and service network throughout the country, taking the institutional power of Vakıfbank's branch behind it.







## CORPORATE IDENTITY - Our Vision - Our Mission Our Values - Our Codes of Conduct



### OUR VISION

*To be a Leader Company, which is the first choice of investors in the Leasing sector by providing the optimal financial opportunities in customer investments; and which aims for utmost customer satisfaction and service quality.*



### OUR MISSION

*To create continuous value for our customers, employees and shareholders by development of a successful, modern and customer-oriented approach.*



### OUR VALUES

*High-quality service based on information and creativity;  
Rapid and effective decision-making;  
A strong sense of responsibility on a long lasting development approach  
Open communication based on mutual trust,  
Employees who devoted to success and team spirit,  
Commitment to ethical and professional codes of conduct*



### OUR CODES OF CONDUCT

*High-quality service based on information and creativity;  
Rapid and effective decision-making;  
A strong sense of responsibility on a long lasting development approach  
Open communication based on mutual trust,  
Employees who devoted to success and team spirit,  
Commitment to ethical and professional codes of conduct*





*Vakıf Leasing  
In its 29<sup>th</sup> Year*



VAKIF  
FINANCIAL LEASING INC.  
CORPORATE  
GOVERNANCE  
COMPLIANCE REPORT



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT



### CHAPTER I – CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Vakıf Finansal Kiralama A.Ş. ("Vakıf Leasing" or "Company") is subject to the corporate governance principles determined in accordance with the Financial Leasing, Factoring and Financing Companies Law, capital market legislation and the Turkish Commercial Code and related regulations, it takes utmost care to pass it. Corporate Governance Principles ("Principles") issued by the Capital Markets Board ("CMB") adopted the concepts of equity, transparency, accountability and responsibility.

The Company has adopted the Corporate Governance Principles in the annex of Corporate Governance Principles numbered II-17.1, which was published in the Official Gazette No. 28871 dated January 03,

a-) Company fully complies with following principles: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12.), (4.5.13.), (4.6.2.) and (4.6.3.)

The duty, authority and responsibility of the "Investor Relations Department", which operates as Financial Affairs and Investor Relations Department, has been revised by adapting to the framework outlined in Article 11 of the Corporate Governance Principles and thus fully harmonized with the related legislation.

b-) About non-mandatory principles;

The Company's Board of Directors does not have any female members. There is no target rate and target time for the rate of female members in the Board of Directors. In this context, 4.3.9. compliance with the recommendation of the number no. So far, no conflict of interest has arisen between the beneficiaries and the grounds that this principle is not respected.

### CHAPTER II - STAKEHOLDERS

#### 2.1 Investor Relations Chapter

The Investor Relations Department operates under the head of the Financial Affairs and Investor Relations Department, under the direction of Group Manager Mehmet İlkey COŞKUN in relation to the duties of the Investor Relations Department.

The Financial Affairs and Investor Relations Department, which manages institutional investors, rating agencies, shareholders and related persons, makes a presentation to the Board of Directors regarding all the activities carried out in quarterly periods, including the presentation of comparative financial analysis with competitors.

The license of section manager is as shown below;

Name / Surname	Title	Licence
Mehmet İlkey COŞKUN	Group Manager	Corporate Governance Rating License
*He is a member of the Corporate Governance Committee pursuant to Article 11 and Article 2 of the Corporate Governance Communiqué.		

Staff involved to carry out tasks of Directorate of Investor Relations within Directorate of Financial Affairs and Investor Relations is as shown below;

Name / Surname	Title	Phone Number	E - mail
Mehmet İlkey COŞKUN	Group Manager	0212 337 87 87	I.COŞKUN@vakifleasing.com.tr
Aşlı KEKEÇ	Assistant Manager	0212 337 87 87	A.KEKEÇ@vakifleasing.com.tr
Nesihan YILDIZLI	Senior Specialist	0212 337 87 87	N.YILDIZLI@vakifleasing.com.tr
Fatma HAFIZOĞLU	Specialist	0212 337 87 87	F.HAFIZOĞLU@vakifleasing.com.tr
Ece AKGÜN	Assistant Specialist	0212 337 87 87	E.AKGÜN@vakifleasing.com.tr

The main responsibilities and responsibilities of the Investor Relations Department are as follows:

- Ensuring that the records of shareholders are kept healthy, secure and up to date,
- Responding to the shareholders' written information requests about the company, except for information about the company that has not been disclosed to the public, confidential and trade secrets,
- Ensuring that the General Assembly meeting is held in accordance with the applicable legislation, the original contract and other internal regulations,
- At the general assembly meeting, to prepare the documents that shareholders can use,
- Ensuring that the record of voting results is kept and that the reports related to the results are sent to the shareholders,
- To observe and monitor all aspects of public disclosure, including legislation and the company's information policy.

During the year 2017, the Investor Relations Directorate,

- The Ordinary General Assembly Meeting held in 2017 has been organized to fulfill the scope and the form required by the related Law, Capital Markets Law, Corporate Governance Communiqué, Company Articles of Association and other legislation.



VAKIF FINANCIAL LEASING INC. CORPORATE  
GOVERNANCE COMPLIANCE REPORT**2.2 Utilization of Shareholders' Right to Information**

The questions addressed to the Investor Relations Unit are answered in writing, with the exception of confidential and trade secret information, by talking to the person who is most concerned about it and by telephone.

In 2017, the Investor Relations Unit was not informed in writing and required answers were given to the questions asked by phone. Shareholder transactions involving shareholders, capital increase, profit sharing transactions, general assembly meetings, financial reports, special case disclosures, etc. information and developments regarding the Company are transferred to the related parties on a regular basis via the internet site, mail or telephone. In addition, domestic shareholders are responded in writing to the information requirements regarding the status of the shares they own, the conversion of existing shares and the distribution of shares after death in the period of activity of domestic shareholders.

On the other hand, the appointment of a special auditor to the main contract was not regulated as an individual right and the appointment of a special auditor was not requested during the term.

**2.3 General Assembly Meetings**

The General Assembly of the year 2015, which was held on 09.05.2017, was postponed unanimously by the participants. The deferred General Assembly of our Company for the year 2016 was held on 14.06.2017 at the company headquarters with the participation of representatives of the shareholders and the Commissar of the Ministry of Customs and Trade with the participation of 77.46% shareholders.

The Company has held the Ordinary General Assembly Meeting held in 2017 in accordance with the provisions of the "Regulation Regarding General Assemblies to be Made in Electronic Media in Joint Stock Companies" and the "Communiqué Regarding the General Assembly System to be Implemented in General Assemblies of Joint Stock Companies". Thus, stakeholders have the opportunity to participate in the General Assembly meeting in electronic environment, have been proposed, have the opportunity to comment and vote.

In order to inform shareholders before the General Assembly meeting invitation for the General Assembly, agenda, proxy form and the relevant legislation other documents annexed to the Public Disclosure Platform, Turkey is announced to the public via the Trade Registry Gazette same time the Company is published documents mentioned on the website. The General Assembly call is made in the CRA system at least 21 days before the meeting and call days for the e-General Assembly service, which provides participation in the General Assembly Meeting in electronic form, suggestion, comment and voting.

In addition to these, the related documents are also sent to our shareholders who are in Company records by mail.

Presentation of the Company's Balance Sheet and Profit and Loss Statements for the 2016 fiscal year, the Annual Report of the Board of Directors of the year 2016, the Financial Statement and Footnotes for the year 2016, prepared for the General Assembly, for the information and examination of the shareholders of the Company In addition to the CRA system, it is available to the knowledge of our shareholders at the General Directorate of the Company. In addition, examples of invitations, agendas and power of attorneys of the General Assembly can be obtained if the stakeholders request it. The shareholders who have the right to participate in the General Assembly and fulfill the necessary procedures for joining have attended the Ordinary General Assembly Meeting in 2017.

In the announcements and invitation letters issued before the General Assembly;

- Tour day, time and place,
- Meeting agenda,
- Interested by which organ it was made (Company Management Board),
- Addresses to be submitted to the examination of the balance sheet, profit and loss statements of shareholders in the annual meeting announcements (General Directorate)
- Examples of power of attorney are announced to shareholders for shareholders who can not attend the meeting personally.

In the prepared Activity Report; Company activities, information on top management, Company's balance sheet, balance sheet footnotes, Independent Audit Report, Corporate Governance Principles Compliance Report, etc. are included. The Investor Relations Department provides the shareholders who request the Annual Report before and after the General Shareholders' Meeting.

In the Ordinary General Assemblies of the Company, all shareholders have the right to speak, to express opinions and to ask questions on matters related to the agenda, regardless of the share ratios. The answers given by the Chairman of the Meeting and the Board of Shareholders regarding the said wishes and opinions to the questions of shareholders who participated in the physical and electronic media on June 14, 2017 were mentioned in detail in the minutes of the general shareholders' meeting. General Assembly minutes and attachments in accordance with General Assembly following relevant legislation, the Public Disclosure Platform, Turkey Trade Registry Gazette, e-Enterprise Information Portal and E-General Meeting is announced to the public and share with Electronic General Assembly System is also published on the Company's website.



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT



In 2017, due to the fact that the majority of the members of the Independent Board of Directors can not provide positive play, there is no procedure for the decision to be left to the General Assembly.

In 2017, the Company's Articles of Incorporation have been amended in Article 6 titled Capital, and the registered capital ceiling has been increased to TL 300,000,000.00.

There are no significant transactions that may cause conflict of interest of the shareholders, board members, managers with administrative responsibility and their spouses and second degree blood and spouse's relatives, who are in possession of the management control, with the Company or its subsidiaries. Furthermore, it has been understood that such persons do not have responsibilities in the capacity of an unrestricted partner in any other partnership in which the Company or its subsidiaries engage in business transactions of the type of commercial business entered into the business context for themselves or for someone else's account or engage in the same type of commercial business.

The shareholders and other invited guests have used their right to ask questions for the last article of the day and they have expressed their desire to be good after receiving sufficient answers by the company managers.

### 2.4 Voting and Minority Rights

The voting rights of shareholders and the provisions regarding the exercise of these rights are explained in the Company's Articles of Association.

At meetings of the General Assembly, there is a vote of every ten or more of the ten members. Persons with ten senses are entitled to vote without any limitation on the number of votes given above.

There is no cross-shareholding relationship in the Company's capital. Use of minority rights is subject to the Turkish Commercial Code, the Capital Markets Law, the relevant legislation and the communiqués and decisions of the CMB. Our company does not include cumulative voting methods.

### 2.5 Profit Share Right

The company has no privilege to participate in the profits. The Company's "Dividend Distribution Policy", which sets the profit distribution decisions in accordance with the Turkish Commercial Code, Capital Markets Legislation, Capital Markets Board regulations, tax legislation and other legal provisions, has been redefined as follows in 2017.

According to this;

- In the decision of profit distribution of the Board of Directors; Taking into consideration the CMB legislation, market conditions and the Company's aims, it proposes to the General Assembly. As a profit distribution policy, it is envisaged to distribute at least 10% of the distributable profit as cash and / or share in case that there is no negativity in the world and country economic conditions and if the Company's financial structure and capital adequacy ratios are in the prescribed levels.
- The decision of distribution shall enter into force if approved in the General Assembly Meeting and the decisions taken shall be announced to the public through Kamuyu Lighting Platform on the same day.
- The dividend per share of the shares to be issued by the Company shall be distributed equally to all shareholders. The Company may assess the distribution of profit share advances in accordance with the provisions of the applicable legislation.
- Cash dividend payments are made until the end of the second month following the date of the General Assembly meeting in which the profit distribution decision is taken at the latest. The distribution of profit shares in the form of bonus shares is carried out following the receipt of legal authorizations.
- There are no privileged shares in obtaining a share from the profit.
- If the profit distribution is not done, the Board of Directors shall inform the shareholders of the reason why the profit is not distributed and the undistributed profit is used.
- In the profit distributions, the Company's articles of association, the Capital Markets Law, the provisions of the Capital Markets Board's Communiqué and the Turkish Commercial Code shall be complied with.

The Board of Directors of the Company presents the proposal on dividend distribution annually to the General Assembly and the shareholders in advance of the General Assembly through the annual report. The proposal for the profit distribution of the Board of Directors is discussed and discussed in the General Assembly. The decision on the distribution of profits of 2016, which was taken in 2017, has been implemented and necessary declarations have been made official. In addition, the same decision was announced to the public through Kamuyu Lighting Platform on the same day.



VAKIF FINANCIAL LEASING INC. CORPORATE  
GOVERNANCE COMPLIANCE REPORT**2.6 Assignment of Shares**

In our Articles of Association, there are no provisions restricting the transfer of shares. According to Article 7 of the Articles of Association, all of our Company shares are written in nama and it is possible to comply with the provisions of the transferred legislation.

**CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY****3.1 Corporate Website and Content**

You may have access to website of Company, with alternatives in Turkish or English: [www.vakifleasing.com.tr](http://www.vakifleasing.com.tr).

Website of Company is compatible with the principles regarding corporate website of Communiqué on Corporate Governance (II-17.1) numbered (2.1.1), (2.1.2) and (2.1.3), issued on January 3, 2014, by the CMB.

**3.2 Activity Report**

Activity Report of the Company is issued in accordance with the principles regarding annual report of Communiqué on Corporate Governance (II-17.1), with article number (2.2.1) and (2.2.2), published on January 3, 2014 by the CMB.

**CHAPTER IV - Stakeholders****4.1 Informing of Stakeholders**

Vakif Leasing is regularly informed about the interest holders, activity reports on the necessary matters, news on the website, and explanations. In order to ensure accurate and reliable information flow, information about the financial statements announced each quarter is shared with investors through the website and announced at KAP. All inquiries and requests directed by investors are answered via telephone and e-mail.

**4.2 Participation Stakeholders' in Management**

In our company, two different models were created for stakeholder participation in management.

Committee Meeting: Decisions taken at regular committee meetings are implemented by our Company.

Suggestion System: With this system, employees present suggestions for improving and improving every aspect of the Company and applying appropriate suggestions.

In addition, "Weekly General Evaluation Meetings" are held to inform employees about the company's general activities and progress and to receive proposals, and the company's financial structure and performance data are evaluated together with employees.

**4.3 Human Resources Policy**

The human resources policy of our Company is being carried out under the "Human Resources Regulation" which is revised and put into effect in 2017. We are also continuing our work on career planning. Our company plays an important role in the success and development of the industry. Vakif Leasing regards its employees as the most important capital, attaching special importance to ensuring and improving the equipment required for efficient work, especially education. Researcher, visionary, creative, problem-solving qualities in the work of employees.

All of our employees have an understanding of working with team spirit, and the power to create innovation is at a high level.

The recruitment and promotion of Vakif Leasing is carried out by a resolution of the Board of Directors within the framework of the Human Resources Regulation. There is no discrimination between our employees and our employees. Our employees are in complete equality in every aspect.

**4.4 Ethics and Social Responsibility**

- Full compliance with regulated regulations
- Integrity, transparency and reliability in relation to customer-vendor-lender
- To act in addition to profitability, taking into account the reasons for economic development
- Respect information and confidentiality and keep secrets
- Not creating unfair competition by taking into consideration the common interest of the sector.

Vakif Leasing is aware of its social responsibilities to its customers, its employees and the community and strives to fulfill these responsibilities in the best way possible. Adheres to all legislation related to business life and stands behind and assures the public commitment to its service, encourages its employees to honest and ethical behavior, takes all precautions related to workplace safety, does not engage in misleading, deceptive advertising and marketing activities and favors discrimination. It tries to solve customer problems quickly, it meets a great part of the employees' health expenses and continuously tries to increase the quality of service.



## CHAPTER V - BOARD OF DIRECTORS

### 5.1 Structure and Formation of the Board of Directors

According to Article 8 of the Company's Articles of Association, the structure of the Board of Directors is defined as follows.

"The business and administration of the company is conducted by a board of directors consisting of at least five members, including the general manager. The board of directors elects a chairman each year from among the members and a chairman and a deputy to act as deputy at times when he is not present. General and board chair positions can not be combined with the same person. Members other than the general manager are elected by the general shareholders by the shareholders within the provisions of the Turkish Commercial Code. The majority of the members of the board of directors consist of members who are not in charge of business. Independent board members who have no duty to perform their duties shall have independent members whose number and qualifications are determined in accordance with the provisions of the Capital Markets Board's Corporate Governance Regulations and relevant legislative provisions. The general manager of the company is a natural member of the board of directors when it is not present. The general manager and his / her delegate must have studied at the undergraduate level and must have at least seven years of professional knowledge and experience in the field of finance or management. "

NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Serdar TUNÇBİLEK	Chairman of the Board	14/06/2017
Şeyh Mehmet BOZ	Deputy Chairman of the Board	14/06/2017
Alper ERSOY	Member of the Board	12/04/2016
	Member of Corporate Governance Committee	09/09/2016
	Early Identification of Risk Committee Member	09/09/2016
Hüseyin KEÇECİ	Independent Member of the Board	14/06/2017
	Member of the Audit Committee	14/06/2017
Mahmut Süleyman GÜVEN	Member of the Board	07/08/2017
İbrahim Halil ÇİFTÇİ	Independent Member of the Board	29/03/2012
	Member of Corporate Governance Committee - Chairman	11/04/2012
	Early Identification of Risk Committee - Chairman	30/04/2013
	Member of the Audit Committee - Chairman	11/04/2012
Şeref AKSAÇ	Member of the Board - General Manager	14/06/2017



## VAKİF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

The Chairman of the Board of Directors does not have executive duties. General Manager Şeref AKSAÇ is an executive member of the Board of Directors.

Curriculum vitae of the members of the Board of Directors are published in the Activity Report.

In accordance with the provisions of the Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles of the CMB, the number of independent members is determined to be two. The statements of İbrahim Halil ÇİFTÇİ and Hüseyin KEÇECİ and the CMB Corporate Governance Principles on the independence criteria stated in the principles of 4.3.6 and 4.3.7 are independent of the criteria set out in the legislation, the articles of association and the related communiqué. There is a report dated 2017. Independent members were presented to the Board of Directors on 13.06.2017.

There are no statements regarding the independence of the independent members of the Board of Directors and the situation that removes independence from the relevant activity period.

### Partnerships and tasks of members of Board of Directors outside company:

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Serdar TUNÇBİLEK	T.Vakıflar Bankası T.A.O.	Deputy Chairman of the Board
Şeyh Mehmet BOZ	T.Vakıflar Bankası T.A.O.	General Manager Assistant
Alper ERSOY	T.Vakıflar Bankası T.A.O.	Chairman Implementing Credit Policies and Processes
Mahmut Süleyman GÜVEN	T.Vakıflar Bankası T.A.O.	Chairman Cash management operations

### 5.2 Activity Principles of Board of Directors

The board of directors is held at the place where the company headquarters is located or where the majority of the members of the board of directors demand as long as the company business and operations are necessary. However, it is necessary to meet at least once a month. Even if a proper meeting is not held, the members' entire stay at the meeting place at certain days and hours will not prejudice the validity of the meeting. Those who have the right to participate in the company's board meeting may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Commercial Code. The Company may, in accordance with the provisions of the Communiqués Regarding General Assemblies to be Made in Electronic Media in the trade companies, may purchase the electronic meeting system which enables the beneficiaries to participate and vote in the electronic environment of these meetings as well as the systems created for this purpose.

At the meetings to be held, the Company shall be entitled to use the rights specified in the related legislation in the framework stated in the provisions of the notification through the system established in accordance with this provision of the company's articles of association or through the system to receive the support service. The provisions of the Turkish Commercial Code apply to the number of meetings and the number of decisions to be made by the board of directors.

The agendas of the Board of Directors meetings are determined according to the particulars and authority specified in the articles of association. 33 Board of Directors meetings were held during the period 01.01.2017 - 31.12.2017. The Board of Directors shall be held in the place where the company headquarters is located or where the majority of the members of the Board of Directors demand as long as the business and operations of the company are necessary. However, it is necessary to meet at least once a month. Provisions of the Turkish Commercial Code shall apply to the number of meetings and the number of resolutions of the Board of Directors. The Secretary General is responsible for informing and communicating the members of the board of directors. Decisions to be announced to the public are announced to the public immediately after the end of the meeting.

- Approval of the business and financing plans,
- Matters related to the calling and organization of the Ordinary / Extraordinary General Assembly,
- Finalization of the annual activity report to be submitted to the General Assembly,
- Appointment of the Chairman of the Board of Directors, Deputy Chairman and appointment of new members,
- Establishment or termination of administrative units,
- The appointment or dismissal of the Chief Executive / General Manager,
- Creation of committees,
- Mergers, divisions, restructuring, the sale of 10% of the company's entire or fixed assets, or the investment of more than 10% of the total assets, expense of more than 10%
- The dividend policy of the company, determination of profit to be distributed,
- All members who attend the meetings such as capital increase or decrease are actually participating.



✓ VAKIF FINANCIAL LEASING INC. CORPORATE  
GOVERNANCE COMPLIANCE REPORT**5.3 Number, Structure and Independence of Committees Formed Within Board of Directors**

The Audit Committee consists of two members (Chairman - İbrahim Halil ÇİFTÇİ, Member - Hüseyin KEÇECİ) and three members (Chairman - İbrahim Halil ÇİFTÇİ, Member) who are composed of two members in accordance with the Corporate Governance Code - Alper ERSOY, Member - Mehmet İlkey COŞKUN) Corporate Governance Committee and Riskin Early Detection Committee composed of two members (President - İbrahim Halil ÇİFTÇİ, Member - Alper ERSOY) were formed.

As the number of members of the Board of Directors of the Company is 6 and the number of the members of the Board of Directors is more than the number of members of the Board of Directors according to the principles stated in the CMB Corporate Governance Principles and BRSA; Members are assigned to more than one committee.

**5.4 Risk Management and Internal Control Mechanism****- Internal Control**

Internal control unit operating under the control of the Audit Committee within the Board of Directors, within the control points established for the company, and to report the findings of the findings to the Audit Committee periodically (at least twice a year) to ensure that measures are taken to prevent and mitigate these identified risks.

Company activities, systems and processes; whether they are made in accordance with legal regulations, management strategies and policies, and financial lease practices; internal control processes are applied in a systematic and disciplined approach to ensure compliance with procedures, work flows, employees' powers and responsibilities, and proposals are made to take measures to detect, prevent and reduce risks.

By providing feedback on the Company's internal regulations and practices, the Company intends to provide independent and objective assurance and advisory services to improve and enhance the Company's corporate governance effectiveness. It is aimed to establish an internal control system for identifying, evaluating, monitoring and managing the potential credit, market and operational risk factors that may affect Company assets in order to prevent damages that may affect reaching company targets and to use the results to be used in decision mechanisms.

At the same time, the Internal Control Manager also fulfills the responsibilities of taking necessary precautions for compliance with the legal provisions of the Financial Crimes Investigation Board as an exclusively Compliance Officer, carrying out training and control activities and communicating with the Board.

**- Risk Management**

Risk Management, which operates under the Riskin Early Detection Committee within the Board of Directors; In order to identify the risks to be exposed to the Company's general strategies and short-term objectives and the strategies to be followed for these risks, the Riskin Early Detection Committee should be informed periodically (recommendation - recommendation, at least 6 times a year - once).

Risk management process; reporting and reporting the results of the controls and activities that have been identified, classified, prioritized by the risk assessment, identified by the risk measurement criteria and controlled by the activities for risk mitigation and prevention, which are obstacles to the realization of the institution's strategic objectives, a cycle in which risks are constantly re-evaluated and monitored according to changes.

**5.5 The Company's Strategic Goals**

The strategic goals that our managers create are endorsing the evaluation of the previous year and the targets of the next year at the end of each year. In addition, our Board of Directors evaluates the achievement of the identified targets.



### 5.6 Financial Rights

At the Ordinary General Assembly Meeting held on June 14, 2017, it was decided to pay a monthly net amount of TL 3,800 to the members of the Board of Directors.

No other fees or entitlements are granted to the members of the Board of Directors. The fees and benefits earned by the members of the Board of Directors are not determined according to the performances they show. The members of the board of directors have not been insured for the damages caused by the defects in their duties.

The Company does not have any guarantees or guarantees, such as indemnity, for the benefit of a person or third person who has given a debt or credit to any Board Member or has given a personal loan through a third party.

In accordance with the Corporate Governance Principles, the fees paid to senior managers as well as all other benefits provided to the members of the Board of Directors are disclosed to the public through the annual activity report. However, the statement will not be made on a person basis but will be given to distinguish between the board of directors and the senior executive.

In 2017, our Company paid a gross salary of 342 thousand TL to the members of the Board of Directors and 1,029 Thousand TL to the General Manager and Assistant General Managers.



Ibrahim Halil ÇİFTÇİ  
Chairman of Corporate Governance Committee



Alper ERSOY  
Member of Corporate Governance Committee



Mehmet İlav COSKUN  
Member of Corporate Governance Committee





*Vakıf Leasing  
In its 29<sup>th</sup> Year*



DECLARATIONS OF INDEPENDENCY UNDER SCOPE OF THE  
NOTIFICATION ON DETERMINATION AND  
IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES**VAKIF LEASING INC.  
İSTANBUL****HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUE ON  
CORPORATE GOVERNANCE**

I hereby declare, acknowledge and undertake that

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

c) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

d) I am residing in Turkey in accordance with the Income Tax Law (ITL) dated 31.12.1960 and numbered 193,

e) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

g) I have not conducted membership of board of directors more than a term of six years in the last ten years, from Board of Directors.

ğ) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

I have not been registered and announced as a board member representing a legal entity.

In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.  
13.06.2017



**İbrahim Halil ÇİFTÇİ**  
Bağımsız Yönetim Kurulu Üyesi  
Independent Member of  
Board of Directors



## DECLARATIONS OF INDEPENDENCY UNDER SCOPE OF THE NOTIFICATION ON DETERMINATION AND IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

### VAKIF LEASING INC. İSTANBUL

#### HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUÉ ON CORPORATE GOVERNANCE

I hereby declare, acknowledge and undertake that

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

ç) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

d) I am residing in Turkey in accordance with the Income Tax Law (İ.T.L) dated 31.12.1960 and numbered 193,

e) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

g) I have not conducted membership of board of directors more than a term of six years in the last ten years, from Board of Directors.

ğ) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

I have not been registered and announced as a board member representing a legal entity.

In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.

13.06.2017

Hüseyin KEÇECİ

Independent Member of  
Board of Directors





## AFFILIATION REPORT – 2017

**The Affiliation Report Prepared As Per Article 199 of Turkish Commercial Code**

According to the 199th article of the Turkish Commercial Code numbered 6102, which entered into force on July 1, 2012, Vakıf Finansal Kiralama A.Ş., its controlling shareholder T.Vakıflar Bankası T.A.O. and the report on the relations with the subsidiaries of the dominant partner are evaluated. In accordance with the conditions and conditions known to us in the course of the transactions made or the avoidance or prevention of the transactions made by Vakıf Finansal Kiralama A.Ş. and its subsidiaries with the subsidiaries of the majority shareholder in 2017 within the framework of the information presented to our Board of Directors, that there is no countermeasure and that there are no precautions taken or avoided to avoid the company, and that there are no measures or measures to be taken in this framework.





## ✓ BRIEFING ON OTHER ISSUES

**EXPLANATIONS ON THE CORPORATE GOVERNANCE COMMITTEE (II-17.1)**

- In 2017, the Company has increased its paid-in capital from TRY 87,000 to TRY 109,000 Thousand TL. The increased amount was paid from the year 2016. The Company has increased the registered capital ceiling to 300,000 Thousand TL in 2017. There has been no change in the partnership structure in 2017. There have been administrative changes in the organization scheme.
- There is no research and development activity in 2017.
- During the accounting period of 2017, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on 30.06.2017 and independent audit on 31.12.2017, respectively. In addition to this, within the framework of the full taxation of corporations, the company financial statements are prepared by NSR Yeminli Mali Müşavirlik A.Ş. through tax audits on a quarterly basis.
- There are no legal proceedings in any ongoing litigation filed against the Company that may have a negative impact on the Company's financial position and results of operations.
- There are no administrative or judicial sanctions imposed on the company and the members of the governing body due to practices contrary to the provisions of the legislation.
- No extraordinary general assembly meeting was held during the year.
- The Company does not have its own shares acquired.
- In 2017, Vakıf Leasing's turnover increased by 14.78% to USD 258,874 Thousand from USD 225,545 Thousand. In 2016, 502 transactions increased by 33.27% to 669 transactions in 2017.
- According to the contract information activated in Vakıf Leasing, the transaction amount of USD 203,589 thousand in 2016 was realized as 204,694 thousand USD with an increase of 0.54% in 2017. The number of active contracts was 488 in 2016, while it increased to 639 in 2017 with an increase of 30.94%.
- While aiming to grow disciplinedly, the company did not compromise on the strategy of creating a high quality portfolio and the prevalence of the transaction volume it realized while acting selective in growth in order to manage the pressure of increasing profit margin in an effective and balanced way.
- As of the end of 2017, the paid-in capital of the Company is TL 109 million and there is no evidence and opinion that the capital is unrequited and that the Company is plundered.



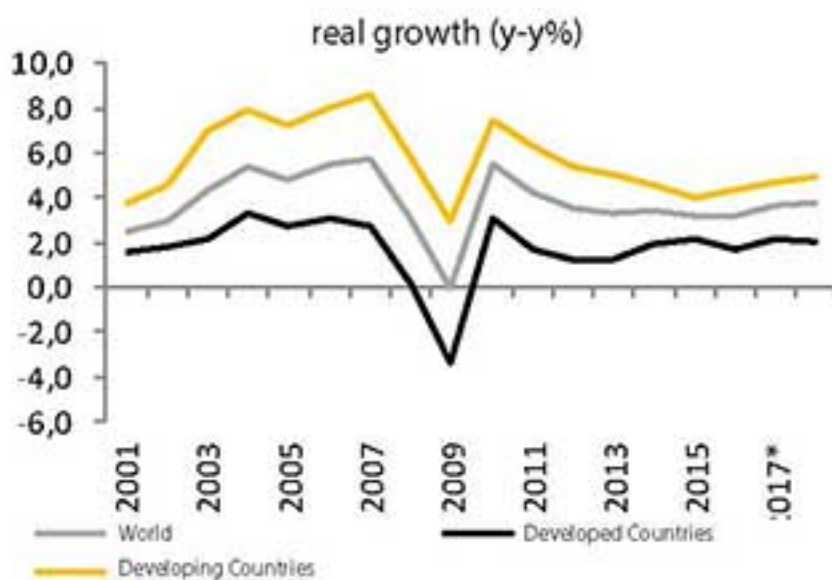


GENERAL OVERVIEW  
ON 2017 ECONOMY AND  
FINANCIAL LEASING



## 2017 GLOBAL ECONOMY IN THE WORLD AND TURKEY

### Moderate growth in global economy continues

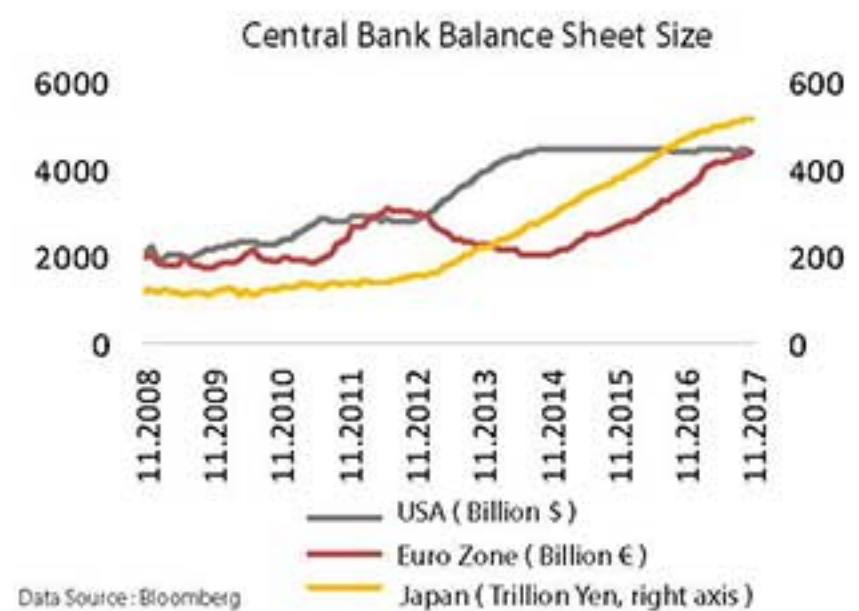


The global economy, which grew by 3.2% in 2016, is expected to finish 2017 with 3.6% growth in 2017 and 3.7% growth in 2018 compared to the IMF expectation. The US economy, which is one of the leading economies of developed countries, has grown above expectations with 3.3% in the third quarter of 2017. Personal consumption expenditures, which played an important role in growth in the US, increased below expectations in the third quarter. In this case, the Irma and Harvey hurricanes have been effective in reducing consumer spending. It is expected that the 4th quarter growth in the US economy will be announced at 2.7% level and close the year with a growth rate of 2.3% by staying below the high 3rd-quarter growth rate. The US is expected to complete the year 2018 with a growth rate of 2.6% with the support of expansionary fiscal policies, particularly tax reform to be implemented by the Trump government. Eurozone growth of 2.6% annually in the eurozone. The economic activity in the region pointed to Brexit's decision to be relatively positive compared to the economic crisis in Greece and the political uncertainties in Spain.

Economic recovery in the region continues with a steady decline in unemployment and a positive outlook for business confidence. The political uncertainties in the Eurozone that are expected to finish 2017 with a growth rate of 2.3% in the coming period and the possibility of creating pressure on the growth of the regional economy with the exports of the policies that the Trump government will apply in the USA have a 2.1% growth rate of the regional economy in 2018 is expected to end with. The Japanese economy, on the other hand, grew slightly above expectations at 2.5% in the third quarter. It is estimated that the Japanese economy will complete 2017 with 1.6% growth and 2018 with 1.3% growth.

The Chinese economy, which has a very important role in the growth performance of the global economy and has the weakest growth performance of the last 26 years with a growth rate of 6.7% in 2016, displayed a more positive growth performance in the first three quarters of 2017. In the third quarter of the year, economic activity remained stable, slightly below the previous quarter, however, rising by 6.8% in line with expectations. The Chinese economy is expected to complete 2017 with a growth rate of 6.6%, while 2018 is expected to finish with a growth rate of 6.5%. However, the increasing debt burden in China, especially the private sector since 2009, is expected to remain a risk factor for the economy. On the other hand, the OECD released its global economic outlook report that it had previously maintained a 3.5% global growth forecast for 2017, while it raised its 2018 growth estimate to 3.7%.

**While Japan and the European Central Bank continued to pursue the expansionary monetary policy, the US Central Bank continued to follow a tight monetary policy.**



Following the global crisis, expanding monetary policies have generally been applied to developed economies such as the US, Europe and Japan. In 2014 and 2015, the monetary policies of developed country central banks began to be separated. The US Federal Reserve (Fed) has announced its decision to terminate the third quantitative easing program (QE3), which was launched in September 2012, in May 2013, and concluded on October 29, 2014. In December 2015, the Fed made a decision to raise interest rates for the first time after about 10 years. The Fed raised the policy interest rate by 0.25 percentage points to 0.25% to 0.50% from the 0% -0.25% band. In 2016, the Fed has only made one interest rate increase, at the last meeting of the year. In 2017, the interest rate was increased to 1.25% to 1.50%, by raising interest rates three times in March, June and December meetings.



At the June 2017 meeting, the plan for collapsing the balance sheet was announced and the collapse of the balance sheet was started as of October. It is also announced that Jerome Powell will be nominated instead of Fed Chairman Janet Yellen, whose term of office will expire in February 2018. However, the trump administration's tax plan, which envisages significant changes to the country's tax system, was approved in the US Senate in December. The tightening of the monetary policy will closely monitor how the Fed will implement its monetary policy in 2018, the Trump management policies and the position of the new Fed President. The Fed is expected to raise interest rates three times in 2018.

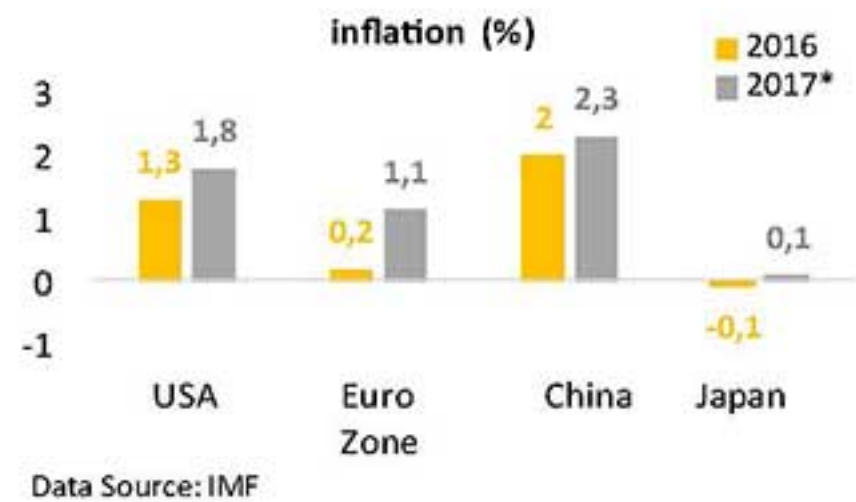
The European Central Bank (ECB) is continuing its expansionary monetary policy to support economic activity. The ECB did not change interest rates in 2017, leaving the policy rate at 0,00%, the marginal lending rate at 0.25% and overnight deposit interest rate at 0,40%. The ECB does not consider changing interest rates until the end of the asset purchase program. The ECB maintained its asset purchase program at EUR 80 billion per month by March 2017. Reduced its monthly asset purchases from 80 billion euros to 60 billion euros by the end of March and announced that asset purchases will continue at this level until the end of December. The ECB announced that at the October meeting it will reduce its asset purchasing program, currently at € 60 billion, to € 30 billion by January 2018, and will continue at this level until September 2018. The ECB stated that asset purchases could be extended beyond September 2018 and changes in the amount of purchases could be made if it were deemed necessary until a sustained improvement in inflation targets and economic outlook. It is not expected that the ECB will go ahead with interest rate hikes before 2019, before the asset purchases are complete.

The Bank of Japan (BoJ) kept the policy rate at 0.1% and the 10-year bond interest rate at 0.0%. Deflationist pressures continued in Japan in 2017. Japan is still well below the 2% inflation target. It is foreseen that the Bank of Japan will continue to implement the expansionary monetary policy until reaching the 2% target. The Bank of Japan is expected to continue its yield curve-controlled expansionary monetary policy in 2018.

The Chinese Central Bank, which wants to combat the diminishing efficiency of investments and to warn against the total domestic demand-specific consumption channel, has decided to go to reserve cuts to be effective in 2018. Covered fund sizes within the total bank funding will be applied to the bank with a reserve requirement of 50 basis points less than 1.5% of the total loan portfolios.

for banks exceeding 10% of their total portfolio, an extra 1 full point discount will be applied. The rapid growth experienced in the housing sector in the past years, the increase in interest rates and the tightening steps taken by the Chinese government may cause the economy to slow down in the next quarters. This view, however, does not currently create a climate of fear and anxiety in the global marketplace similar to that of the beginning of 2015. At the beginning of 2015, the Chinese economy showed a growth performance below expectations, which caused fluctuations in the market by increasing risk perception.

**Although inflation in the United States has converged to the Fed's targeted level, other developed country economies continue to struggle with deflation.**



Developed country economies continued to struggle with the deflation problem in 2017. Unlike other countries that implement enlargement monetary policy, the US economy, which started to follow a tight monetary policy in 2014, will approach the inflation rate of 1.3% in 2016 to the inflation rate of 2% in 2017 as the Fed's target level, To reach the target of the Fed. The Euro Zone inflation rate, which was realized as 0.2% in 2016, is expected to complete the year 2017 at 1.1%. Despite concerns about the region's deflation, the inflation rate is expected to be 1.5% higher in 2018 than in the previous year. In Japan, inflation is expected to increase by 0.1% at the end of 2017, which ended with a 0.1% decline in 2016. Although inflation is expected to be positive in 2017, deflationary pressures are expected to continue in 2018, despite the negative interest rate implementation that has been sustained for a long time.



## ✓ 2017 GLOBAL ECONOMY IN THE WORLD AND TURKEY



### The year 2017 has been an election year in Europe

The major agenda of the EU's political agenda came to the forefront in France, Germany and the UK in 2017. Emmanuel Macron, the leader of the European Union pro-market candidate, the Walking Movement, which the market expected from the French Presidential elections, was completed in May. The victory of Emmanuel Macron was positively perceived, especially by reducing the concerns of the European Union to break down in the future, and this has also been reflected in developing country markets.

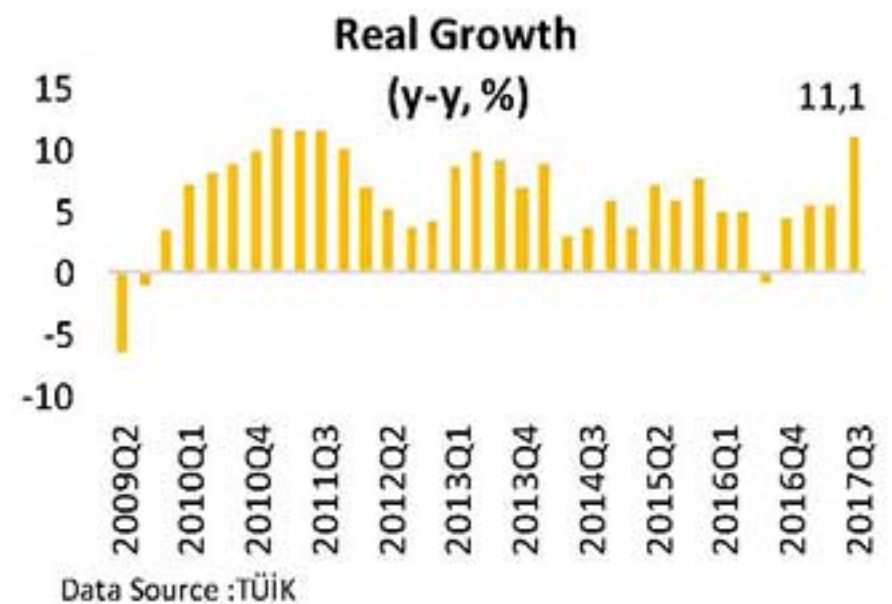
The general election expected in Britain in 2020 was held in June, with the approval of parliament and the announcement of Prime Minister Theresa May in April of 2017, expressing a surprise statement and requesting early elections. Theresa May, leader of the Conservative Party, which has decided early elections to strengthen its hand in Brexit negotiations with the European Union, will increase the majority in Parliament's lower wing, the House of Commons. The Conservative Party has not achieved the majority of parliamentary seats despite its first appearance in the polls. In Germany, the Christian Democratic Party (CDU) won the general election in September, the party of Prime Minister Angela Merkel. However, the Christian Democratic Party lost votes compared to the elections four years ago and did not find the coalition they wanted. The goal of establishing the "Jamaica Coalition" in Germany upon the withdrawal of the Free Democratic Party (FDP), which started on October 18th to set up a government in Germany and which took 4.5 weeks of coalition work, ended. With this development coming to the fore in the country with the largest economy in Europe, the possibility of early elections has grown.

### Oil prices continued to move upwards.

The Organization of Petroleum Exporting Countries (OPEC) in 2017 to conclude the oil production cut-off agreement to be finalized in March 2018 was one of the most important developments affecting oil prices, with a decision to extend the conclusion of the meeting in Vienna until the end of 2018. US crude oil prices, which have started to rise since September, have risen to \$ 58.95 / barrel, the highest level in the last two years. Apart from OPEC's supply shortfall, uncertainties and geopolitical risks in northern Iraq and hurricanes in the US have been decisive in the upward movement of oil prices. In addition, the shutdown of the Forties Oil Pipeline in the North Sea due to repairs in December has kept high oil prices high. On the other hand, the continuation of the US oil production has had a restrictive effect in the further increase of oil prices. US crude oil prices, which are around 57 dollars / barrel in December, are expected to continue to rise after 2018 due to the continuation of supply shortages.

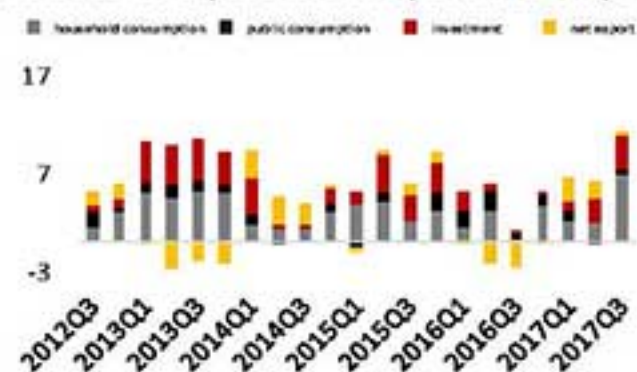
### TURKISH ECONOMY

*Turkey's economy grew by 11.1% in the third quarter of 2017.*

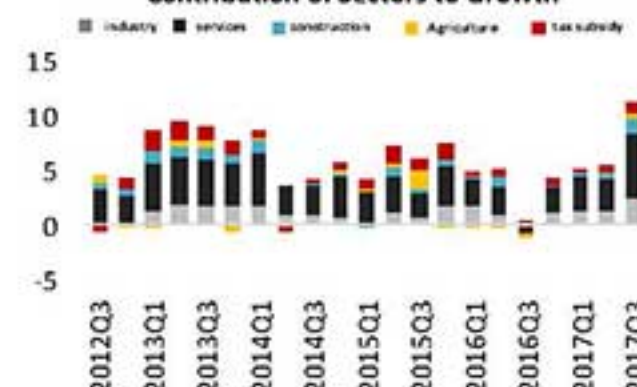


Gross domestic product (GDP) grew by 5.3% and 5.4% in the first two quarters of the year as a result of stimulating investment in 2017 by effective fiscal policies and credits granted under the Credit Guarantee Fund (CGF). Turkey's economy in the third quarter from the third quarter of 2011 by exhibiting the best performance seen since has grown by 11.1% on an annual basis. Thus, the highest growth rate of the last 6 years has been realized. GDP in the third quarter of 2017 increased by 24.2% in current prices and amounted to 827 billion 230.1 million TL. Calendar-adjusted GDP increased by 9.6% in the third quarter of 2017 compared to the same quarter of the previous year, while seasonally adjusted and calendar-adjusted GDP grew by 1.2% over the previous quarter.

### Contribution to Expenditure of Expenditure Components



### Contribution of Sectors to Growth





In the first quarter of the year, the highest contribution came from net exports and from the second quarter investment expenditures. In the third quarter of the year, consumer spending, which grew by 11.7% on an annual basis, contributed 7 points to growth after the contribution of 1.9 in the second quarter. The effect of credits granted under the Credit Guarantee Fund (KGF) continued in the third quarter, resulting in a 12.4% increase in investment expenditures in the third quarter.

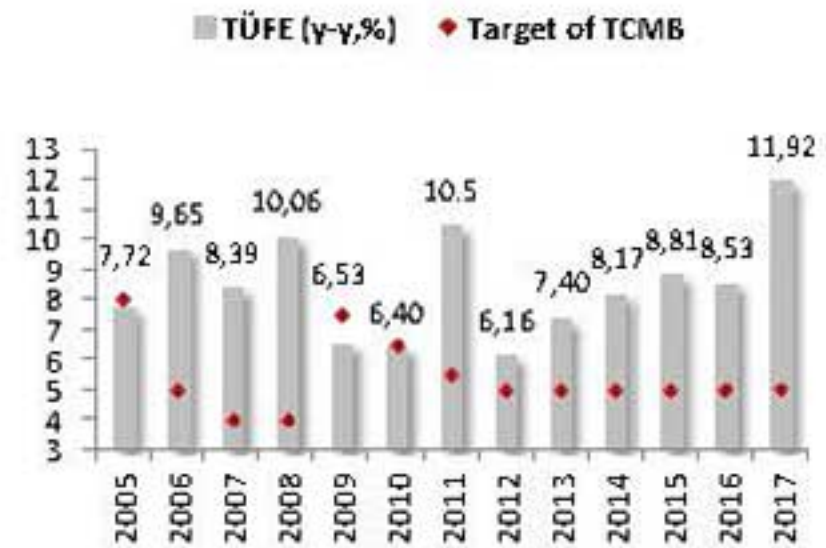
When the growth figures according to the sectors are evaluated, it is seen that the sector that contributed most to the growth in the third quarter of 2017 is the services sector as it is in the first two quarters with 5.9 points. Although the agricultural sector is the sector with the lowest growth to grow in the third quarter of the year, its contribution to growth is seen to increase with seasonal effects compared to the first two quarters of 2017. On the other hand, while the financial and insurance sector suffered a contraction for the first time since the third quarter of 2012, it is thought that the cost pressure created by the insurance sector in Istanbul was affected by the unexpected full-blown disaster at the end of July.

One of the most influential factors in growth in the first three quarters is the weakening of the KGF effect in the last quarter and the growth in the fourth quarter due to the end of the SCT reductions is expected to be lower than in the first three quarters. In addition, support for growth in industrial production in the last quarter of the year may be limited given the fact that the industrial production index is turning down the direction of the momentum as of ending October, when the rapid increases in the exchange rates and interest rates increase in financial conditions are taken into consideration and the downward momentum in the coming months is likely to continue. In this context, it is expected that in the last quarter of the year the growth will slow down compared to the first three quarters and that the growth in the last quarter of the year will be 4.5% and the growth rate of 2017 will be 6.5%. In 2018, Turkey's economy will maintain its strong growth prospects and is expected to grow by 5.5%.

The unemployment rate of 10.5% in the first nine months of 2016 rose to 11.1% in the first nine months of 2017. On the upside, the high unemployment rate was effective in the first months of the year. The unemployment rate, which rose to 13% in January, began to fall due to the measures taken by policy makers to increase employment in the following periods. Thus, in September the unemployment rate declined to 10.6%. Seasonally adjusted unemployment rate, which was 10.6% in the first nine months of 2016, rose to 11.2% in the same period of 2017.

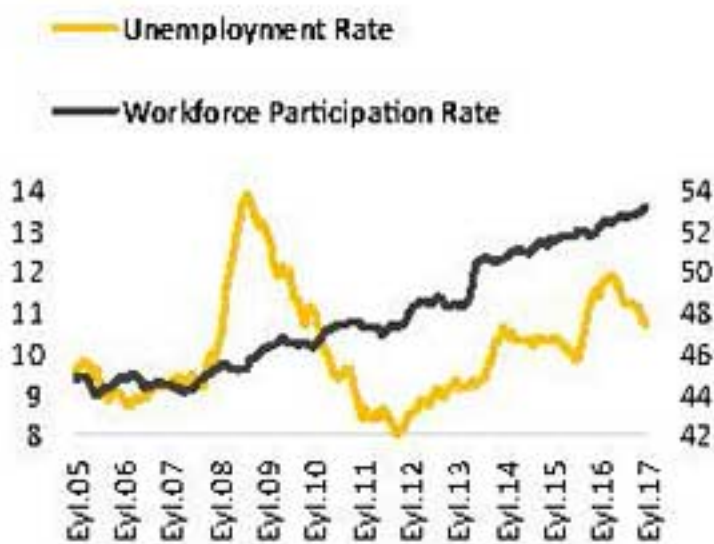
Despite the high rate of unemployment in the first months of 2017, the unemployment rate declined in 2018 as it started to decline and measures to boost economic activity and policy makers' employment would continue.

#### Inflation ended 2017 at the level of 11.92%



Source: TCMB, TÜİK

Inflation, which ended the year 2016 from 8.53%, ended the year 2017 from 11.92%. Thus, the highest year-end inflation of the 2003 series was realized. The rise in domestic demand resulting from the revival of economic activity in 2017, the rise in exchange rates and the increase in commodity prices, especially oil, led to an upward trend in the inflation in general. In 2017, core inflation and the Domestic Producer Price Index (YI-ÜFE) also displayed an upward trend. Core inflation and the high levels of historical highs during the year were seen in the YI-ÜFE. In 2018, inflation is expected to be more favorable than in 2017. The base effect coming from 2017 is expected to be the decline in inflation in 2018 and the ending of the year at the level of 8.90% with the effect of the measures taken to reduce inflation.



Source: TÜİK





### Foreign trade deficit rose to 61.2 billion dollars in January-October of 2017.

In October of 2017, the foreign trade deficit was \$ 7.3 billion, an increase of 74% over the same period of 2016. Foreign trade deficit, which was 46.3 billion dollars in January-October of 2016, increased by 32% to 61.2 billion dollars in the first nine months of 2017 due to the increase in imports. The increase in imports against the recovery in exports was decisive in the annual increase in the foreign trade deficit. The rise in imports, in addition to the rise in the energy item in the increase in imports of intermediate goods was also effective. In the 12-month cumulative total, the foreign trade deficit increased by \$ 70.9 billion from \$ 67.8 billion in September. In the mentioned period, the increase in foreign trade deficit led to a recovery in economic activity, an increase in energy costs and an unexpected rise in gold imports. Excluding energy and gold, the foreign trade deficit increased by 35.6 billion dollars from 33 billion dollars in the 12 month cumulative period.

In addition to the increase in energy prices, imports of intermediate goods, which are important for economic growth, have been recovering since the beginning of November 2016. As a result, economic activity is recovering compared to the previous year. Considering the domestic developments, the acceleration of credit utilization within the scope of the Credit Guarantee Fund (KGF) is an important influence on the recovery in economic activity, while the recovery in the EU countries is also an important factor in our foreign trade. On the other hand, the fact that oil prices are increasing compared to last year indicates that energy-related pressures on foreign trade deficit will continue in the rest of the year. Despite the expectation that the recovery in economic activity will continue, the recent increase in the exchange rate is thought to limit the rise of foreign trade deficit. In this context, we expect the foreign trade deficit to reach \$ 69 billion by 2017. In 2018, it is expected that foreign trade deficit will increase and it will be realized as 78 billion dollars due to the increase in live economic activity and oil prices.

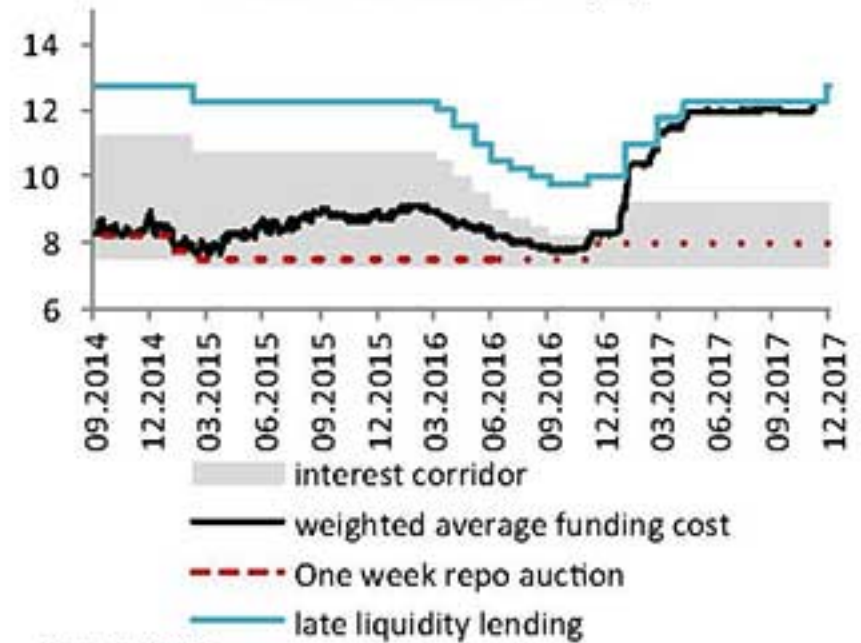
**The current account deficit stood at \$ 35.3 billion in the January-October period of 2017.**

The current account deficit, which was 26.4 billion dollars in the January-October period of 2016, rose to 35.3 billion dollars in the same period of 2017. The rise in the trade of goods and the recovery in economic activity played an important role, with the current account deficit rising sharply year on year in October. In the case of current account financing, it is seen that portfolio investments and other investments have an important role in foreign exchange entering the channel. However, the fact that the CBRT's foreign exchange assets have experienced the highest increase since April 2013 and the fact that net errors and omissions have reached the highest level since April 2015 have been other important developments in financing the current account.

In the upcoming period, the base effect of oil prices may be a pressure on the current account deficit, but it is thought that the slowdown in economic activity due to the increase in exchange rates in the last quarter may reduce the pressure on the current account deficit somewhat. In this context, it is expected that current account deficit will be USD 41 billion and current account deficit / GDP ratio will be 4.9% in 2017. In 2018, it is estimated that the current account deficit will increase to 46 billion dollars and the current account deficit / GDP ratio will increase to 5.2%.

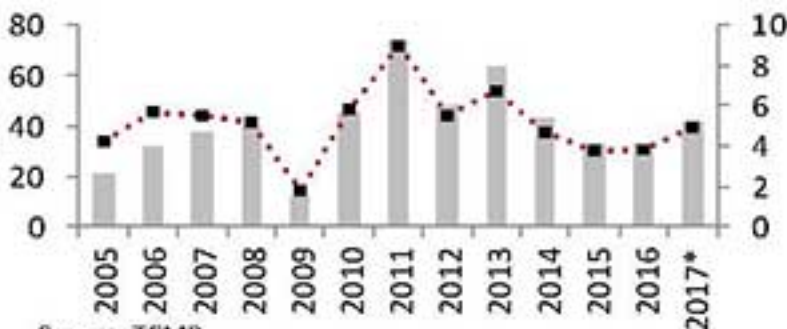
### The CBRT maintained its tight monetary policy in 2017.

TCMB interest rates (%)



Source: TCMB

current account deficit (yearly, billion \$)



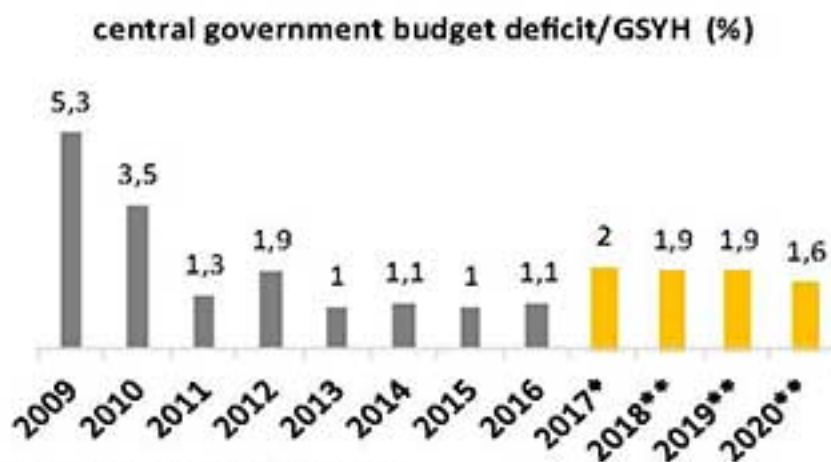
Source: TCMB

\*VakıfBank's expectation



Central Bank of the Republic of Turkey (CBRT), in line with the main objective of price stability in 2017, has maintained its tight monetary policy. The CBRT has used mainly the marginal funding rate to fund the markets in 2017 and the Late Liquidity Window (GLP), which is applied in overnight currencies between 16.00-17.00 in the Interbank Money Market. In January, the CBRT raised the interest rate of GLP from 10% to 11,75% in March and to 12,25% in April. Finally, the CBRT increased its GLP lending interest rate to 12.75% at its December meeting, thus achieving a 275 basis point increase in GLP throughout the year. The CBRT did not change throughout the year in one-week maturity repo auction rate, but remained stable at 8%. In the first meeting of the year, the CBRT increased marginal funding rate, which is the corridor upper band, by 75 basis points to 9.25%, keeping this ratio constant for the rest of the year. The CBRT, which does not open weekly repo auction, reduced the borrowing limits of banks in the Interbank Money Market in November to zero. Thus, the Weighted Average Funding Cost increased to 12,75% at the end of the year, from 8,3% at the beginning of the year, as the CBRT began funding only from the Late Liquidity Window. CBRT also took non-interest measures against the rise in the exchange rate. In this direction, the Reserve Option Mechanism (ROM) exchange rate ceiling has been reduced from 60% to 55%, and all slice intervals have been reduced by 5 points. In addition, the CBRT has started the Turkish lira negotiated forward foreign exchange selling tranches, allowing the redemption of foreign exchange and rediscount credits to be made in TL until February 1, 2018. The CBRT is expected to maintain its tight monetary policy stance for a while in order to maintain and maintain price stability due to the rise in inflation and the mobility of the exchange rate.

**Central Government Budget gave a deficit of 26.5 Billion TL in January-November 2017 period.**



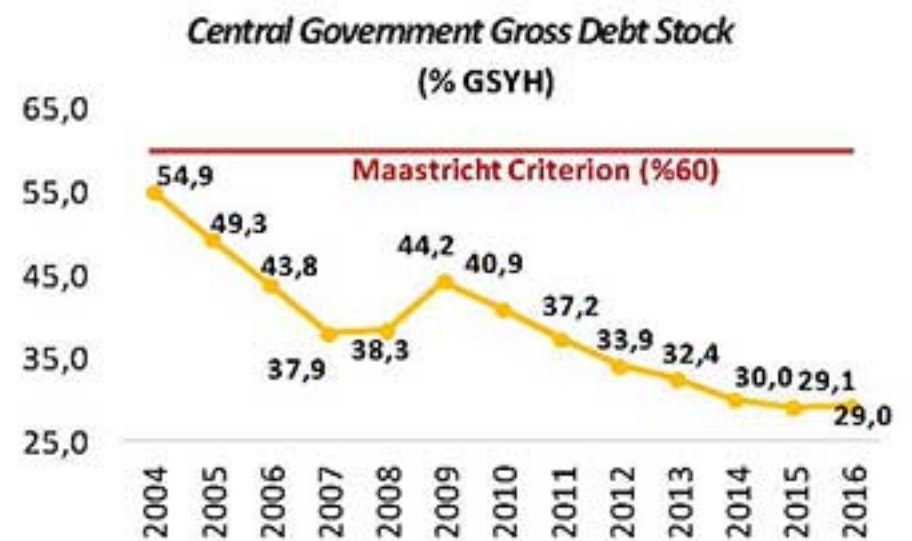
Source: Treasury Undersecretary

\* 2018-2020 Medium Term Program expectation

\*\* 2018-2020 Medium Term Program target

The central government budget, which had a deficit of TL 2.1 billion in the January-November period of 2016, had a deficit of 26.5 billion TL in the January-November period of 2017. Budget revenues of 508 billion 583 million TL in January-November 2016 period have not changed much in the same period of 2017 and realized as 509 billion 442 million TL. Budget expenditures amounting to 510 billion 702 million TL in January-November 2016 period have increased by 17,7% and realized as 601 billion 80 million TL in the same period of the same year of 2017. The ratio of GDP to central government budget deficit, which is 1.1% in 2016, is expected to be 2% in 2017 and 1.9% in 2018 within the scope of Medium Term Program (2018-2020) due to the increase in government expenditures to support economic activity. On the other hand, in the first 11 months of 2017, the primary surplus decreased by 38% compared to the same period of the previous year and reached 28 billion 796 million TL. It is foreseen that the primary surplus which is important in terms of debt management will be realized as TL 10.6 billion in 2017.

#### Central Government Gross Debt Stock



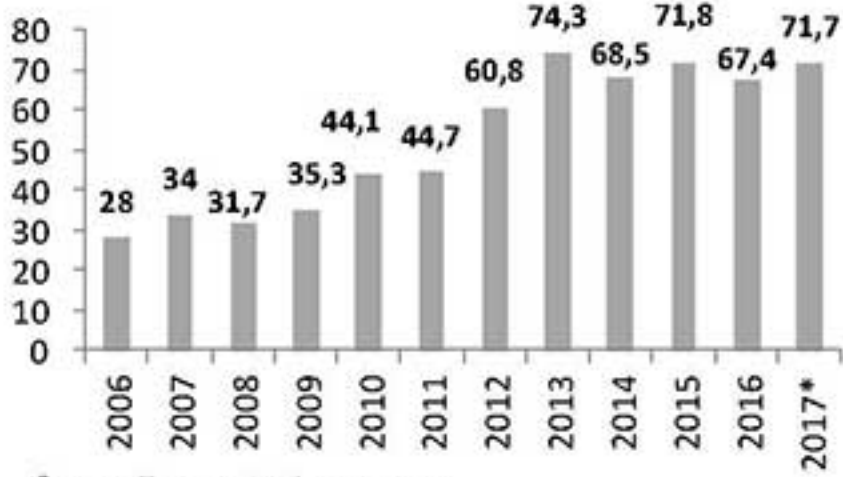
Source: Treasury Undersecretary

The central government gross debt stake, which was TL 752.5 billion in November 2016, was realized at TL 890.8 billion in November 2017. TL 534.5 billion of debt stock consists of TL denominated debt and FX denominated debt amounting to TL 356.3 billion. Looking at the debt stock to GDP ratio within the Maastricht Criteria, which is also referred to as "the EU's Financial Rule", it appears that it has shown a steady decline since 2009. However, due to the increasing economic incentives in 2017, the Treasury's domestic borrowing increased as a result of the increase in the budget deficit. As a result, the debt stock may experience an increase in GDP. On the other hand, the said rate will remain below the Maastricht criterion of 60%.





domestic borrowing valley (month)



Source: Treasury Undersecretary

The average monthly cost of fixed income domestic borrowing in October 2017 increased to 11.3% from 10.1% in December 2016. The average cumulative valuation of cash domestic debt, which was 67.4 months in 2016, was 71.7 months in January-October 2017. On the other hand, in order to expand the investor base and diversify borrowing instruments, the issuance of rental certificates, which were first exported in 2012 and started to be regularly exported on the domestic market since 2013, continued in 2017 as well. In this framework, in February, June, August and October, a total of TL 4.26 billion rent certificates were issued in the internal market. In addition, the Undersecretariat of Treasury has issued 792.52 million ad-hoc rental certificates for the first time in October 2017 as of the end of October.





## VAKIF LEASING IN 2017

## VAKIF LEASING IN 2017

In 2017, Vakıf Leasing's turnover increased by 14.78% to USD 258,874 Thousand from USD 225,545 Thousand. The figure of 502 transactions in 2016 was 669 in 2017 with an increase of 33.27%.

Vakıf Leasing's active contract amount increased by 0.54% in 2017 from 203,589 thousand USD to 204,694 thousand USD in 2017. The number of active contracts increased by 30.94% from 488 in 2016 to 639 in 2017.

## One thousand USD-Vakıf Leasing

Period	2017	2016	increase %
First 3-month period	46,699	32,709	42,77
Second 3-month period	33,578	50,195	-33,10
Third 3-month period	56,178	49,840	12,72
Fourth 3-month period	68,239	70,845	-3,68
<b>TOTAL</b>	<b>204,694</b>	<b>203,589</b>	<b>0,54</b>
<b>Number of contracts</b>	<b>639</b>	<b>488</b>	<b>30,94</b>



## ✓ GENERAL ASSESSMENT

**GENERAL ASSESSMENT**

Vakıf Leasing is one of the first actors of the Turkish leasing sector and has continued to play a pioneering role in the promotion and development of financial leasing since 1988 and has acted as an intermediary for fixed assets investment amounting to USD 259 Million realized in 2017 and contributed significantly to the development of our country's economy, It was found.

Vakıf Leasing is aiming to act as a financial intermediary between SMEs and investors in the commercial segment which constitutes a significant part of the customer portfolio and aims to increase its market share in the sector and increase the company's development in a competitive and dynamic environment.

In 2017, the Sale and Back Charge product also contributed positively to Vakıf Leasing's transaction volume in parallel with the sector. In the coming period, Vakıf Leasing aims to concentrate on real estate, business, construction and production machinery in line with its sustainable targets and aims to increase its market share in investment preferences in 2018 as well.

With nearly 30 years of experience, sectoral knowledge and solution-focused employees and alternative financing options have brought a great deal of activity to our company as well as the sector. In particular, the "Selling and Re-Renting" tool, which is preferred by companies that have a need for capital and that is aimed at expanding their business, can strengthen their equity as well as make their credibility higher.

In 2017, Vakıf Leasing will increase its assets to TL 2,095 Million with an increase of 24% compared to the previous year, to increase its leasing receivables by 22% to TL 1,880 million and its equity to 21% to 205 Million TL and continued its growth trend.

Our company, which does not have any concentration in any sector but aims to be popular in the credibility of customers in every sector, especially in SMEs, aims to increase its market share in investment preferences over the years.

Our target for 2018, when the trading volume of our Turkey's domestic market growth and demand for commercial loans is taken into account, corresponds realize a healthy growth. Taking back the corporate strength of Vakıfbank's branch office, we continue to work extensively in a wide range of clients and service networks throughout the country.

Foundations Leasing investors on-site service and quick response in order to give Ankara, Izmir, Adana, are represented in Bursa and Antalya in some branches across Turkey is planning to realizing its goal the development and support staff of the branch network.





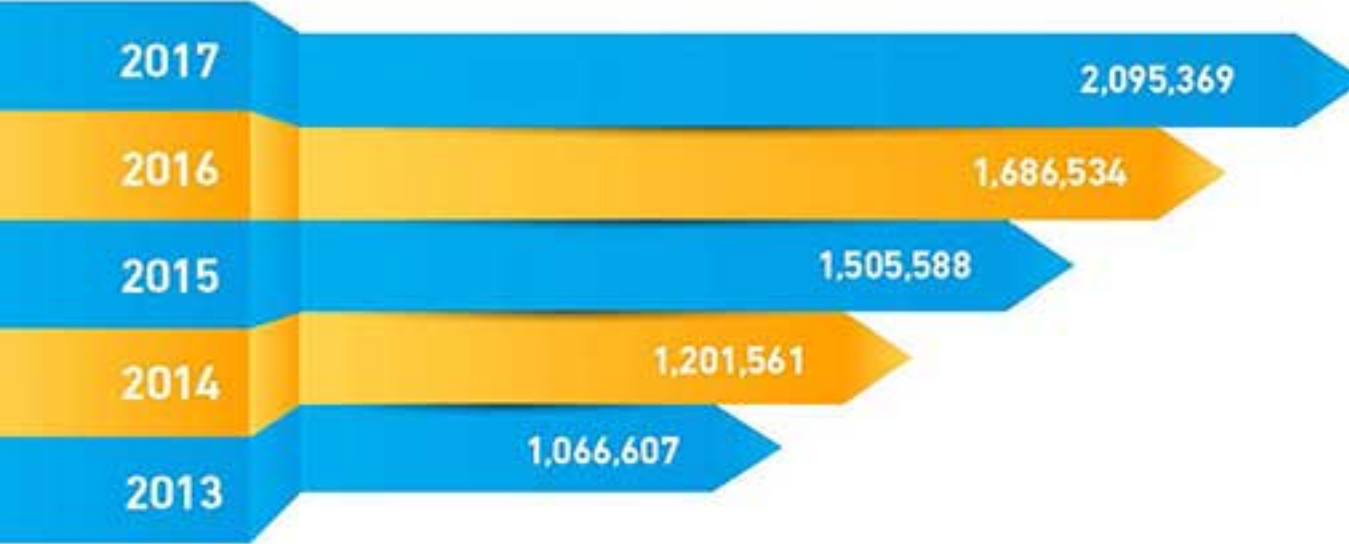
PRIMARY  
FINANCIAL INDICATORS  
AND RATIOS



## ✓ PRIMARY FINANCIAL INDICATORS AND RATIOS

## PRIMARY FINANCIAL INDICATORS

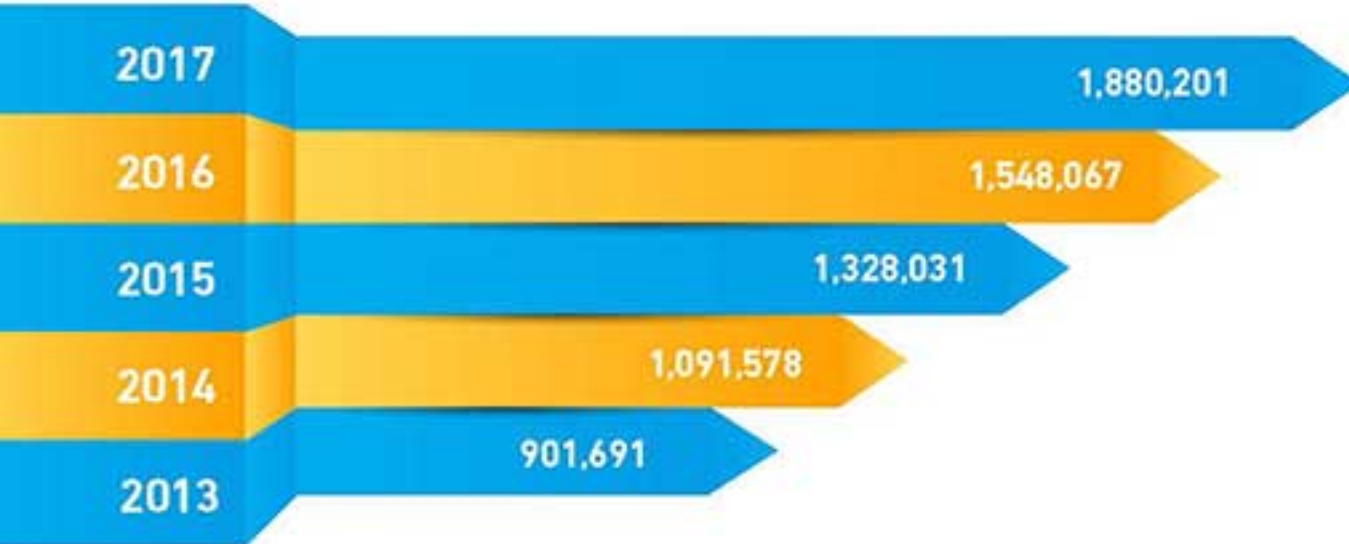
## TOTAL ASSETS (THOUSAND TL)



+%24.2

Vakif Leasing's total assets increased by 24.2% to TRY 2,095,369 Thousand compared to the previous year.

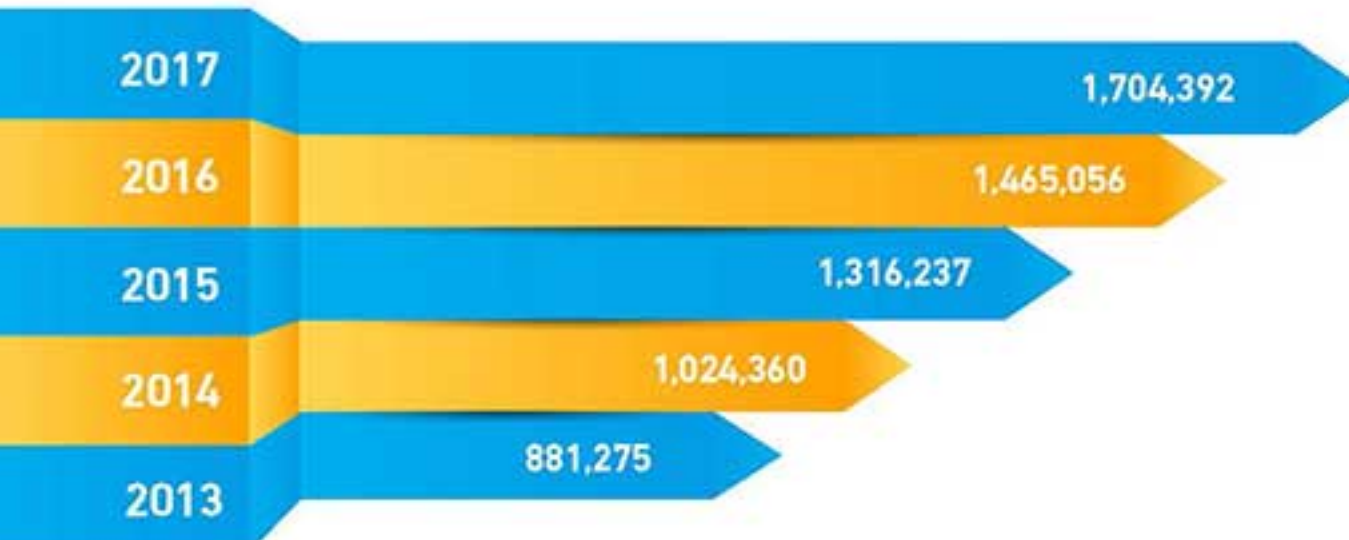
## LEASING RECEIVABLES (THOUSAND TL)



+%21.5

Vakif Leasing's total lease receivables increased by 21.5% compared to the previous year and reached to TRY 1,880,201 Thousand.

## CREDITS OBTAINED



+%16.34

Vakif Leasing's total loans increased by 16.34% to 1,704,392 Liras compared to the previous year.

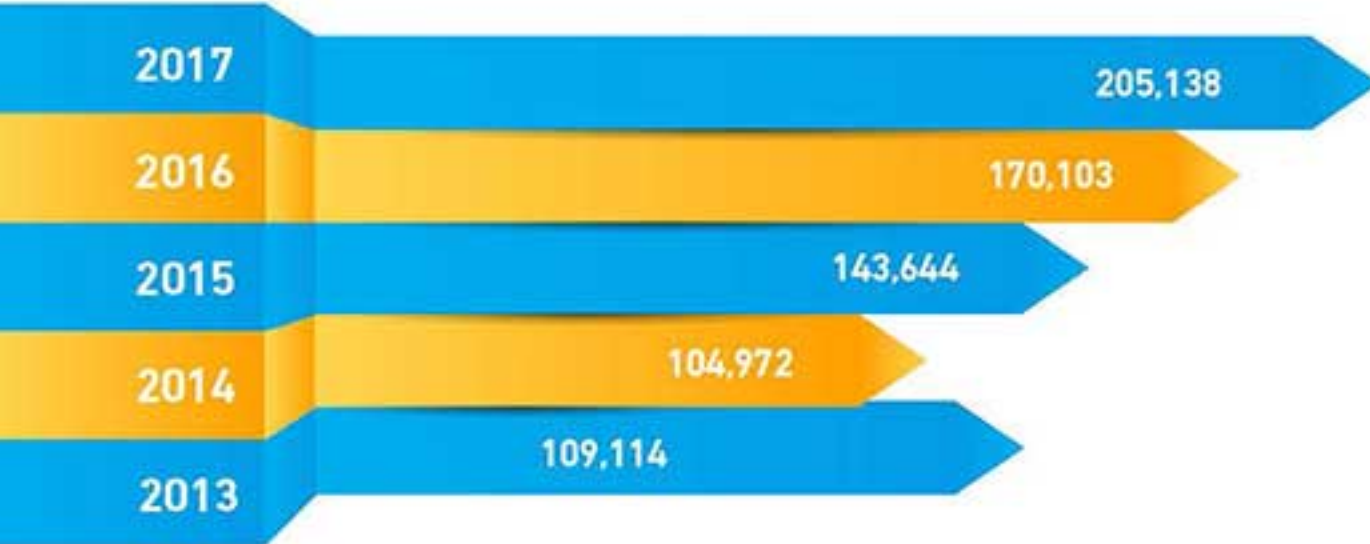




## PRIMARY FINANCIAL INDICATORS AND RATIOS

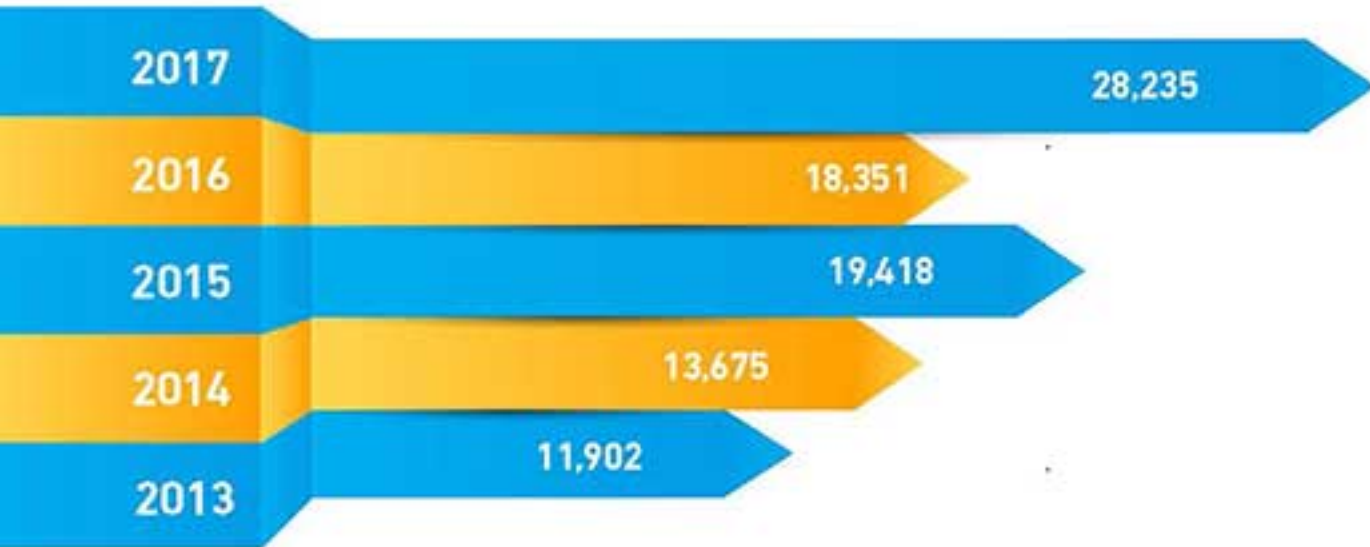
## PRIMARY FINANCIAL INDICATORS

## SHAREHOLDERS' EQUITY (THOUSAND TRY)

**+%20.6**

Vakif Leasing's total own funds increased by 20.6% to TRY 205,138 Thousand compared to the previous year.

## GROSS PROFIT/LOSS (THOUSAND TL)

**+%53.87**

Vakif Leasing's gross operating profit increased by 53.87% to TRY 28,235 Thousand compared to the previous year.

## NET PROFIT (THOUSAND TRY)

**+%45.25**

Vakif Leasing's net profit increased by 45.25% compared to the previous year and amounted to TRY 33,819 Thousand.

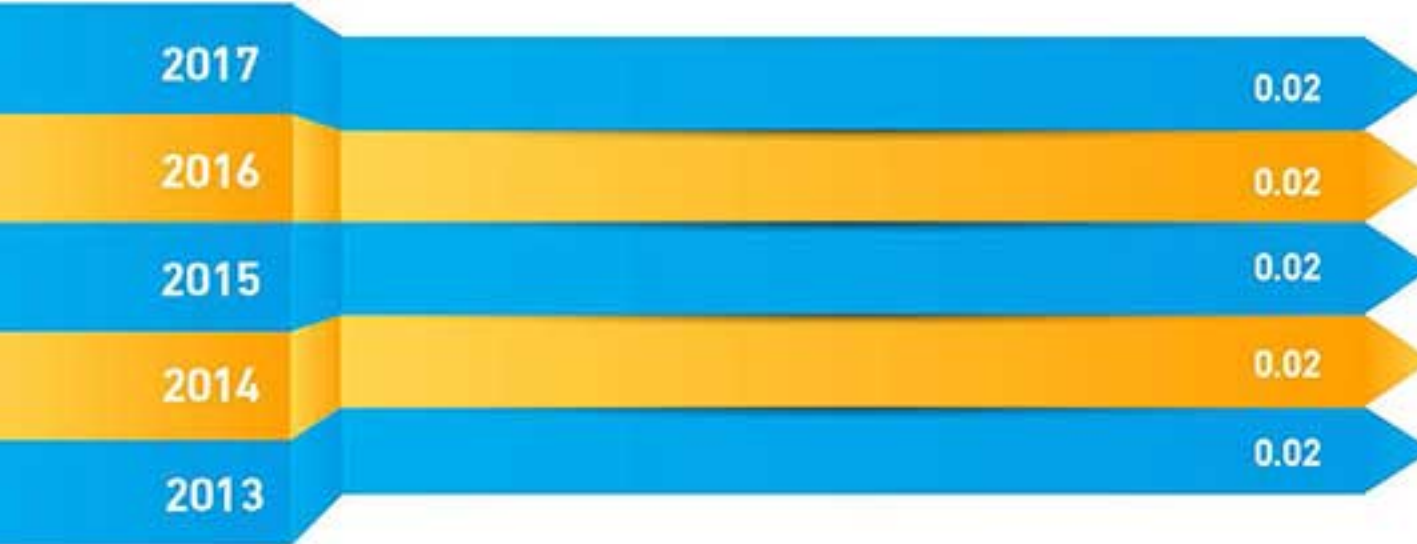


## ✓ PRIMARY FINANCIAL INDICATORS AND RATIOS

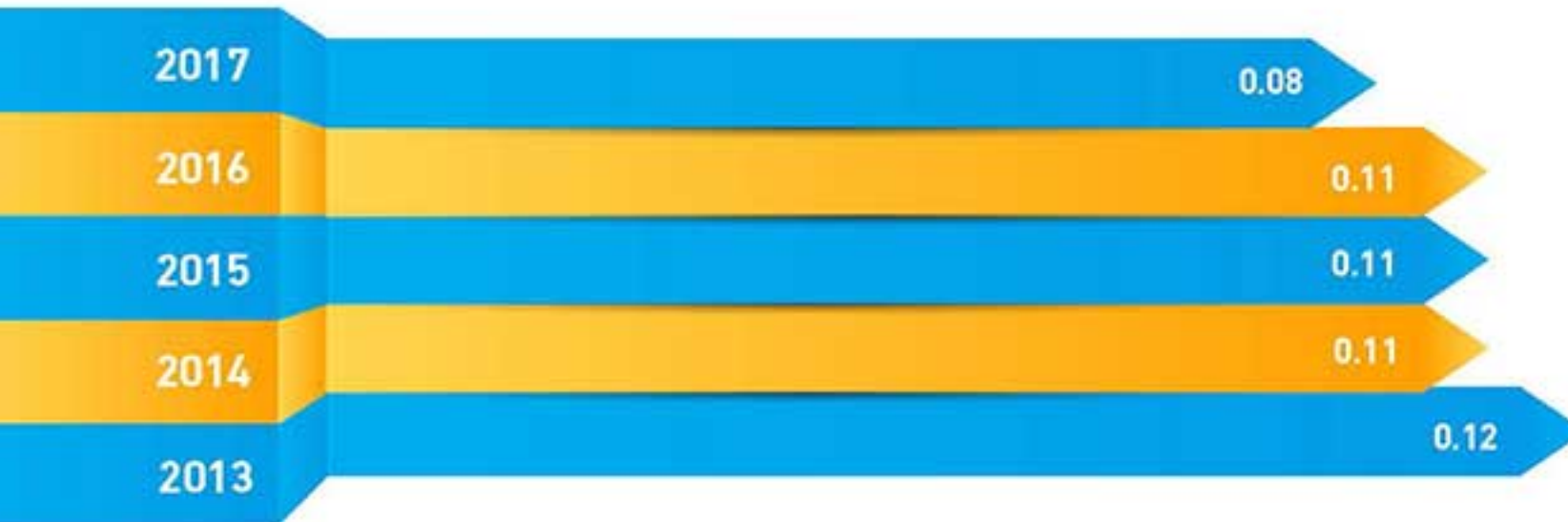


## PRIMARY RATIOS

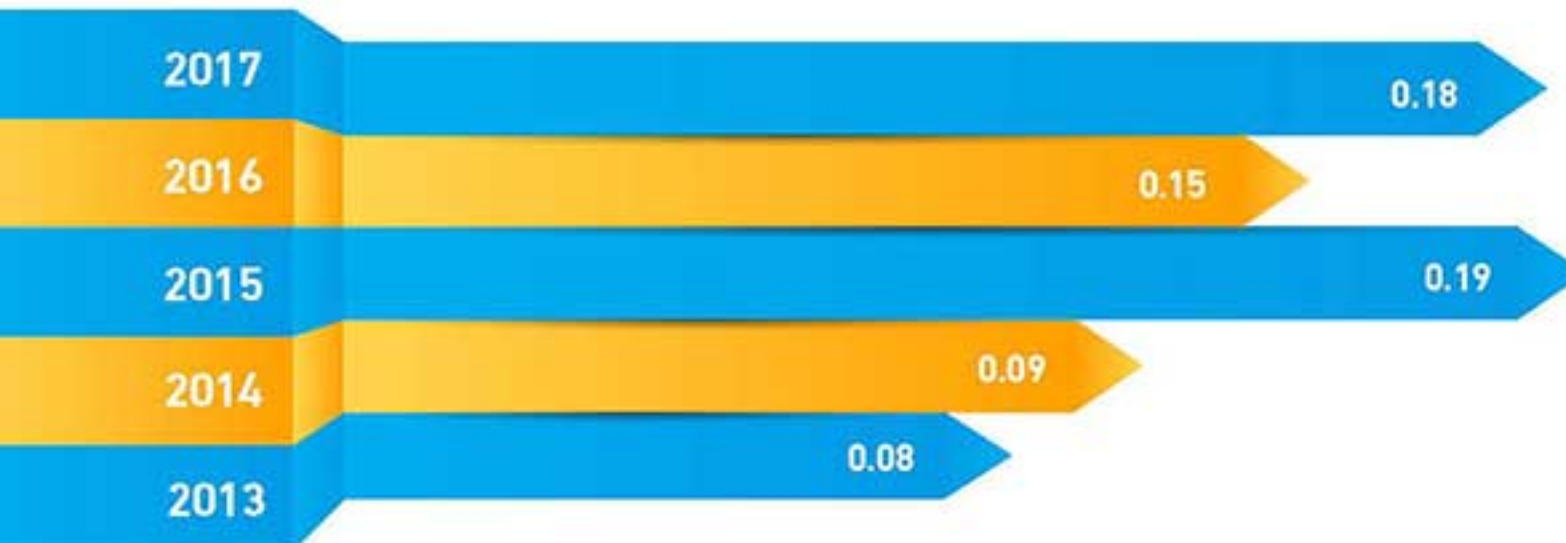
*Active Profitability Ratio (ROA) - (Period Profit - Loss / Average Active)*



*NPL Ratio - Receivables on the subordinate (gross) / (Receivables under the gross (+) Finance lease receivables)*



*Equity Profitability Ratio (ROE) - (Net Profit / (Loss) / (Average Equity)*







PRESS  
STATEMENT





**JCR Eurasia Rating**

"Global Knowledge Supported by Local Experience"

## PRESS RELEASE

Istanbul – March 09, 2017

**JCR Eurasia Rating**  
has reviewed and affirmed the credit ratings of  
**Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure**  
as 'BBB+ (Trk)' on the Long Term National Scale  
and as 'BBB-' on the Long Term International Scale,  
and assigned a 'Stable' outlook for all grades.

JCR Eurasia Rating has reviewed and affirmed the investment grade credit ratings of "Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure" as 'BBB+ (Trk)' on the Long Term National Scale and as 'A-2 (Trk)' on the Short Term National Scale, and assigned a 'Stable' outlook for all grades. On the other hand, the Long Term International Foreign and Local Currency Ratings have been affirmed at the country ceiling level of 'BBB-'. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency	: BBB- / (Stable Outlook)
Long Term International Local Currency	: BBB- / (Stable Outlook)
Long Term National Local Rating	: BBB+ (Trk) / (Stable Outlook)
Short Term International Foreign Currency	: A-3 / (Stable Outlook)
Short Term International Local Currency	: A-3 / (Stable Outlook)
Short Term National Local Rating	: A-2 (Trk) / (Stable Outlook)
Sponsor Support	: 2
Stand Alone	: AB

The Turkish Leasing Sector, dominated by the bank shared companies and with more associative activities with the banking sector compared to other countries, maintained its contribution to the development of the national economy through supporting the capital investments of small and medium size enterprises (SMEs) with high growth potential operating in an increasingly competitive market in the globalization era and having difficulties in the processes of credit access with relatively limited equity and renewal of technological infrastructure to increase competitiveness. The performance of the sector, which is directly correlated with investor risk appetite, has continued its positive development regarding asset size through supportive regulations on tax rates and ongoing contributions of increased product diversity despite the highly volatile market conditions caused by pressure of global and domestic uncertainties. As such, the significant decline in sector growth, exercised after 2007 due to the abolition of provided tax advantages and global crisis, again turned into a growth trend through the contribution of restored tax advantages for certain product classes and the product range increasingly diversified through the introduction of instruments such as 'operational leasing' and 'sell and lease back'. The sector carries the potential to grow its asset size in the future through the increasing preference of funding through leasing by companies in all scales, the increasing share of leasing in the procurement of machinery and equipment of major public infrastructure projects, the possible contributions of 'credit guarantee fund' practices and the comparatively low penetration level.

Vakıf Finansal Kiralama A.Ş., having a high compliance level with corporate governance practices within the scope of its publicly listed shareholding structure, carries out its operations mainly focused on SMEs and investors in the commercial segment through its headquarters, five branches, over 900 branches of its parent company, Vakıfbank, representing the qualified shareholder and its consolidated subsidiary, Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi (Vakıf Sigorta). The Company which has a short-term weighted borrowing structure despite displaying a better composition than the sector average, managed to balance the risk level associated with liquidity position through its broad funding sources utilizing the advantages of being a bank related company, aimed to contribute to liquidity management and risk position and created opportunity for future growth through the envisaged debt instrument issuance in the short-term which is compatible with its current balance sheet composition. Although the Company exhibited a decreasing market share trend over the last five years, it improved its customer base and lowered the credit risk on its activities through the rising number of contracts and the decreased average contract value.

The comparatively low equity levels derived from robust shareholding structure and ease of access to funding sources, representing the inherent features of bank-related companies, also hold true for Vakıf Leasing. On the other hand, the Company improved its equity level against the deteriorating sector figure thanks to satisfactory internal equity generation capacity achieved over the last two years and the management strategy envisaging to support the equity level through the retention of generated internal resources. Although the continuously above sector NPL ratio and the cumulative effect of doubtful receivables positioned above equity suppressed the asset quality, the Company managed to relieve the stated pressure through its high collateral and collectability levels and generated a positive contribution potential on future profitability ratios through realized and envisaged collections in the current period. Within these considerations, the sustainability of internal resource generation capacity together with its contribution to equity level, probable effects of collection potential from doubtful receivables on profitability and the possible pressure of challenging and competitive market conditions on asset quality emerged as the issues to be monitored closely.

The Company's Sponsor Support Grade has been affirmed as (2) based on JCR Eurasia Rating's notation scale taking into consideration the willingness of the shareholders to supply long term liquidity and equity should the need arise along with the experience to provide effective operational support. On the other hand, taking into account the Company's organizational structure, asset size, market efficiency, corporate governance practices and past track record, we, as JCR Eurasia Rating, are of the opinion that Vakıf Finansal Kiralama A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it maintains the efficiency in the market. Within this context, the Stand Alone Grade of the Company has been determined as (AB) in the JCR Eurasia Rating notation system.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst Mr.Gokhan IYIGUN.

**JCR EURASIA RATING**  
Administrative Board





VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2017





CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vakıf Finansal Kiralama A.Ş.

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

We have audited the accompanying consolidated financial statements of Vakıf Finansal Kiralama A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

**2. Basis for Opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.





### 3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><b>Impairment of finance lease receivables</b></p> <p>The Group's total finance lease receivables are amounting to TL 2,053,755 thousand including the doubtful lease receivables in the consolidated statement of financial position as of 31 December 2017. Explanations and notes related to the provision for impairment of finance lease receivables are provided in accordance with the requirements of "BRSA Accounting and Reporting Legislation" are presented in Note 2.1.6, 2.3 and 6 in the accompanying consolidated financial statements as at 31 December 2017.</p> <p>We focused on this area during our audit; considering the size of finance lease receivables and the provision for impairment of finance lease receivables, and the importance of the classification of the finance lease receivables in accordance with the related legislation and appropriately determination of the provision for impairment lease receivables for their classifications. Level of judgements and estimations made by the management with regards to appropriateness of the provisions provided for impairment and timely and correctly identification of default are material effect on the provision amount in the statement of the financial position, therefore this area is considered as key audit matter.</p>	<p>During our audit we performed an understanding of the Group's processes, assessed and tested the design and operating effectiveness of the relevant important controls applied by the Group with respect to identification of loss event and estimation of impairment provision in line with the related legislation.</p> <p>We have tested on a selected sample of finance lease receivables with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner and in accordance with related legislation.</p> <p>We have tested the appropriateness of specific provision calculation provided for non-performing finance lease receivables in accordance with the related legislation including testing of the collaterals on a sample basis whether they are taken into consideration with their market values multiplied with specified valuation ratios and are adequately classified to correct collateral group specified in legislation.</p>





#### 4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### 5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



## INDEPENDENT AUDITOR'S REPORT



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 14 February 2018.

**Additional Paragraph for Convenience Translation:**

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM  
Partner

Istanbul, 14 February 2018





CONVENIENCE TRANSLATION INTO ENGLISH  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

**VAKIF FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2017**

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FOR THE PERIOD ENDING 31 DECEMBER 2017

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VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED FINANCIAL POSITION STATEMENT  
AT 31 DECEMBER 2017 (BALANCE SHEET)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Note	Audited Current Period (31 December 2017)			Audited Prior period (31 December 2016)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND CASH EQUIVALENTS and CENTRAL BANK</b>		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		-	-	-	-	-	-
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
<b>III. BANKS</b>	5	2,072	109,990	112,062	2,525	14,156	16,681
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	6	8,064	-	8,064	5,793	-	5,793
<b>VI. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
6.1 Discounted Factoring Receivables		-	-	-	-	-	-
6.1.1 Domestic		-	-	-	-	-	-
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		-	-	-	-	-	-
6.2 Other Factoring Receivables		-	-	-	-	-	-
6.2.1 Domestic		-	-	-	-	-	-
6.2.2 Foreign		-	-	-	-	-	-
<b>VII. FINANCE LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Commercial Instalment Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>	7	474,045	1,406,156	1,880,201	365,867	1,182,200	1,548,067
8.1 Receivables from Leasing Transactions		464,541	1,296,317	1,760,858	351,073	1,149,060	1,500,133
8.1.1 Financial Lease Receivables		602,478	1,455,943	2,058,421	452,001	1,290,485	1,742,486
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		(137,937)	(159,626)	(297,563)	(100,928)	(141,425)	(242,353)
8.2 Assets to Be Leased		6,776	48,748	55,524	5,784	7,550	13,334
8.3 Advances Given for Leasing Transactions		2,728	61,091	63,819	9,010	25,590	34,600
<b>IX. OTHER RECEIVABLES</b>		4,916	286	5,202	8,275	285	8,560
<b>X. DOUBTFUL RECEIVABLES</b>	7	31,215	22,850	54,065	22,728	43,064	65,792
10.1 Doubtful Factoring Receivables		-	-	-	-	-	-
10.2 Doubtful Finance Loans		-	-	-	-	-	-
10.3 Doubtful Lease Receivables		62,084	111,470	173,554	40,080	142,715	182,795
10.4 Specific Provisions (-)		(30,869)	(88,620)	(119,489)	(17,352)	(99,651)	(117,003)
<b>XI. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>		-	-	-	-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV. INVESTMENTS IN ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>	8	20,900	-	20,900	21,189	-	21,189
<b>XVII. INTANGIBLE ASSETS (Net)</b>	9	483	-	483	618	-	618
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		483	-	483	618	-	618
<b>XVIII. PREPAID EXPENSES</b>	13	750	2,891	3,641	171	3,383	3,554
<b>XIX. CURRENT PERIOD TAX ASSET</b>		-	-	-	35	-	35
<b>XX. DEFERRED TAX ASSETS</b>	11	10,302	-	10,302	15,955	-	15,955
<b>XXI. OTHER ASSETS</b>	12	241	-	241	82	-	82
<b>SUBTOTAL</b>		552,988	1,542,173	2,095,161	443,238	1,243,088	1,686,326
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	10	208	-	208	208	-	208
22.1 Held for resale		208	-	208	208	-	208
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		553,196	1,542,173	2,095,369	443,446	1,243,088	1,686,534

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.





CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2017

CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED FINANCIAL POSITION STATEMENT  
AT 31 DECEMBER 2017 (BALANCE SHEET)  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Note	Audited Current Period (31 December 2017)			Audited Prior Period (31 December 2016)		
		TL	FC	Total	TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>		-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	14	305,409	1,398,983	1,704,392	305,347	1,159,709	1,465,056
<b>III. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IV. LEASE OBLIGATIONS</b>		-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>V. DEBT SECURITIES ISSUED (Net)</b>		94,921	-	94,921	-	-	-
5.1 Bills		94,921	-	94,921	-	-	-
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	15	5,718	18,421	24,139	9,787	10,248	20,035
<b>VII. OTHER LIABILITIES</b>	16	10,440	44,109	54,549	10,897	12,265	23,162
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Net Foreign Investment Hedges		-	-	-	-	-	-
<b>IX. TAXES AND DUTIES PAYABLE</b>	11	1,287	-	1,287	2,095	-	2,095
<b>X. PROVISIONS</b>	17	3,779	-	3,779	3,310	-	3,310
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		3,779	-	3,779	3,310	-	3,310
10.3 Other Provisions		-	-	-	-	-	-
<b>XI. DEFERRED INCOME</b>		1,351	1,957	3,308	1,207	1,566	2,773
<b>XII. CURRENT PERIOD TAX LIABILITY</b>	11	3,856	-	3,856	-	-	-
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>SUBTOTAL</b>		426,761	1,463,470	1,890,231	332,643	1,183,788	1,516,431
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		205,138	-	205,138	170,103	-	170,103
16.1 Paid-in Capital	18	109,000	-	109,000	87,000	-	87,000
16.2 Capital Reserves		353	-	353	353	-	353
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		353	-	353	353	-	353
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		16,449	-	16,449	17,418	-	17,418
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		5,628	-	5,628	3,468	-	3,468
16.5 Profit Reserves		39,791	-	39,791	38,510	-	38,510
16.5.1 Legal Reserves		6,286	-	6,286	5,110	-	5,110
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		33,505	-	33,505	33,400	-	33,400
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		33,819	-	33,819	23,284	-	23,284
16.6.1 Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		33,819	-	33,819	23,284	-	23,284
16.7 Non-Controlling Interests		98	-	98	70	-	70
<b>TOTAL LIABILITIES AND EQUITY</b>		631,899	1,463,470	2,095,369	502,746	1,183,788	1,686,534

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED OFF-BALANCE SHEET ITEMS  
AT 31 DECEMBER 2017 (BALANCE SHEET)**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

OFF-BALANCE SHEET ITEMS	Note	Audited Current Period (31 December 2017)			Audited Prior Period (31 December 2016)		
		TL	FC	Total	TL	FC	Total
<b>I. IRREVOCABLE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>II. REVOCABLE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>III. COLLATERALS RECEIVED</b>	23	5,044,557	12,190,606	17,235,163	3,538,223	11,221,415	14,759,638
<b>IV. COLLATERALS GIVEN</b>		-	-	-	-	-	-
<b>V. COMMITMENTS</b>	23	286,288	430,901	717,189	60,613	251,852	312,465
5.1 Irrevocable Commitments		239,968	67,719	307,687	11,637	41,513	53,150
5.2 Revocable Commitments		46,320	363,182	409,502	48,976	210,339	259,315
5.2.1 Lease Commitments		46,320	363,182	409,502	48,976	210,339	259,315
5.2.1.1 Finance Lease Commitments		46,320	363,182	409,502	48,976	210,339	259,315
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>	23	-	-	-	-	-	-
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		-	-	-	-	-	-
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		-	-	-	-	-	-
6.2.3 Put/call options		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>		565,019	645,065	1,210,084	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		5,895,864	13,266,572	19,162,436	3,598,836	11,473,267	15,072,103

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.





CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2017

CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,

VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT OR LOSS STATEMENT AT 31 DECEMBER 2017  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

INCOME AND EXPENSE ITEMS	Note	Audited Current Period (31 December 2017)	Audited Prior Period (31 December 2016)
<b>I. OPERATING INCOME</b>		<b>142,029</b>	<b>112,585</b>
<b>FACTORING INCOME</b>			
1.1 Factoring Interest Income		-	-
1.1.1 Discounted		-	-
1.1.2 Other		-	-
1.2 Factoring Commission Income		-	-
1.2.1 Discounted		-	-
1.2.2 Other		-	-
<b>INCOME FROM FINANCING LOANS</b>			
1.3 Interest income from financing loans		-	-
1.4 Fees and commissions received from financing loans		-	-
<b>LEASE INCOME</b>		<b>142,029</b>	<b>112,585</b>
1.5 Finance Lease Income		139,042	110,415
1.6 Operational Lease Income		-	-
1.7 Fees and Commissions Received from Lease Operations		2,987	2,170
<b>II. FINANCING EXPENSES (-)</b>		<b>(96,048)</b>	<b>(78,909)</b>
2.1 Interest Expense on Funds Borrowed		(82,265)	(76,708)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Interest Expense of Finance Leasing Expenses		-	-
2.4 Interest Expense on Securities Issued		(10,279)	-
2.5 Other Interest Expenses		-	(127)
2.6 Fees and Commissions Paid		(3,504)	(2,074)
<b>III. GROSS PROFIT / LOSS (I+II)</b>		<b>45,981</b>	<b>33,676</b>
<b>IV. OPERATING EXPENSES (-)</b>	<b>19</b>	<b>(17,746)</b>	<b>(15,325)</b>
4.1 Personnel Expenses		(11,215)	(9,394)
4.2 Reserve for employee termination benefits		(422)	(357)
4.3 Development and Research Expenses		-	-
4.4 General administrative expenses		(5,109)	(3,574)
4.5 Others		-	-
<b>V. GROSS OPERATING INCOME/LOSS (III+IV)</b>		<b>28,235</b>	<b>18,351</b>
<b>VI. OTHER OPERATING INCOME</b>	<b>20</b>	<b>25,573</b>	<b>33,361</b>
6.1 Interest Income on Bank Deposits		109	106
6.2 Interest Income on Reverse Repurchase Agreements		-	-
6.3 Interest Income on Securities Portfolio		-	-
6.3.1 Interest Income on Financial Assets Held for Trading		-	-
6.3.2 Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3 Interest Income on Financial Assets Available For Sale		-	-
6.3.4 Interest Income on Financial Assets Held to Maturity		-	-
6.4 Dividend Income		6	-
6.5 Trading Account Income		-	1,012
6.5.1 Income From Derivative Financial Instruments		-	1,012
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		9,438	19,125
6.7 Others		16,020	13,118
<b>VII. PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)</b>	<b>7</b>	<b>(11,376)</b>	<b>(22,489)</b>
<b>VIII. OTHER OPERATING EXPENSES (-)</b>	<b>20</b>	<b>(39)</b>	<b>(565)</b>
8.1 Impairment Losses on Securities Portfolio		-	(3)
8.1.1 Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-
8.1.2 Impairment Losses on Financial Assets Available For Sale		-	(3)
8.1.3 Impairment Losses on Financial Assets Held to Maturity		-	-
8.2 Impairment Losses on Non-Current Assets		-	-
8.2.1 Impairment Losses on Tangible Assets		-	-
8.2.2 Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment Losses on Goodwill		-	-
8.2.4 Impairment Losses on Other Intangible Assets		-	-
8.2.5 Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses From Derivative Financial Instruments		-	-
8.4 Foreign Exchange Losses		-	-
8.5 Other		(39)	(562)
<b>IX. NET OPERATING PROFIT / LOSS (V+...+VIII)</b>		<b>42,393</b>	<b>28,659</b>
<b>X. INCOME RESULTED FROM MERGER</b>			
<b>XI. GAIN/LOSS ON NET MONETARY POSITION</b>			
<b>XII. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		<b>42,393</b>	<b>28,659</b>
<b>XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (+)</b>	<b>11</b>	<b>(8,546)</b>	<b>(5,378)</b>
13.1 Current Tax Charge	11	(3,917)	-
13.2 Deferred Tax Charge (-)		(4,629)	(5,378)
13.3 Deferred Tax Benefit (+)		-	-
<b>XIV. NET PROFIT FROM CONTINUING OPERATIONS (XII+XIII)</b>		<b>33,847</b>	<b>23,281</b>
<b>XV. INCOME FROM DISCONTINUED OPERATIONS</b>			
15.1 Income from Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3 Other Income from Discontinued Operations		-	-
<b>XVI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			
16.1 Expense on Assets Held for Sale		-	-
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3 Other Expenses from Discontinued Operations		-	-
<b>XVII. PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XV-XVI)</b>			
<b>XVIII. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (+)</b>			
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (-)		-	-
18.3 Deferred Tax Benefit (+)		-	-
<b>XIX. NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)</b>		<b>33,847</b>	<b>23,281</b>
<b>XX. UNCONTROLLABLE PROFIT OR LOSS</b>		<b>(28)</b>	<b>3</b>
<b>XXI. NET PROFIT FOR THE PERIOD (XIV+XIX+XX)</b>		<b>33,819</b>	<b>23,284</b>
<b>EARNINGS PER SHARE</b>	<b>21</b>	<b>0.3105</b>	<b>0.2136</b>
Earnings Per Share from Continued Operations		0.3105	0.2136
Earnings Per Share from Discontinued Operations		-	-
<b>DILUTED EARNINGS PER SHARE</b>			

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
STATEMENT AT 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT			Audited Current Period (31 December 2017)	Audited Prior Period (31 December 2016)
	Note			
<b>I. CURRENT PERIOD PROFIT/LOSS</b>			<b>33,847</b>	<b>23,281</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>			<b>1,191</b>	<b>3,216</b>
<b>2.1 Items that will not be Reclassified to Profit or Loss</b>			<b>(969)</b>	<b>2,426</b>
2.1.1 Tangible Assets Revaluation Increases/Decreases			-	2,540
2.1.2 Intangible Assets Revaluation Increases/Decreases			-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	17		(59)	15
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			(910)	(129)
2.1.5.1 Current Tax Income/Expense			-	-
2.1.5.2 Deferred Tax Income/Expense			(910)	(129)
<b>2.2 Items that may be Reclassified subsequently to Profit or Loss</b>			<b>2,160</b>	<b>790</b>
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions			-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales			2,274	832
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			(114)	(42)
2.2.6.1 Current Tax Income/Expense			-	-
2.2.6.2 Deferred Tax Income/Expense			(114)	(42)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>			<b>35,038</b>	<b>26,497</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2017

## CONVENIENCE TRANSLATION INTO ENGLISH FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

### VAKIF FİNANSAL KİRALAMA A.Ş. STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY																								
under profit or loss statement												under profit or loss statement												

1. The accumulated revaluation increases losses on property and equipment.
2. The accumulated revaluation increases losses on defined benefit plans.
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement).
4. Foreign currency translation differences.
5. The accumulated revaluation increases losses on available for sale asset.
6. Other (Cash flow hedge gain/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement).

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.



CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.  
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY													Accumulated other comprehensive income or losses					Accumulated other comprehensive income or losses					Prior Period Income					Total Equity																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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													Share Premium	Share Contribution	Other Reserves	Capital Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Prior Period Income	Net Period Profit	Unrealized Profit	Total Equity																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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I.	Prior Beginning Balance (31 December 2016)													87,000	353	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2017

## CONVENIENCE TRANSLATION INTO ENGLISH FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2017 (Amounts expressed in Turkish Lira ("TL.") unless otherwise indicated.)

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1.1	Operating Profit before Changes in Operating Assets and Liabilities	30,202	23,471
1.1.1	Interests Received/ Leasing Income	132,912	105,771
1.1.2	Interest Paid/Leasing Expense	-	-
1.1.3	Leasing Expenses	-	-
1.1.4	Dividend Received	6	-
1.1.5	Fees and Commissions Received	2,987	2,170
1.1.6	Other Income	10,804	18,355
1.1.7	Collections from Previously Written-off Doubtful Receivables	5,564	2,317
1.1.8	Payments to Personnel and Service Suppliers	(11,215)	(9,394)
1.1.9	Taxes Paid	-	-
1.1.10	Other	(110,856)	(95,748)
1.2	Changes in Operating Assets and Liabilities	(43,412)	(63,485)
1.2.1	Net (Increase)/Decrease in Factoring Receivables	-	-
1.2.2	Net (Increase)/Decrease in Finance Loans	-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables	(325,543)	(237,171)
1.2.4	Net (Increase)/Decrease in Other Assets	2,938	(7,325)
1.2.5	Net Increase/(Decrease) in Factoring Payables	-	-
1.2.6	Net Increase/(Decrease) in Lease Payables	-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed	244,292	157,955
1.2.8	Net Increase/(Decrease) in Liabilities Due	-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities	34,901	23,056
<b>I.</b>	<b>Net Cash Provided from Operating Activities</b>	<b>(13,210)</b>	<b>(40,014)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1	Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	975	(188)
2.4	Disposals of Property and Equipment	(131)	-
2.5	Purchase of Investments Available-for-sale	-	-
2.6	Sale of Investments Available-for-sale	-	-
2.7	Purchase of Investment Securities Held to Maturity	-	-
2.8	Sale of Investment Securities Held to Maturity	-	-
2.9	Other	-	-
<b>II.</b>	<b>Net Cash (Used In)/Provided from Investing Activities</b>	<b>844</b>	<b>(188)</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1	Cash Obtained from Funds Borrowed and Securities Issued	93,091	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>93,091</b>	<b>-</b>
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>14,655</b>	<b>1,224</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>95,380</b>	<b>(38,978)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>16,680</b>	<b>55,658</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at End of the Period</b>	<b>112,060</b>	<b>16,680</b>

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.





**CONVENIENCE TRANSLATION INTO ENGLISH  
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**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2017**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited Current Period 31 December 2017(*)	Audited Prior Period 31 December 2016
<b>I.</b>	<b>DISTRIBUTION OF CURRENT PERIOD PROFIT (*)</b>		
1.1	CURRENT PERIOD PROFIT	42,393	28,662
1.2	TAXES AND DUES PAYABLE (-)	(8,546)	(5,378)
1.2.1	Corporate Tax (Income Tax)	(3,917)	-
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues	(4,629)	(5,378)
<b>A.</b>	<b>NET PERIOD PROFIT (1.1 - 1.2)</b>	<b>33,819</b>	<b>23,284</b>
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	-
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
<b>B.</b>	<b>DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)</b>	<b>33,819</b>	<b>23,284</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	-	-
3.1	TO OWNERS OF STOCKS (TRY)	0.3105	0.002676
3.2	TO OWNERS OF STOCKS (%)	31.05	0.2676
3.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
4.1	TO OWNERS OF STOCKS (TRY)	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(\*) The Company's General Assembly has not been held yet and in the profit distribution table only distributable profits has been specified.

The accompanying notes set out on pages 10 to 55 form an integral part of these financial statements



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ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2****VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP****Brief history**

Vakıf Finansal Kiralama Anonim Şirketi ("the Company") was established on 15 September 1988 and operates 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 Company is a subsidiary of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank") and the 22.54% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi ("Vakıf Sigorta") was established on 3 January 1995 to act as an insurance intermediary between Güneş Sigorta Anonim Şirketi and the customers of the Company for the insurance of the assets subject to finance lease agreements. Vakıf Sigorta gives insurance consultancy, risk management and damage controlling both in Turkey and abroad. Vakıf Sigorta also gives brokerage services between insurance and reinsurance companies. The Company owns 84.85% of the outstanding shares of Vakıf Sigorta and Vakıf Sigorta's financial statements are fully consolidated in the accompanying consolidated financial statements. The Company and Vakıf Sigorta together will be referred as "Group" in this report.

As at 31 December 2017, the Group has 75 employees; 74 at the Company, 1 at Vakıf Sigorta (31 December 2016: 58 at the Company, 4 at Vakıf Sigorta, in total 54).

The registered address of the Company is as follows:

Büyükdere Caddesi Matbuat Sokak  
Gazeteciler Sitesi No:13  
34394 Esentepe - Şişli  
Istanbul/Turkey

**Ownership Structure**

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank Group. As at 31 December 2017 and 2016, the share capital and ownership structure of the Company are as follows:

Shareholder	31 December 2017		31 December 2016	
	Share Amount (TL)	Share Percentage (%)	Share Amount (TL)	Share Percentage (%)
Vakıfbank	63,996	58.71	51,080	58.71
Güneş Sigorta Anonim Şirketi	17,057	15.65	13,615	15.65
Public Shares(*)	24,566	22.54	19,608	22.54
Other	3,381	3.10	2,698	3.10
<b>Paid-in capital</b>	<b>109,000</b>	<b>100</b>	<b>87,000</b>	<b>100.00</b>

(\*) The ratio is calculated from the shares of the Company registered at Istanbul Takas ve Saklama Bankası A.Ş. ("Takasbank").



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis Of Presentation**

**2.1.1 Accounting standards**

The Company prepared accompanying financial statements in accordance with to the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("TMS/TFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "the reporting standards") in respect of accounting and financial reporting.

The consolidated financial statements as at and for the year ended 31 December 2017 are approved by the Board of Directors of the Company and authorized for issue as at 9 February 2017. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the available for sale financial assets and assets held for sale which are measured at their fair values unless reliable measures are available.

**2.1.2 Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which these financial statements are to be distributed and Turkish Financial Reporting Standards ("TFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and TFRS.

**2.1.3 Correction of financial statements during hyperinflation period**

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

**2.1.4 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.1.5 Going concern**

The Company prepared its financial statements considering the going concern principal.





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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1.6 Currency used**

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in the Turkish Lira ("TL").

**2.1.7 Critical Accounting evaluations, estimates and assumptions**

Preparation of these financial statements requires estimates and judgments regarding the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgements are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

**Allowance for impairment of lease receivables**

A credit risk provision for impairment of leasing receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of lease receivables are based on the aging of these receivable balances and the trend of collection performance.

**Recognition of deferred tax asset**

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances. Explanations about possible effects on deferred tax assets are presented in Note 10.

**Fair value measurements of the share certificates**

Fair value measurements of the share certificates are valued for determination of fair value by independent valuation institutions once a year.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2. Changes In Accounting Policies**

**2.2.1 Comparatives and restatement of prior year financial statements**

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

**2.2.2 Changes in accounting policies**

Changes in accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015.

**2.2.3 Change in accounting estimates and errors**

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior year errors are corrected retrospectively by restating the comparative amounts for the prior periods.

**2.2.4 Amendments in standards and interpretations**

**New or Revised International Financial Reporting Standards and Applications of Amendments**

The Company adopted the standards, amendments and interpretations, related to Company's activity, published by the Public Oversight Auditing and Accounting Standards Authority (POA) which are mandatory for accounting periods beginning on or after 1 January 2016.

**Standards, Amendments and IFRICs applicable to 31 December 2017 year ends**

**a) Standards, amendments and interpretations effective after 1 January 2018:**

- **IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **IFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **Amendment to IFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to IFRS 4, 'Insurance contracts'** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- **Amendment to IAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

- **IFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- **Amendment to IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law.  
  
IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.





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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**Early adoption of standards**

The Company did not early-adopt new or amended standards at 31 December 2017. Considering the financial statement items of the Company, it is deemed that the prospective changes except adoption of TFRS 9 would have no significant effect to over the financial position and performance of the Company.

The Company calculates provisions for impairment for its lease receivables in accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and other regulations related to the amendment of the related regulation published in the Official Gazette numbered 28861, dated 24 December 2013 by BRSA. The Company will continue to calculate provision for impairment as it has been in the previous periods in accordance with the related legislation and will not apply the provisions of expected credit loss defined in TFRS 9, which will be effective as of January 1, 2018, until the amendment of related legislation by BRSA.

**2.3 Summary of significant accounting policies**

**Consolidation principals applied:**

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in sections below. Financial statements of the consolidated subsidiary are prepared as of the same date as consolidated financial statements.

**Subsidiaries**

Subsidiaries are the entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

As at 31 December 2017 and 2016, the Company owns 84.85% of Vakıf Sigorta. As the Company has the power to control the operations of the Vakıf Sigorta, the financial statements of Vakıf Sigorta have been fully consolidated in the accompanying consolidated financial statements.

**Non-controlling interest**

The non-controlling interest in the net asset of the subsidiary of the Company is presented separately in the Group's equity. Non-controlling interest comprises the amount of those non-controlling interests at the date of the first combination and the changes in equity since the date of the combination.





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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**Foreign exchange transactions**

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency exchange rates used on 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
USD	3.7719	3.5192
Euro	4.5155	3.7099
Sterlin	5.0803	4.3189
YEN	3.3421	3.0025

**Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

**Financial leasing transactions**

*(i) As lessor*

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Lease income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The leasing payments received are deducted from the gross leasing investments by reducing the principal and unearned finance income.

*(ii) As lessee*

The assets which is obtained by financial leasing is capitalized with the lower of fair value of the asset at the beginning of the leasing period after the deduction of the tax benefits and incentive or discounted value of minimum lease payments at the date. The principal payments of the lease are illustrated as liability and decreases with the payments. Interest payments are reflected to income statement during the financial leasing period. Assets obtained by the financial leasing are subject to depreciation over the useful life of the asset.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Allowances for impairment of lease receivables**

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies ("Provisions Communiqué") published in Official Gazette No. 28861, dated 24 December 2013. According to the Communiqué, specific provisions are set in the following proportions: minimum 20% after deducting the effect of collaterals for lease receivables that are overdue between 151 and 240 days, minimum 50% after deducting the effect of collaterals for lease receivables that are overdue between 240 and 365 days and 100% after deducting the effect of collaterals for lease receivables that are overdue for more than one year.

In accordance with the related Provisions Communiqué, the Company also recognises specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué on the Preparation and Presentation of Financial Statements published in Official Gazette No. 25702, dated 16 January 2005. According to the Communiqué, the Company might not take into account the collateral amounts while determining the specific provision mentioned above.

After the collection of receivables for which provision has been set aside, the provision amounts are reversed and all of the related receivables are deducted from assets. During the collection of a receivable related to a previous year's provisions, the related collection amount is credited to "Other Operating Income" account as income.

**Financial instruments**

The Company classifies securities and accounts as "available for sale" and "subsidiaries".

Investment securities are classified according to purpose of purchase and Management's "market risk policy" at the time of purchase.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it.

**(i) Securities held for trading**

Financial assets held for trading is the financial assets that are measured at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

**(ii) Investment securities available-for-sale**

Available-for-sale investment securities are carried at fair value based on quoted bid prices, or amounts derived from cash flow models on the financial statements as of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of these securities are recognised under equity in the "Marketable Securities Valuation Reserve" account. If a non-temporary fair value loss is determined, the effect of this loss is recognised in the statement of income. In case of disposal of these securities, the accumulated fair value adjustments are transferred to statement of income. Investments in equity shares for which the Group has not the power to control or significant influence are classified as available for sale financial assets in the consolidated financial statements. Available for sale financial assets, traded in an active market or whose fair value can be reliably measured, measured at their fair values. Available for sale financial assets, not traded in an active market and whose fair value cannot be reliably set are measured at cost, less impairment losses, if any in the consolidated financial statements.





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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**Derivative financial instruments**

Derivative financial instruments, including forward foreign exchange contracts, are initially recognised on the balance sheet at cost including transaction costs and are subsequently re-measured at their fair value. The income and losses recognised in derivative transactions change according to how they are classified. Income and losses from derivatives designated to effectively hedge cash-flow risk are recognised as equity. The Company's derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting and are therefore initially recognised at cost and subsequently valued at fair value. The fair value gains and losses are recognised in the income statement.

Fair values of forward foreign exchange contracts and swap transactions are determined based on market rates or discounted cash flows.

**Property and equipment**

In the accompanying consolidated financial statements, tangible assets acquired before 1 January 2005 are measured at cost restated for the effects of inflation at 31 December 2004 less accumulated depreciation. Tangible assets acquired after 1 January 2005 are measured at cost, less accumulated depreciation.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015. As a result of the valuation performed by an independent appraisal company, revaluation difference of TRY17,517 after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

As of 31 December 2017, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

	31 December 2017	31 December 2016
Fair Value	21,629	21,629
Net book value calculated on cost value	3,190	3,190
<b>Before tax revaluation differences</b>	<b>18,439</b>	<b>18,439</b>
Calculated deferred tax liability (-)	1,844	922
<b>Revaluation differences - net</b>	<b>16,595</b>	<b>17,517</b>

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the consolidated statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense. There are no pledges, mortgages and other encumbrances on tangible assets.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of tangible assets are as follows:

<b>Tangible assets</b>	<b>Expected Useful Life (Year)</b>	<b>Depreciation Rate (%)</b>
Buildings	50	2
Furnitures and fixed assets	5	20
Motor vehicles	5	20
Other non-current assets – special costs	5	20

**Intangible assets**

The Group's intangible assets consist of software.

The cost of the intangible assets purchased before 1 January 2005 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

The intangible assets are amortized based on straight line amortization method.

**Assets held for resale**

The assets providing the necessary conditions of being classified as the assets held for resale are recognized with the lower of their book value and fair value less cost of sales. These assets are presented separately on the balance sheet and are not subjected to depreciation following the classification. To classify an asset as asset held for resale, the sale potential of the asset (or the asset group to be disposed) should be high and the asset should be available to immediately sell under ordinary circumstances in sale of this kind of assets. To have high sale potential, there should be a proper scheme for sale of the asset (or asset group to be disposed) which is prepared by a proper administrative level and an active sales program should be launched to complement the scheme and determine the buyers. Furthermore, the asset should be marketed actively with a price coherent to its fair value. Various incidents and conditions may extend the completion of the sale term to more than a year. The asset is remained to be classified as the asset held for resale, if the reason of the delay is the incidents and conditions out of the control of the firm, and there is no sufficient evidence that the firm is continuing its sales program of the asset.

The impairment losses and profit and loss from subsequent valuation of the assets classified as the assets held for resale are recognized on consolidated income statement.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of income.

**Employee benefits**

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2017 is TRY5,001.76 full TRY (31 December 2016: TRY4,426.16 full TL). The Group provided reserve for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 - *Employee Benefits*.

As at 31 December 2017 and 2016, the actuarial assumptions are as follows:

	31 December 2017	31 December 2016
Discount rate	%4.00	%3.06
Expected rate of salary/ceiling increase	%12.32	%7.80
Estimated employee turnover rate	%1.89	%1.46

Expected rate of salary/ceiling increase is determined based on inflation estimates of the government. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The Group has provided reserve for short-term employee benefits in the financial period as per services rendered in compliance with TAS 19 - *Employee Benefits* in the accompanying consolidated financial statements.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards



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Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition method of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for the annual periods beginning on or after 1 January 2013. Beginning of 1 January 2013, the Company has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Comprehensive Income" and presented in the "Extraordinary reserves" item in the Equity section of the financial statements.

**Provisions, contingent assets and liabilities**

In the consolidated financial statements, a provision is made for an existing liability resulted from past events if it is probable that the liability will be settled and a reliable estimate can be made for the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the consolidated financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements. Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset in the accompanying consolidated financial statements.

**Income and expense recognition**

**Finance lease income**

The values of the assets leased within the context of Financial Lease Law are shown as finance lease receivables on balance sheet at their value determined at the beginning of the leasing transaction. The interest income generated by the difference between total finance lease receivable and the investment value of the asset subject to leasing is recorded to the income statement of the period by means of distribution of the receivables with fixed interest rate to the related periods. The interest income not accrued in relevant period is followed under unearned interest income.

**Interest income and expenses**

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs, which are indispensable parts of effective interest. Transaction costs are additional costs that are directly related to the acquisition or disposal of financial assets or liabilities.

**Fees and commissions**

The fees and commissions received from and paid due to finance lease operations are recognized in the consolidated statement of income when the related service is rendered or received.

**Dividend**

Dividend income is recognized when the Company's right to receive payment is ascertained.

**Other income and expenses**

Other income and expenses are recognized on an accrual basis.

**Taxation****Corporate taxes**

Taxable income is subject to corporate tax at 20%. This rate is applied to net income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

The corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

Withholding tax rate on dividend payments, which are made to the companies except those are domiciled in Turkey or generate income in Turkey via a business or a regular agent, is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

Under the Turkish taxation system, tax losses can be carried forward up to five years. As at 31 December 2017, the Group has no deductible tax losses (31 December 2016: no deductible tax losses).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the end of the 25<sup>th</sup> day of the 4<sup>th</sup> month following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Deferred taxes**

Deferred tax assets and liabilities are recognized, in accordance with TAS 12- *Income Taxes*, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The Company uses a tax rate of 20% or 22% considering deferred tax assets or deferred tax liabilities in deferred tax calculation.

The deferred tax assets and liabilities are reported as net in the consolidated financial statements only if the Group has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

**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.

According to the Communiqué, 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.

**Investment incentive**

As per the provisional 69th article which is added to the 193 numbered Income Tax Law by 5479 numbered Law that is published on 8 April 2006 dated and 26133 numbered Official Gazette and became effective since 1 January 2006, tax payers could deduct investment incentives calculated according to the legislation provisions (including tax rate related provisions) in force as at 31 December 2005, only from the taxable income of the years 2006, 2007, and 2008. In this context, income and corporate taxpayers could deduct the following items only from the taxable income of 2006, 2007, and 2008;

- 1- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,
- 2- For the investments, which made in the scope of investment incentive certificates drawn upon taxpayer's application before 24 April 2003 and started within the frame of 193 numbered Income Tax Law's additional 1, 2,3,4,5 and 6th articles - later repealed by 4842 numbered law- the amounts that realized in the scope of certificate after the date 1 January 2006.
- 3- Within the frame of Article 19 of 193 numbered Law which repealed 5479 numbered Law, investment expenditures incurred after 1 January 2006 will be deductible only from the profits of years 2006, 2007 and 2008 provided that they are economically and technically integral parts of the investment started before 1 January 2006.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

In this frame the rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, are abrogated as at 31 December 2008. According to this regulation limiting the right to deduct the investment expenditure from taxable profit, investment incentive exemption will be applied to the taxable profit of 2008 at the latest. Investment incentive exemption amount which could not be deducted due to lack of taxable profit till the end of 2009 is not possible to be deducted from the taxable profit of 2009 and subsequent years. Meanwhile, this exemption amount cannot be recorded as expense in the tax books.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, "2006, 2007 and 2008" clause of the provisional Article no. 69 of Income Tax Law mentioned above, is repealed and time limitation for the use of investment incentive is removed. The repeal related to investment incentive is enacted and issued in the 8 January 2010 dated and 27456 numbered Official Gazette.

Accordingly, investment incentive amounts carried forward to 2006 due to lack of taxable profit and the other investment incentive amounts which arising from investments prior to 2006 and on goes after this date in the context of economic and technical integrity can be applied for not only 2006, 2007 and 2008 but also in subsequent years. Accordingly, the Group will be able to deduct its remaining investment incentives from taxable profit in the future without any time limitation.

Pursuant to the 6009 numbered Law published on 1 August 2010 dated and 27659 numbered Official Gazette and became effective accordingly, the amount of investment incentive exemption which is deducted from income to estimate the tax base cannot be more than 25% of the income, and the remaining income will be subject to income tax at the prevailing tax rate. In accordance with this law and Constitutional Court decision there is no time limitation in using investment incentive amount carried forward from year 2005 but the amount could not be more than 25% of income.

The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decisions no: E.2010/93 and K.2012/20 on 9 February 2012.

**Related party**

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.



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Earnings per share**

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period (Note 21).

**Subsequent events**

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 the Balance Sheet Date*; post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

**Statement of cash flows**

The Group prepares consolidated statement of cash flows to inform the users of the consolidated financial statements about the changes in its net assets, its consolidated financial structure and its ability to affect the amount and timing of its consolidated cash flows with respect to changing external conditions.

In the consolidated statement of cash flows, consolidated cash flows of the period are reported with a classification based on operating, investing and financing activities. Consolidated cash flows from operating activities represent cash flows from activities within the scope of business. Consolidated cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Consolidated cash flows relating to financing activities represent the sources of financing the Group used and the repayments of these sources.

As at 31 December 2017 and 2016, for the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented below:

	31 December 2017	31 December 2016
Banks	112,062	16,681
Interest accruals on bank deposits	(2)	(1)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>112,060</b>	<b>16,680</b>



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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors.

Segment information is presented in respect of the Group's business as all the group entities operate in one geographical area, Turkey. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

**3 - SEGMENT REPORTING**

**Business Segments**

The Group comprises of two main business segments.

- Finance lease includes the Group's finance lease operations.
- Insurance includes the Group's insurance brokerage operations.

31 December 2017	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Finance lease income	142,029	-	-	142,029
Insurance brokerage service income	-	1,378	-	1,378
<b>Total segment income</b>	<b>142,029</b>	<b>1,378</b>	<b>-</b>	<b>143,407</b>
<b>Net operating profit/(loss)</b>	<b>42,117</b>	<b>276</b>	<b>-</b>	<b>42,393</b>
Income/(Expense) taxes	(8,453)	(93)	-	(8,546)
<b>Net profit for the year</b>	<b>33,664</b>	<b>183</b>	<b>-</b>	<b>33,847</b>
Specific provisions for loans and receivables under follow up	(11,376)	-	-	(11,376)
Depreciation and amortization expense	(1,204)	-	-	(1,204)
31 December 2016	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Finance lease income	112,585	-	-	112,585
Insurance brokerage service income	-	1,062	-	-
<b>Total segment revenue</b>	<b>112,585</b>	<b>1,062</b>	<b>-</b>	<b>113,647</b>
<b>Net operating profit</b>	<b>28,893</b>	<b>(26)</b>	<b>(208)</b>	<b>28,659</b>
Income taxes	(5,383)	5	-	(5,378)
<b>Net profit for the year</b>	<b>23,510</b>	<b>(21)</b>	<b>(208)</b>	<b>23,281</b>
Specific provisions for loans and receivables under follow up	(22,488)	-	-	(22,488)
Depreciation and amortization	(1,097)	-	-	(1,097)



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**3 - SEGMENT REPORTING (Continued)**

As at 31 December 2017 and 31 December 2016 the Group's segment assets, segment liabilities and capital expenditures are as follows:

31 December 2017	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
<b>Other Information</b>				
Segment assets	2,095,389	3,995	(4,015)	2,095,369
Segment liabilities	1,890,747	3,389	(3,905)	1,890,231
31 December 2016	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
<b>Other Information</b>				
Segment assets	1,686,425	3,197	(3,088)	1,686,534
Segment liabilities	1,516,667	2,744	(2,980)	1,516,431

Capital expenditures of the segments comprise of the acquisitions of tangible and intangible assets in the related periods.

**4 - CASH EQUIVALENTS AND BANKS**

As at 31 December 2017 and 31 December 2016, details of bank balances are as follow:

	31 December 2017	31 December 2016
Banks	112,062	16,681
Demand deposit	110,555	9,291
Time deposit	1,507	7,390
<b>Total</b>	<b>112,062</b>	<b>16,681</b>

As at 31 December 2017, time deposits consist of bank placements with maturity less than three months and with interest rates average 12.50% for foreign currency. Group do not have TRY time deposits (31 December 2016: %7.2).



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**5 - AVAILABLE FOR SALE FINANCIAL ASSETS**

As at 31 December 2017 and 31 December 2016, available for sale financial assets are as follow:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	Carrying Value <sup>(*)</sup>	Share (%)	Carrying Value	Share (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	5,981	3.79	3,606	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,616	3.27	1,921	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	467	0.25	266	0.25
<b>Total Available for Sale</b>	<b>8,064</b>		<b>5,793</b>	

(\*) Available-for-sale financial assets that are monitored at Level 3 include fair values of marketable securities representing fair market value held by independent appraisers.

**6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES**

The details of finance lease receivables are presented below:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Lease receivables	590,349	1,423,805	440,406	1,258,347
Invoiced lease receivables	12,129	32,138	11,595	32,138
<b>Subtotal</b>	<b>602,478</b>	<b>1,455,943</b>	<b>452,001</b>	<b>1,290,485</b>
Unearned interest income	(137,937)	(159,626)	(100,928)	(141,425)
Leasing contracts in progress	6,776	48,748	5,784	7,550
Advances given for lease transactions	2,728	61,091	9,010	25,590
<b>Finance lease receivables, net of unearned income</b>	<b>474,045</b>	<b>1,406,156</b>	<b>365,867</b>	<b>1,182,200</b>
Impaired lease receivables	62,084	111,470	40,080	142,715
Specific provision	(30,869)	(88,620)	(17,352)	(99,651)
<b>Impaired lease receivables, net</b>	<b>31,215</b>	<b>22,850</b>	<b>22,728</b>	<b>43,064</b>
<b>Finance lease receivables, net</b>	<b>505,260</b>	<b>1,429,006</b>	<b>388,595</b>	<b>1,225,264</b>



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**6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)**

Prospective aging analysis of the neither past due nor impaired and past due but not impaired lease receivables is as follows:

31 December 2017	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	890,250	525,905	387,455	237,945	136,209	2,177,764
Unearned interest income	130,345	(90,640)	(47,645)	(20,915)	(8,018)	(297,563)
<b>Finance lease receivables, Net</b>	<b>759,905</b>	<b>435,265</b>	<b>339,810</b>	<b>217,030</b>	<b>128,191</b>	<b>1,880,201</b>
31 December 2016	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	664,936	463,159	312,800	197,294	152,231	1,790,420
Unearned interest income	(102,938)	(69,521)	(41,007)	(19,340)	(9,547)	(242,353)
<b>Finance lease receivables, Net</b>	<b>561,998</b>	<b>393,638</b>	<b>271,793</b>	<b>177,954</b>	<b>142,684</b>	<b>1,548,067</b>

As of 31 December 2017, the average compounded interest rates for finance lease receivables are %14.32 for TL, %8.41 for USD and %5.86 for EUR (31 December 2016: %15.52 for TL, %8.37 for USD and %6.20 for EUR).

As at 31 December 2017 and 2016, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2017	31 December 2016
Neither past due nor impaired	1,696,991	1,456,259
Past due but not impaired	63,867	43,874
Impairment	173,554	182,795
Allowances for impairment	(119,489)	(117,003)
<b>Finance lease receivables, net</b>	<b>1,814,923</b>	<b>1,565,925</b>
	31 December 2017	31 December 2016
151-240 days	4,837	14,020
241-1 year	3,470	10,243
1 year and over	165,247	158,532
<b>Impaired lease receivables, net</b>	<b>173,554</b>	<b>182,795</b>





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**6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)**

As at 31 December 2017 and 2016, details of the impaired lease receivables and related specific provisions are as follows:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TP</b>	<b>YP</b>	<b>TP</b>	<b>YP</b>
Impaired lease receivables	62,084	111,470	40,080	142,715
Specific provisions	(30,869)	(88,620)	(17,352)	(99,651)
<b>Impaired lease receivables, net</b>	<b>31,215</b>	<b>22,850</b>	<b>22,728</b>	<b>43,064</b>

The movement of the specific provision during the year is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Specific provisions at the beginning of the year	117,003	98,172
Provision for the year	11,376	22,488
Collections during the year	(5,564)	(2,317)
Finance lease receivables written off during the year	(3,326)	(1,340)
<b>Specific provisions at the end of the year</b>	<b>119,489</b>	<b>117,003</b>

The details of collaterals taken for finance lease receivables that have specific provisions are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Mortgage	47,164	43,369
Cash blockages	15,278	20,002
Other	1,808	327
<b>Total collateral</b>	<b>64,250</b>	<b>63,698</b>

The group reviews any change in credit quality related to receivables from the date it is created to the balance sheet date in order to decide whether the receivable can be collected or not. Since the Group has many customers, credit risk concentration of the Group is not at a significant level. Sectoral distribution of the finance lease receivables is presented in Note 24.



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**7 - TANGIBLE ASSETS**

Movement in tangible assets in the period from 1 January to 31 December 2017 is as follows:

	1 January 2017	Additions <sup>(*)</sup>	Disposals	31 December 2017
<b>Cost:</b>				
Furniture and fixture	363	416	(38)	741
Motor vehicles	602	-	(482)	120
Other tangible assets	518	10	(29)	499
Buildings	22,514	-	-	22,514
Special cost	168	-	(168)	-
	<b>24,165</b>	<b>426</b>	<b>(717)</b>	<b>23,874</b>
<b>Accumulated depreciation:</b>				
Furniture and fixture	(203)	(94)	12	(285)
Motor vehicles	(484)	(24)	482	(26)
Other tangible assets	(568)	(27)	156	(439)
Buildings	(1,590)	(634)	-	(2,224)
Special cost	(131)	-	131	-
	<b>(2,976)</b>	<b>(779)</b>	<b>781</b>	<b>(2,974)</b>
<b>Net Book Value</b>	<b>21,189</b>			<b>20,900</b>

<sup>(\*)</sup> The balance consists of the revaluation difference of the properties for use.

Movement in tangible assets in the period from 1 January to 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Furniture and fixtures	363	-	-	363
Motor vehicles	482	120	-	602
Other tangible assets	521	5	(8)	518
Buildings	19,974	2,540	-	22,514
Special cost	116	52	-	168
	<b>21,456</b>	<b>2,717</b>	<b>(8)</b>	<b>24,165</b>
<b>Accumulated depreciation:</b>				
Furniture and fixtures	(199)	(10)	6	(203)
Motor vehicles	(452)	(32)	-	(484)
Other tangible assets	(500)	(70)	2	(568)
Buildings	(1,093)	(497)	-	(1,590)
Special cost	(115)	(16)	-	(131)
	<b>(2,359)</b>	<b>(625)</b>	<b>8</b>	<b>(2,976)</b>
<b>Net Book Value</b>	<b>19,097</b>			<b>21,189</b>

As 31 December 2017 and 31 December 2016, there is no mortgage on the tangible assets of the Group.

As of 31 December 2017, total insurance coverage for tangible assets of the Group is TRY13,151 (31 December 2016: 12,836 TL).



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**8 - INTANGIBLE ASSETS**

Movement in intangible assets in the period from 1 January to 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	31 December 2017
<i>Cost:</i>				
Software	1,683	418	-	2,101
	<b>1,683</b>	<b>418</b>	<b>-</b>	<b>2,101</b>
<i>Accumulated amortization:</i>				
Software	(1,065)	(553)	-	(1,618)
	<b>(1,065)</b>	<b>(553)</b>	<b>-</b>	<b>(1,618)</b>
<b>Net book value</b>	<b>618</b>			<b>483</b>

Movement in intangible assets in the period from 1 January to 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
<i>Cost:</i>				
Software	1,673	10	-	1,683
	<b>1,673</b>	<b>10</b>	<b>-</b>	<b>1,683</b>
<i>Accumulated amortization:</i>				
Software	(671)	(394)	-	(1,065)
	<b>(671)</b>	<b>(394)</b>	<b>-</b>	<b>(1,065)</b>
<b>Net book value</b>	<b>1,002</b>			<b>618</b>

**9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

As at 31 December 2017 and 31 December 2016, the Group's assets held for resale are composed of movables and immovable that are added to assets as a result of legal proceedings with regard to impaired lease receivables are detailed below:

	31 December 2017	31 December 2016
Real estate held for sale	208	208
<b>Total</b>	<b>208</b>	<b>208</b>



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**10 - TAX ASSETS AND LIABILITIES**

	31 December 2017	31 December 2016
Corporate tax provision	3,856	-
	<b>3,856</b>	<b>-</b>
VAT payable	728	1,652
Social Security Premiums	409	316
Income tax	139	99
Stamp tax	6	3
Other	5	25
	<b>1,287</b>	<b>2,095</b>

	31 December 2017	31 December 2016
Corporate taxes payable	3,856	-
Less: Prepaid taxes	-	-
<b>Current income tax liabilities, net</b>	<b>3,856</b>	<b>-</b>

	31 December 2017	31 December 2016
<b>Tax expense</b>		
Corporate tax expense for the period	(3,917)	-
Deferred tax income/ (expense) effect	(4,629)	(5,378)
	<b>(8,546)</b>	<b>(5,378)</b>

Reconciliation of current period tax expense to theoretical tax expense of the Group calculated by using the statutory tax rate:

	31 December 2017	31 December 2016
Profit before taxes	42,393	28,659
Theoretical tax expense with 20% tax rate	(8,479)	(5,732)
Utilised investment incentive	373	943
Non-deductible expenses and other additional	(440)	(589)
<b>Current year tax expense</b>	<b>(8,546)</b>	<b>(5,378)</b>





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**10 - TAX ASSETS AND LIABILITIES (Continued)**

**Deferred taxes**

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The Company uses a 20% tax rate in deferred tax calculations taking into consideration the periods in which deferred tax assets are realized or deferred tax liabilities are fulfilled.

As mentioned above, as of 31 December 2017, the Company's management recorded deferred tax asset amounting to TRY186,717 from unused investment according to constitutional court decision. (31 December 2016: TRY199,946)

Details of cumulative temporary differences and the deferred income tax assets and liabilities calculated by using the effective tax rates are summarised below:

	<b>Total</b>		<b>Deferred tax assets/ (liabilities)</b>	
	<b>Temporary differences</b>			
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Lease Asset Receivable Impairment	74,504	71,729	14,901	14,346
Unused investment incentives- without stoppage	-	19,770	-	3,954
Unused investment incentives- with stoppage	186,717	180,176	373	360
Provision for employee termination benefit	1,926	1,740	385	348
Provision for unused vacations	1,135	1,124	227	225
Other short term employee benefits	718	446	145	89
<b>Deferred tax assets</b>			<b>16,031</b>	<b>19,322</b>
Finance lease income accruals	(16,625)	(10,386)	(3,325)	(2,077)
Tangible and intangible assets revaluation difference	(18,439)	(18,439)	(1,844)	(922)
Subsidiary revaluation fund	(5,924)	(3,653)	(296)	(183)
Others	(1,316)	(925)	(264)	(185)
<b>Deferred tax liabilities</b>			<b>(5,729)</b>	<b>(3,367)</b>
<b>Deferred tax assets, (net)</b>			<b>10,302</b>	<b>15,955</b>

The movement for deferred tax assets is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>1 January</b>	<b>15,955</b>	<b>21,504</b>
Current year deferred tax income/expense	(4,629)	(5,378)
Deferred tax in Equity income/expense	(1,024)	(171)
<b>31 December</b>	<b>10,302</b>	<b>15,955</b>



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**11 - OTHER ASSETS**

As at 31 December 2017 and 31 December 2016, details of other assets are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Others	241	-	82	-
<b>Total other assets</b>	<b>241</b>	<b>-</b>	<b>82</b>	<b>-</b>

**12 - PREPAID EXPENSES**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Dueses	253	-	-	-
Letter of guarantee and commissions	200	2,854	79	3,381
Advertising	123	-	-	-
Insurance	65	-	42	-
Subscription expenses	9	-	18	-
IT expenses	4	-	8	-
Others	96	37	24	2
<b>Total other assets</b>	<b>750</b>	<b>2,891</b>	<b>171</b>	<b>3,383</b>

**13 - DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**

As at 31 December 2017, there is no derivative financial liabilities held for trading purpose of the Group (31 December 2016: 13,673 TL).

**14 - BORROWINGS**

As at 31 December 2017 and 31 December 2016, details of the borrowings are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Domestic banks	305,409	655,155	237,383	432,542
Foreign banks	-	743,828	67,964	727,167
<b>Total Borrowings</b>	<b>305,409</b>	<b>1,398,983</b>	<b>305,347</b>	<b>1,159,709</b>



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14 - BORROWINGS (Continued)

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2017						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	305,409	13.37	270,391	25,312	9,706	305,409
USD (thousand)	52,144	5.03	-	181,460	15,221	196,681
EUR (thousand)	49,967	3.23	82,219	98,209	45,196	225,624
Floating rate borrowings:						
EUR (thousand)	51,567	2.84	-	32,162	200,688	232,850
Total borrowing from domestic banks			352,610	337,143	270,811	960,564
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	136,022	3.45	51,510	85,637	477,060	614,207
USD (thousand)	10,091	5.50	-	30,445	7,619	38,064
Floating rate borrowings:						
EUR (thousand)	20,276	2.20	3,643	5,942	81,972	91,557
Total borrowings from foreign banks			55,153	122,024	566,651	743,828
Total borrowings			407,763	459,167	837,462	1,704,392

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2016						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	237,383	12.01	149,647	4,463	83,273	237,383
USD (thousand)	63,452	3.98	629	222,672	-	223,301
EUR (thousand)	53,607	3.01	-	180,196	18,680	198,876
Floating rate borrowings:						
EUR (thousand)	2,794	2.33	-	5,184	5,181	10,365
Total borrowing from domestic banks			150,276	412,515	107,134	669,925
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	163,742	3.62	136,067	84,659	386,744	607,470
USD (thousand)	16,219	4.70	35,821	21,256	-	57,077
TL	67,964	12.98	67,964	-	-	67,964
Floating rate borrowings:						
EUR (thousand)	16,879	2.20	3,809	6,905	51,906	62,620
Total borrowings from foreign banks			243,661	112,820	438,650	795,131
Total borrowings			393,937	525,335	545,784	1,465,056



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**15 - SECURITIES ISSUED**

As at 31 December 2017 and 31 December 2016, details of securities issued are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Securities issued (bill)	94,921	-	-	-
<b>Total securities issued</b>	<b>94,921</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) The Group has realized 177 days maturity financing bonus issue with a nominal value of TRY96,750 on August 29, 2017 with the sales method of qualified investors. The maturity date of bill is August 29, 2017 and the redemption date is February 22, 2018. The annual interest rate on this financing bill is 13,90%.

**16 - MISCELLANEOUS PAYABLES**

As at 31 December 2017 and 31 December 2016, details of other liabilities are as follows:

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TP	YP	TP	YP
Payables to suppliers for financial lease operations	-	-	-	10,248
Other trade liabilities	5,718	18,421	9,323	-
Provisions for suppliers for financial lease operations (*)	-	-	464	-
<b>Total miscellaneous payables</b>	<b>5,718</b>	<b>18,421</b>	<b>9,787</b>	<b>10,248</b>

(\*) Provisions for suppliers for financial lease operations consist of provisions for the finance lease contracts which invoices have not been received. The amounts in this account are transferred to finance lease payables account when the invoices of the goods that are subject to finance lease transactions are received.

**17 - OTHER LIABILITIES**

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	TL	FC	TL	FC
Advances received	10,440	44,109	10,897	12,265
<b>Total other liabilities</b>	<b>10,440</b>	<b>44,109</b>	<b>10,897</b>	<b>12,265</b>

Advances received consist of rent advances received from the customers in respect to financial lease contracts for the machinery and equipment that are not delivered to the customers.



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**18 - PROVISIONS FOR LIABILITIES AND CHARGES**

As at 31 December 2017 and 31 December 2016, details of provisions for liabilities and charges are as follows:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Reserve for employee benefits	3,779	-	3,310	-
<i>Reserve for employee termination benefit</i>	1,926	-	1,740	-
<i>Provision for unused vacations</i>	1,135	-	1,124	-
<i>Reserve for bonuses</i>	417	-	313	-
<i>Provisions for other employee rights</i>	301	-	133	-
Other	-	-	-	-
<b>Total provisions</b>	<b>3,779</b>	<b>-</b>	<b>3,310</b>	<b>-</b>

Movement of reserve for employee termination benefits during the period is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
At the beginning of the year	1,740	1,617
Interest rate cost	237	193
Service cost	185	163
Payments during the year	(295)	(218)
Actuarial difference (*)	59	(15)
<b>At the end of the year</b>	<b>1,926</b>	<b>1,740</b>

(\*) Actuarial (loss)/profit is accounted under other comprehensive income since 1 January 2013.

**19 - EQUITY**

**Share capital**

As at 31 December 2017, the share in capital of the Company amounts to TRY109,000 and composed of 10.900.000.000 shares with a face value of TRY0.01 each (31 December 2016: capital shares TRY87,000, nominal value: 8.700.000.000).

As at 31 December 2017 and 31 December 2016, the share capital and ownership structure of the Company is as follows:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Amount of Share(TL)</b>	<b>Share Percentage (%)</b>	<b>Amount of Share(TL)</b>	<b>Share Percentage (%)</b>
Vakıfbank	63,996	58.71	51,080	%58.71
Güneş Sigorta A.Ş.	17,057	15.65	13,615	%15.65
Publicly traded (*)	24,566	22.54	19,608	%22.54
Other	3,381	3.10	2,698	3.10
<b>Paid-in capital</b>	<b>109,000</b>	<b>100</b>	<b>87,000</b>	<b>%100</b>

(\*) The ratio is calculated from the shares of the Company registered at Takasbank.



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**19 - EQUITY (Continued)**

**Capital reserves**

As at 31 December 2017 and 31 December 2016, capital reserves amounted to TRY244 consists of inflation adjustment differences of paid-in capital of the Company.

As at 31 December 2017, revaluation difference on tangible assets amounting to TRY16,595 (31 December 2016: TRY17,517) is accounted directly in equity. As at 31 December 2017 the marketable securities valuation differences amounts to TRY5,628 (31 December 2016: TRY3,468).

**Profit reserves**

As at 31 December 2017, profit reserves of the Group consists of first legal reserves amounting to TRY6,034 (31 December 2016: TRY5,110) and extraordinary reserves amounting to TRY33,505 (31 December 2016: TRY33,400).

**Profit distribution**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below:

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. Primary reserves are 5% of statutory net profit until it reaches 20% of the Company's share capital. Secondary reserves are 10% of profit distributed in excess of 5% of share capital. According to the Turkish Commercial Code, as long as legal reserves do not exceed 50% of share capital, they can be used to offset losses but cannot be used in any other way.

At the Annual General Assembly held on 14 June 2017, due to the 2016 year end consolidated gain amounting TRY23,284, it has been decided to allocate TRY1,176 of first legal reserves, to be added to the capital TRY22,000 to give bonus shares and to reserve extraordinary reserve TRY335.

**20 - OPERATING EXPENSES**

For the years ended 31 December 2017 and 2016, general administrative expenses included in the operating expenses are as follow:

	31 December 2017	31 December 2016
General administration expenses	1,614	1,288
Depreciation and amortization expenses	1,204	1,097
Court expenses	711	816
Consultancy expenses	810	752
Transportation expenses	379	332
Notary expenses	351	299
Marketing expenses	165	136
Non-deductible expenses	62	116
Taxes, duties and charges expenses	110	79
Printing, stationary and office expenses	95	79
Registration expenses	50	24
Other operating expenses	558	556
<b>Total general administrative expenses</b>	<b>6,109</b>	<b>5,574</b>



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**20 - OPERATING EXPENSES (Continued)**

For the years ended 31 December 2017 and 31 December 2016, personnel expenses included in the operating expenses are as follows:

	31 December 2017	31 December 2016
Salaries	8,653	7,184
Social security premiums and other contributions	1,255	1,024
Personnel insurance expenses	739	714
Other personnel expenses	568	472
<b>Total personnel expenses</b>	<b>11,215</b>	<b>9,394</b>

**21 - OTHER OPERATING INCOME/EXPENSE**

For the years ended 31 December 2017 and 2016, other operating income is as follows:

	31 December 2017	31 December 2016
Foreign exchange gains	9,438	19,125
Interest income from non-performing loans	2,858	5,984
Provisions reversed during the year	5,870	2,603
Default interest income	4,049	2,566
Income from derivative transactions	-	1,012
Income from sales of assets held for sale	628	486
Interest income from bank deposits	109	106
Rent income	43	59
Other income	2,572	1,420
<b>Total other operating income</b>	<b>25,573</b>	<b>33,361</b>

**Other operating expenses:**

	31 December 2017	31 December 2016
Losses from marketable securities	-	3
Other expense	39	562
<b>Total other operating expenses</b>	<b>39</b>	<b>565</b>



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**22 - EARNINGS PER SHARE**

	31 December 2017	31 December 2016
At the beginning of the year		
Total number of outstanding shares	10,900,000,000	10,900,000,000
At the beginning of the year		
Total number of outstanding shares	10,900,000,000	10,900,000,000
	31 December 2017	31 December 2016 <sup>(*)</sup>
Net income for the period	33,847	23,284
Number of outstanding shares with a nominal value of TL 0.01	10,900,000,000	10,900,000,000
Earnings per share (TL)	0.3105	0.002676

(\*) Capital increase performed through internal resources and earnings per share calculated for the previous period accordingly.

**23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

As at 31 December 2017 and 2016, details of related party balances are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	2,051	791	2,153	5,298
Bank deposits	2,051	791	2,153	5,298
Güneş Sigorta A.Ş.	-	-	1,674	-
Finance lease receivables	-	-	1,674	-
Vakıf Faktoring A.Ş.	5,981	-	3,606	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,616	-	1,921	-
Vakıf Yatırım Menkul Değerler A.Ş.	467	-	266	-
Total investment securities available for sale	8,064	-	5,793	-
Vakıf Faktoring A.Ş.	2	-	2	-
Vakıf Emeklilik A.Ş.	-	-	4	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	-	-	2	-
Due from related parties	2	-	8	-
Türkiye Vakıflar Bankası T.A.O.	14,058	97,332	12,712	227,342
Vakıfbank International AG	-	94,595	-	91,589
Borrowings	14,058	191,927	12,712	318,931
Güneş Sigorta A.Ş.	3,264	-	2,449	-
Due to related parties	3,264	-	2,449	-



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**23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

As at and for the year ended 31 December 2017 and 2016, details of related party transactions are presented below:

	31 December 2017	31 December 2016
Güneş Sigorta A.Ş.	81	212
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	-	2
<b>Finance lease interest income</b>	<b>81</b>	<b>214</b>
Türkiye Vakıflar Bankası T.A.O.	82	33
<b>Interest income from related parties</b>	<b>82</b>	<b>33</b>
Türkiye Vakıflar Bankası T.A.O. - interest expense	9,243	6,405
Vakıfbank International AG-interest expense	3,523	3,296
Türkiye Vakıflar Bankası T.A.O. - bank expense	-	36
<b>Finance expenses of related parties</b>	<b>12,766</b>	<b>9,737</b>
Güneş Sigorta A.Ş.	1,463	6
Vakıf Emeklilik A.Ş.	44	40
Vakıf Faktoring A.Ş.	14	-
<b>Other incomes of related parties</b>	<b>1,521</b>	<b>46</b>
	31 December 2017	31 December 2016
Güneş Sigorta A.Ş.	562	545
Türkiye Vakıflar Bankası T.A.O.	94	36
Vakıf Yatırım Menkul Değerler A.Ş.	348	27
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	327	8
Vakıf Emeklilik A.Ş.	8	6
<b>Other expenses of related parties</b>	<b>1,339</b>	<b>622</b>
Vakıf Yatırım Menkul Değerler A.Ş.	6	-
<b>Dividend income</b>	<b>6</b>	<b>208</b>

**Executive management compensations**

As at 31 December 2017 and 2016, Group's executive management compensations are as follows:

	31 December 2017	31 December 2016
Compensation to the executive management	1,024	995
<b>Total</b>	<b>1,024</b>	<b>995</b>

The executive management of the Group consists of general manager, assistant general managers, members of the board of directors and the members of the audit committee.



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**24 - CONTINGENT ASSETS AND LIABILITIES**

**Collaterals received**

As at 31 December 2017 and 2016, the collaterals obtained by the Group against finance lease receivables are as follows:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Received guarantees	4,512,967	11,378,688	3,137,941	10,693,565
Mortgages	265,539	650,218	259,149	459,293
Letters of guarantee	17,830	6,673	16,960	4,927
Cash blockage	195	3,489	170	1,224
Others	248,026	151,538	124,003	62,406
<b>Total</b>	<b>5,044,557</b>	<b>12,190,606</b>	<b>3,538,223</b>	<b>11,221,415</b>

**Commitments**

As at 31 December 2017, the Group has irrevocable commitments amounted to TRY307,687 (31 December 2016: TRY53,150) arising from letter of credits used for the tangible asset purchases subject to finance leases. The distribution of the commitments according to currency types is as follows:

	31 December 2017	31 December 2016
Euro	33,245	23,296
TL	239,968	11,637
US Dollar	32,112	10,927
GBP	2,362	-
CHF	-	5,134
JPY	-	2,156
<b>Total</b>	<b>307,687</b>	<b>53,150</b>

*Revocable commitments*

As at 31 December 2017, Group's financial lease commitments amounts to TRY477,221 (31 December 2016: TRY259,315).

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Financial lease commitments	46,320	430,901	48,976	210,339
<b>Total</b>	<b>46,320</b>	<b>430,901</b>	<b>48,976</b>	<b>210,339</b>



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****Overview**

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through various mechanism established within the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

**Credit Risk**

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Group aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. Besides, the Group analyze the financial position and the credibility of the customers and aims to support this analysis with intelligence reports obtained from the third parties. In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

Finance lease receivables cover many kinds of customers in different sectors. For the current balances of the customers, credit evaluations are done periodically.

Balance sheet items of the Group, which are subject to credit risk, are as follows:

- finance lease receivables
- financial assets at fair value through profit or loss
- banks
- other receivables



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25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2017 and 31 December 2016, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2017	Receivables					Other	Financial investments	Total
	Finance lease receivables	Other receivables	Banks deposits	Financial investments	Other			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,814,923	5,202	112,062	-	-	-	-	1,932,187
- The portion of maximum risk covered by guarantees	357,144	-	-	-	-	-	-	357,144
A. Net carrying value of financial assets which are neither impaired nor overdue	1,696,991	5,202	112,062	-	-	-	-	1,814,255
- The portion covered by guarantees	283,095	-	-	-	-	-	-	283,095
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	63,867	-	-	-	63,867	-	-	63,867
- The portion covered by guarantees	-	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	54,065	-	-	-	-	-	-	54,065
- Overdue (gross)	173,554	-	-	-	-	-	-	173,554
- Impairment (-)	(119,489)	-	-	-	-	-	-	(119,489)
- Net book value covered by guarantees	64,250	-	-	-	-	-	-	64,250
- Not past due (gross)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-	-



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31 December 2016	Receivables					Other	Financial investments	Banks deposits	Total
	Finance lease receivables	Other receivables							
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,565,925	8,560							1,591,166
- The portion of maximum risk covered by guarantees	352,455	-							352,455
A. Net carrying value of financial assets which are neither impaired nor overdue	1,456,259	8,560							1,481,500
- The portion covered by guarantees	277,811	-							288,757
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-							-
C. Net carrying value of financial assets which are overdue but not impaired	43,874	-							43,874
- The portion covered by guarantees	10,946	-							10,946
D. Net carrying value of impaired assets	65,792	-							65,792
- Overdue (gross)	182,795	-							182,795
- Impairment (-)	(117,003)	-							(117,003)
- Net book value covered by guarantees	63,698	-							63,698
- Not past due (gross)	-	-							-
- Impairment (-)	-	-							-
- Net book value covered by guarantees	-	-							-
E. Off balance sheet exposures with credit risks	-	-							-



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

As at 31 December 2017 and 31 December 2016, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2017		31 December 2016	
	Amount	(%)	Amount	(%)
Manufacturing	793,050	45.04	660,291	44.02
Construction	359,439	20.41	241,953	16.13
Wholesale, retail and trading	178,305	10.13	151,804	10.12
Transportation, warehousing and communication	52,765	3.00	94,396	6.29
Education	81,520	4.63	79,820	5.32
Hotels and restaurants	83,730	4.76	82,692	5.51
Real estate	65,906	3.74	53,901	3.59
Health and social services	44,431	2.52	37,154	2.48
Agriculture	43,963	2.50	38,486	2.57
Mining	43,790	2.49	42,073	2.80
Financial intermediary services	2,905	0.16	5,096	0.34
Other social and individual services	6,014	0.34	8,073	0.54
Others	5,040	0.29	4,394	0.29
<b>Total</b>	<b>1,760,858</b>	<b>100</b>	<b>1,500,133</b>	<b>100</b>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

*Management of liquidity risk*

Main responsibility for the liquidity risk management belongs to Board of Directors. Board of Directors has created a suitable liquidity risk management for the short, medium and long term funding and liquidity needs. The Group manages the liquidity risk by following forecasted and actual cash flows, matching the terms of financial assets and liabilities and securing necessary funds.



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

The following table provides undiscounted cash flows with respect to the contractual (or expected) maturities of the Group's financial liabilities:

31 December 2017	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	1,704,392	1,796,006	604,477	270,556	920,973	-	-
Securities issued	94,921	94,921	94,921	-	-	-	-
Miscellaneous payables and other liabilities	78,686	78,686	78,686	-	-	-	-
<b>Total</b>	<b>1,877,999</b>	<b>1,969,613</b>	<b>778,084</b>	<b>270,556</b>	<b>920,973</b>	<b>-</b>	<b>-</b>

31 December 2016	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	1,465,056	1,524,151	602,645	341,212	580,294	-	-
Securities issued	-	-	-	-	-	-	-
Miscellaneous payables and other liabilities	43,197	43,197	43,197	-	-	-	-
<b>Total</b>	<b>1,508,253</b>	<b>1,567,348</b>	<b>645,842</b>	<b>341,212</b>	<b>580,294</b>	<b>-</b>	<b>-</b>

**Market risk**

Market risk is the risk that the Group's income or the value of its financial instruments will be affected through the changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

*Currency risk*

The Group is exposed to currency risk through transactions in foreign currencies, such as lease operations and borrowings. Foreign exchange gains and losses resulting from foreign currency transactions were recorded in the period transactions occurred. Monetary assets and liabilities denominated in foreign currencies are converted into TRY at the exchange rates prevailing at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gain or loss.



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

As at 31 December 2017 and 31 December 2016, the Group's foreign currency assets and liabilities with their TRY equivalents are as follows:

31 December 2017	US Dollar	Euro	JPY	GBP	Total
Banks	9,802	100,188	-	-	109,990
Finance lease receivables, net (1)	261,190	1,144,886	-	80	1,406,156
Other assets	-	286	-	-	286
Prepaid expenses	20	2,871	-	-	2,891
<b>Total Assets</b>	<b>271,012</b>	<b>1,248,231</b>	<b>-</b>	<b>80</b>	<b>1,519,323</b>
Borrowing	234,745	1,164,238	-	-	1,398,983
Miscellaneous payables	5,425	12,996	-	-	18,421
Other liabilities	8,137	35,708	-	264	44,109
Deferred Income	345	1,612	-	-	1,957
<b>Total liabilities</b>	<b>248,652</b>	<b>1,214,554</b>	<b>-</b>	<b>264</b>	<b>1,463,470</b>
<b>Net financial statement position</b>	<b>22,360</b>	<b>33,677</b>	<b>-</b>	<b>(184)</b>	<b>55,853</b>
<b>Net off-balance sheet items position <sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>22,360</b>	<b>33,677</b>	<b>-</b>	<b>(184)</b>	<b>55,853</b>
31 December 2016	US Dollar	Euro	JPY	GBP	Total
Banks	10,204	3,952	-	-	14,156
Finance lease receivables, net (1)	278,638	903,552	-	10	1,182,200
Other assets	-	285	-	-	285
Prepaid expenses	-	3,383	-	-	3,383
<b>Total Assets</b>	<b>288,842</b>	<b>911,172</b>	<b>-</b>	<b>10</b>	<b>1,200,024</b>
Borrowing	280,378	879,331	-	-	1,159,709
Miscellaneous payables	821	7,271	2,156	-	10,248
Other liabilities	1,883	10,382	-	-	12,265
Deferred Income	323	1,243	-	-	1,566
<b>Total liabilities</b>	<b>283,405</b>	<b>898,227</b>	<b>2,156</b>	<b>-</b>	<b>1,183,788</b>
<b>Net financial statement position</b>	<b>5,437</b>	<b>12,945</b>	<b>(2,156)</b>	<b>10</b>	<b>16,236</b>
<b>Net off-balance sheet items position <sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>5,437</b>	<b>12,945</b>	<b>(2,156)</b>	<b>10</b>	<b>16,236</b>

<sup>(1)</sup> Impaired receivables which is stated as FC in financial statements are not included.

<sup>(2)</sup> Non-cash loans are not included in the calculation of foreign currency position.



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*Foreign currency sensitivity analysis*

The effects of 10 percent change of the TRY against the following currencies on the consolidated statement of income and consolidated equity for the years ended 31 December 2017 and 31 December 2016 are shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2017	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>10% change of the US Dollar against TRY</b>				
1-Net USD asset/liability	2,236	(2,236)	2,236	(2,236)
2-Hedged portion of TRY against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>2,236</b>	<b>(2,236)</b>	<b>2,236</b>	<b>(2,236)</b>
<b>10% change of the Euro against TRY</b>				
4-Net Euro asset/liability	3,368	(3,368)	3,368	(3,368)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>3,368</b>	<b>(3,368)</b>	<b>3,368</b>	<b>(3,368)</b>
<b>10% change of the JPY against TRY</b>				
7-Net JPY asset/liability	-	-	-	-
8-Hedged portion of TRY against JPY (-)	-	-	-	-
<b>9-Net effect of JPY (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10% change of the GBP against TRY</b>				
10-Net GBP asset/liability	(18)	18	(18)	18
11-Hedged portion of TRY against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>(18)</b>	<b>18</b>	<b>(18)</b>	<b>18</b>
<b>TOTAL (3+6+9+12)</b>	<b>5,586</b>	<b>(5,586)</b>	<b>5,586</b>	<b>(5,586)</b>

<sup>(\*)</sup> Equity effect includes profit/(loss) effect.

31 December 2016	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>10% change of the US Dollar against TRY</b>				
1-Net USD asset/liability	544	(544)	544	(544)
2-Hedged portion of TRY against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>544</b>	<b>(544)</b>	<b>544</b>	<b>(544)</b>
<b>10% change of the Euro against TRY</b>				
4-Net Euro asset/liability	1,295	(1,295)	1,295	(1,295)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>1,295</b>	<b>(1,295)</b>	<b>1,295</b>	<b>(1,295)</b>
<b>10% change of the JPY against TRY</b>				
7-Net JPY asset/liability	(216)	216	(216)	216
8-Hedged portion of TRY against JPY (-)	-	-	-	-
<b>9-Net effect of JPY (7+8)</b>	<b>(216)</b>	<b>216</b>	<b>(216)</b>	<b>216</b>
<b>10% change of the GBP against TRY</b>				
10-Net GBP asset/liability	1	(1)	1	(1)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
<b>Tr Raporda Japon yeni mevcut TOTAL (3+6+9+12)</b>	<b>1,624</b>	<b>(1,624)</b>	<b>1,624</b>	<b>(1,624)</b>



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)***Exposure to interest rate risk*

The principal risk to which non-trading portfolios are exposed to the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Group is exposed to interest rate risk through its fixed and variable rate borrowings. The risk is managed by appropriate distribution between fixed and variable rate borrowings.

As at 31 December 2017 and 2016, the interest bearing financial assets and liabilities of the Group are as follows:

	31 December 2017	31 December 2016
<i>Financial assets and liabilities with fixed interest rate</i>		
Time deposits	1,507	7,390
Finance lease receivables, net	1,760,858	1,500,133
Borrowing	1,379,985	1,392,071
Securities issued	94,921	-
<i>Financial assets and liabilities with floating rate</i>		
Funds borrowed	324,407	72,985

*Interest rate sensitivity*

Interest rate sensitivity of profit or loss is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 31 December 2017 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

31 December 2017	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(32)	32	(32)	32
<b>Total, net</b>	<b>(32)</b>	<b>32</b>	<b>(32)</b>	<b>32</b>

31 December 2016	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(7)	7	(7)	7
<b>Total, net</b>	<b>(7)</b>	<b>7</b>	<b>(7)</b>	<b>7</b>

(\*) Equity effect includes profit/(loss) effect.



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**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Capital management**

The Group's policy is to maintain a strong capital base and to maintain a balance between the debt and equity in an effective way so as to increase its profit.

Along with no change in the strategy of the Group in 2015, the ratio of the equities to the debts is 11% (31 December 2016: 11%). As of 31 December 2017 and 31 December 2016, the debt to equity ratio is as follows:

	31 December 2017	31 December 2016
Borrowing	1,704,392	1,465,056
Miscellaneous payables	94,921	20,035
Securities issued	24,137	-
Other liabilities	54,549	23,162
<b>Total Liabilities</b>	<b>1,877,999</b>	<b>1,508,253</b>
<b>Total Equity</b>	<b>205,138</b>	<b>170,103</b>
Equity/Debt ratio	%11	%11

**26 - FINANCIAL INSTRUMENTS**

**Fair values of financial instruments**

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, certain judgments made to estimate the fair value can cause an adjustment to the fair value at current market conditions.

Fair values of the financial lease receivables and funds borrowed have been determined by discounting the relevant cash flows by market interest rates prevailing as at balance sheet date. The carrying amounts of the bank balances and miscellaneous payables and other liabilities are assumed that they approximate their fair value due to their short-term nature.

	31 December 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Finance lease receivables, net	1,760,858	1,073,879	1,500,133	1,440,762
Banks	112,062	112,062	16,681	16,681
<b>Financial liabilities</b>				
Borrowing	1,704,392	1,688,681	1,465,056	1,388,182
Securities issued	94,921	94,921	-	-
Miscellaneous payables and liabilities	78,688	78,688	43,197	43,197



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**26 - FINANCIAL INSTRUMENTS (Continued)**

*Classification of Fair Value Measurement*

TFRS 7 - Financial Instruments: Disclosure requires the disclosure of the classification of fair value measurements according to a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2017 and 31 December 2016:

31 December 2017	1. Level	2. Level	3. Level	Total
Available for sale financial assets:				
Investments in equity participations (*)	-	-	8,064	8,064
Financial assets at fair value through profit or loss:				
Financial derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>	<b>-</b>	<b>-</b>	<b>8,064</b>	<b>8,064</b>

(\*) Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

31 December 2016	1. Level	2. Level	3. Level	Total
Available for sale financial assets:				
Investments in equity participations (*)	-	-	5,793	5,793
Financial assets at fair value through profit or loss:				
Financial derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>	<b>-</b>	<b>-</b>	<b>5,793</b>	<b>5,793</b>

(\*) Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.





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**26 - FINANCIAL INSTRUMENTS (Continued)**

	31 December 2017	31 December 2016
Balance at the beginning of the period	5,793	4,961
Total gains for the period recognized under equity	2,271	832
Dividend received during the period	-	-
<b>Balance at the end of the period</b>	<b>8,064</b>	<b>5,793</b>

**27 - OTHER ISSUES**

None.

**28 - SUBSEQUENT EVENTS**

None.

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*Vakıf Leasing  
In its 29<sup>th</sup> Year*









#### HEADQUARTERS

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