



2020 **ACTIVITY** REPORT



Vakıf Leasing
Future Towards You



✓ CONFORMITY REPORT OF
ANNUAL ACTIVITY REPORT

2020

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Vakıf Finansal Kiralama A.Ş.

1. Opinion

We have audited the annual report of Vakıf Finansal Kiralama A.Ş. (the "Company") for the 1 January - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company 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 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. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 10 February 2021 on the full set financial statements for the 1 January - 31 December 2020 period.



4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Company's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our independent audit is performed in the framework of TSA. Subjected standards of TSA, are meant to get assurance regarding whether or not financial information acquired during audit and balances on financials are consistent with the information on annual report.

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

Zeynep Uras, SMMM
Partner

İstanbul, 22 February 2021



Future Towards You

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

With 32 years of experience, Vakıf Leasing offers leasing advantages in a special and innovative manner, adding value to your productions and turning your opportunities into profitable.



Vakıf Leasing
Future Towards You

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*Vakıf Leasing
In its 32nd Year*



MESSAGE FROM CHAIRMAN

✓ MESSAGE FROM CHAIRMAN

✓ 2020



Dear stakeholders,

The year 2020 has been a year in which the global economy has come to a standstill all over the world, under the pressure of the Pandemic. In order to cope with the effects of the epidemic all over the world, policy makers have implemented various practices. On the one hand, central banks took steps to provide liquidity, on the other hand, measures were taken to support households and companies most affected by the epidemic by fiscal policies. With the pandemic, the ongoing tension between the USA and China, and the impact of Brexit uncertainties, the global economy left behind a difficult year.

The loss of confidence caused by the increasing uncertainty in the global economy in 2020, the decline in consumption and investments caused the closure of many businesses and the disruption of the supply chain. Reasons such as production reduction and restriction of mobility between countries caused damage in many sectors, especially in the tourism sector.

The world economy, which completed 2019 with a growth rate of 2.8%, is expected to complete 2020 with a shrinkage due to the negativities experienced.

Despite the optimism created by the discovery of the coronavirus vaccine, it is predicted that the first half of 2021 will be difficult and pre-pandemic levels will not be achieved before the second half of 2021. The World Bank announced that 88 million to 115 million people will be dragged into extreme poverty this year due to the coronavirus outbreak. It is stated that the Kovid-19 outbreak can trigger a debt crisis, especially in poor countries.

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Coronavirus outbreak due to the development of the financial markets in order to limit the negative effects of Turkey's economy, the credit channel of the important measures of cash flow to the company and to continue processing without interruption and has been in a healthy way. With the financial aid and support packages announced, employment, exports and production were seriously supported in our country. Turkey's financial sector in the macro-prudential approach was applied during the outbreak in an active way. Our company, which carries out the pandemic process in cooperation and solidarity with our employees and stakeholders in 2020, has reached 3.712.219 thousand TL in assets and 355.161 thousand TL in equity. The financial lease receivables are 3,055,520 thousand TL, and the net profit for the period has almost doubled compared to the previous year and reached 60,321 thousand TL.

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While the European Continent was heavily affected by the Kovid-19 crisis in 2020, it went through a difficult period as daily cases and total casualties reached record levels. The European Parliament (EP) approved the European Union's (EU) budget for the years 2021-2027 with a total of more than 1 trillion euros and the corona virus recovery package of 750 billion euros. Despite this, the Euro Zone is expected to shrink by 8.3% in 2020 due to the epidemic.

If Turkey's economy; Thanks to the measures taken after the sharp decline in the first half of the year, it has recovered rapidly. Our country, which is one of the few countries expected to show positive growth in the world in 2020, is expected to grow by 6% in 2021 according to the IMF World Economic Outlook Report.

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While we wish the continuation of the success of our company which continues to increase every year, to everyone who has a share in this success; On behalf of our Company, I would like to express my gratitude to our shareholders and investors for their trust in our customers, employees and us.

Best Regards,

HAZIM AKYOL
Chairman of the Board



MESSAGE OF THE
DEPUTY
GENERAL MANAGER

✓ MESSAGE OF THE DEPUTY
GENERAL MANAGER

✓ 2020



Dear stakeholders,

As a country, we, as a country, were deeply affected by the coronavirus epidemic that emerged in China towards the end of 2019 and affected the whole world with the dimensions of growth, budget balance, inflation and unemployment.

Then it began the second half of Turkey's economy experienced the effects of the base compared to the same quarter of last year with positive growth in the first quarter of 2020 and positive growth in 2019 with the contribution of stock. Due to the negative effects of the coronavirus epidemic, which started to have effects almost all over the world since March, the growth rate decreased sharply in the second quarter. The decline in net exports was the determining factor in the contraction in the second quarter, as exports fell more sharply than imports as a result of the declining foreign demand. the loosening of restrictions because of outbreaks and implemented in Turkey's economy recovered in the third quarter as a result of normalization started in June recorded positive growth again. rapid rise in domestic demand with incentives following a sharp contraction in the second quarter, third quarter growth above the market expectations of Turkey's economy was effective. Expected in economic activity in the last quarter of the year still to go negative in Turkey's rapid deceleration of the economy with positive growth in 2020 is expected to be close.

On the other hand, inflation, which was at double-digit levels throughout 2020, declined to its lowest level in the year with 10.94% in April due to the base effect from last year. However, with the measures taken to combat the Covid-19 epidemic, increasing domestic demand and the pressure created by the increase in exchange rates, the decline in inflation did not continue, and with the increase of cost-side pressures, inflation ended the year at 14.60%, the highest level it had seen in the year. Although inflation may continue to rise in the first months of 2021, a downward movement may occur for the rest of the year with the effect of tightening decisions in monetary policy and effective fiscal policies.

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Despite the many negativities experienced in 2020, our company increased its total assets to 3.712.219 thousand TL with an increase of 23% and its financial leasing receivables to 3.055.520 thousand TL with an increase of 19%. and realized as 60.321 thousand TL with an increase of 91%.

Our company aims to concentrate especially on production machines in line with its sustainable goals in the coming period, and aims to increase its market share by supporting investors in SME and commercial segments in 2021, regardless of scale and sector.

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The unemployment rate, which started 2020 with a decline, rose in the middle of the year as a result of the negative course of the economy due to the pandemic effect. The unemployment rate, which stood at 14.3% in June, decreased gradually after reaching its peak. The dismissal ban imposed by the Presidential decree due to the pandemic in 2020 was effective in keeping the unemployment rate relatively low. Employment and labor force participation rates increased in the third quarter of the year. In 2021, an improvement in unemployment rate is expected in line with the 5.8% growth target specified within the scope of the YEP.

Despite the many negativities experienced in 2020, our Company increased its total assets to 3.712.219 thousand TL with an increase of 23% and its leasing receivables to 3.055.520 thousand TL with an increase of 19%. and realized as 60.321 thousand TL with an increase of 91%.

Our company aims to concentrate especially on production machines in line with its sustainable targets in the coming period, and aims to increase its market share by supporting investors in SME and commercial segments in 2021, regardless of scale and sector.

In line with this goal, our Company will continue to work devotedly to increase the number of customers that will invest in production and employment, which will create added value for our country's economy, by taking the corporate power of nearly a thousand branches of Vakıfbank, its majority shareholder.

While I present our company's 2020 annual report to you, our valuable stakeholders, I would like to thank all our stakeholders, Vakıfbank, our biggest shareholder, our Board of Directors, our customers who trust us, our business partners and all our employees who have contributed to this increasing success.

Best Regards,

Ersin ÖZOĞUZ

Deputy General Manager



*Vakıf Leasing
In its 32nd Year*



EXECUTIVE BOARD MEMBERS AND THEIR PERSONEL BACKGROUND

2020

EXECUTIVE BOARD MEMBERS AND
THEIR PERSONEL BACKGROUND**Hazım AKYOL**

Chairman of the Board

(26.06.2019 - ...)

Born in Aksaray in 1969, Hazım AKYOL graduated from Hacettepe University Faculty of Economics and Administrative Sciences, Department of Public Administration. He started his banking career with the title of Assistant Inspector at Vakıfbank in 1993, and as Assistant Manager at the Commercial Credits Department, respectively, after his Inspection duty; He served as the Manager of Bursa Branch, Kavaklıdere / Ankara Branch, Kızılay / Ankara Branch, Ankara Regional Corporate Marketing Regional Directorate and Emek / Ankara Branch. He then served as the President of the Institutional Salary Payments and as the President of the Ankara Corporate Center Branch. He also served as a Board Member in various affiliates of Vakıfbank. Hazım AKYOL, who currently serves as Deputy General Manager at Vakıfbank, has been serving as the Chairman of the Board of our Company since 26.06.2019.

**Halil ÇELİK**

Deputy Chairman

(26.06.2019 - ...)

Born in Trabzon Akçaabat on 01.08.1956, Halil ÇELİK completed his primary, secondary and high school education in Akçaabat. In 1980, he graduated from Eskişehir Academy of Economics and Commercial Sciences, Department of Economics. In 1982, Ziraat Bankası A.Ş. He started to work as an Assistant Inspector. Halil ÇELİK, who served as Inspector, Chief Inspector, Trabzon and Erzurum Regional Manager at Ziraat Bank respectively, Assistant Inspector at İller Bank in 2002-2003, Assistant General Manager at Halk Bankası A.Ş. in 2003-2010, and Assistant General Manager in 2010-2012 TC He served as a Member of the Board of Directors at Ziraat Bankası A.Ş. He has been serving as the Vice Chairman of the Board of Directors of our Company since 26.06.2019.

**Şeref YAROĞLU**

Member of the Board

(26.06.2019 - ...)

He was born in Rize Ardeşen on 01.01.1970. He completed his primary, middle and high school education in Ardeşen and the university at Istanbul University Faculty of Law. He worked as a freelance attorney, contracted attorney at SDİF, Belbim Elektronik Money and Payment Services Inc., one of the affiliates of Istanbul Metropolitan Municipality, Istanbul Water and Sewerage Administration and various companies. Starting from June 2003, he served as Legal Affairs Group Manager, Legal Affairs President and Chief Legal Counsel at Vakıfbank. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., Vakıf Enerji ve Madencilik A.Ş., Vakıf Finansal Kiralama A.Ş., Vak - Bel Import Export Inc. , Ataköy Turizm A.Ş., World Foundation UBB Ltd. in Liquidation. He served as a Member of the Board of Directors and a Member of the Board of Auditors at Vakıfbank Subsidiaries. He volunteered in many NGOs such as Rize Foundation, Water Foundation, Ardeşen Foundation, and Lawyers Association. He still continues to serve as Vakıfbank Chief Legal Counsel. He is married with one child and speaks Arabic and English fluently. He has been a Member of the Board of Directors of our Company since 26.06.2019.

**Burhaneddin TANYERİ**

Member of the Board

(26.06.2019 - ...)

He was born in 1953 in Erzurum, Aşkale. He completed his high school education at Erzurum Imam Hatip High School. He graduated from Atatürk University Faculty of Business Administration in 1978. He worked in the Agricultural Equipment Agency between 1978-1980. Between 1980 and 1981, he served as a citizen as Erzurum Narman Military Branch President. Between 1982 and 2005, T.C. He worked as Assistant Inspector, Inspector, Chief Inspector, Branch Manager and Regional Chief Manager at Ziraat Bankası A.Ş. Between 2005 and 2010, he served as a Member of the Board of Directors at Halkbank A.Ş. In addition, between 2005 and 2017, Ziraat Finansal Kiralama A.Ş., Halk Finansal Kiralama A.Ş., Halk Sigorta A.Ş., Ziraat Portföy Yönetimi A.Ş., Ziraat Bank Azerbaycan ASC and Ziraat Bank Montenegro AD He also served as a Board Member. He has been a Member of the Board of Directors of our Company since 26.06.2019.

✓ EXECUTIVE BOARD MEMBERS AND
THEIR PERSONEL BACKGROUND

✓ 2020

**Emine UYUMAZ**

Member of the Board

(03.04.2018 - ...)

Emine UYUMAZ, born in 1982 in Adana, graduated from the Middle East Technical University, Department of Economics in 2005. She completed her master's degree at Bilgi University, Department of Banking and Finance. He started to work as an Assistant Inspector at T. Vakıflar Bankası TAO in 2006 and worked as an Assistant Inspector and Inspector until 2012, and then worked as Assistant Manager and Manager in the Commercial Loans Department. He has been working as Head of Commercial Loans Allocation Management at Vakıfbank since July 2017 she. Emine UYUMAZ has been working as a Member of the Board of Directors of our Company since 03.04.2018.

**Eren SÜZEN**

Member of the Board

(25.06.2020 - ...)

He was born in Ankara in 1983. Eren SÜZEN completed his primary and secondary education in Ankara and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 2006. He started his career as an assistant inspector in Vakıfbank in February 2007, and after serving as an inspector for about 5 years, he was appointed as assistant manager at Çayyolu Branch in 2012. Later, after serving as the West Black Sea Region Loans Manager, Yenimahalle Branch Manager, Ankara 3rd Region Loans Manager, he was appointed as the Head of Personal and SME Loans Allocation Management in January 2020 and still continues to work in this unit. Eren SÜZEN has been working as a Member of the Board of Directors of our Company since 25.06.2020.

**Ersin ÖZOĞUZ**

Member of the Board - Deputy General Manager

(08.12.2020 - ...)

Özoğuz graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Finance in 1993. It started in the Ministry of Finance, İzmir Revenue Office. In the beginning his banking career in 1996 as an Assistant Inspector Özoğuz Turkey Foundations Bank in t.a.o., while at the same institution in 1999, she served as an inspector. After serving as Director in Turkey Foundations Bank's various branches of the same institution in 2009. Marmara Regional Directorate of Özoğuz who served as Regional Manager, Commercial Banking Head in 2011, in 2013. Cash Management Head of Operations, since 2014 is the Chairman of the Board of Inspectors served. Ersin Özoğuz, who was appointed as Deputy General Manager of T. Vakıflar Bankası T.A.O. on August 1, 2017, worked as Assistant General Manager Responsible for Bancassurance Sales and Marketing at Güneş Sigorta A.Ş. Ersin Özoğuz was appointed to our Company as Deputy General Manager on 6 July 2020. Özoğuz, who was appointed as the Deputy General Manager of our Company as of December 8, 2020, has a good command of English.



THE MANAGEMENT

Ersin ÖZOĞUZ

Deputy General Manager

Yılmaz Arslan AYDIN

Assistant General Manager

Mehmet İlkey COŞKUN

Group Manager

Gonca YADİGAR

Marketing Manager

Tolga AKOCAK

Marketing Manager

Değer CÖNGER

Ankara Branch Manager

Ferruh ATALAY

Adana Branch Manager

Levent DEMİRCİ

Bursa Branch Manager

Bora KIRGIZ

İzmir Branch Manager

Murat KURTTAŞ

Antalya Branch Manager

Sedat TAŞKIN

Credit Manager

Melda AKGÜN

Insurance and Operations Manager

Mustafa SARITAŞ

Information Technology Manager

Bayram KUYTAN

Risk Management Manager /
Deputy Internal Control Manager



GENERAL INFORMATION REGARDING COMPANY

✓ GENERAL INFORMATION
REGARDING COMPANY

✓ 2020

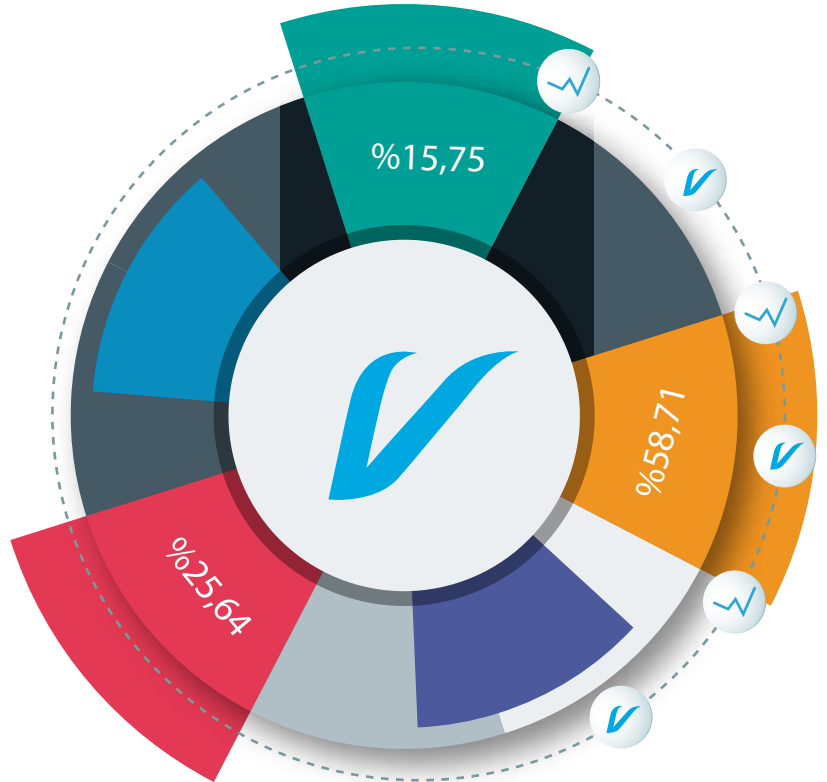
• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	200.000 TL
• Number of Employees	68
• Board Chairman	Hazım AKYOL
• General Manager Deputy	Ersin ÖZOĞUZ
• Independent Auditing Firm	PWC Independent Auditor and independent Accountant 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
• Mersis Number	0922003369500010
• Fax	+90 (212) 337 67 99
• Website	www.vakifleasing.com.tr

AVAILABLE FOR SALE FINANCIAL ASSETS

- Vakıf Factoring Services Inc.
- Vakıf Marketing Ind. and Trade Inc.
- Vakıf Energy and Mining Inc.
- Doğu Investment Holding Inc.
- Vakıf Investment Securities, Inc.
- World Vakıf UBB. Co. Ltd. (In liquidation)

PARTNERSHIP STRUCTURE

	%	Thousand TL
• T.Vakıflar Bankası T.A.O.	% 58,71	117.424
• Türkiye Insurance Inc.	% 15,65	31.298
• Public Offering	% 25,64	51.278
• Total	% 100	200.000





CORPORATE IDENTITY

✓ CORPORATE IDENTITY History / Milestones

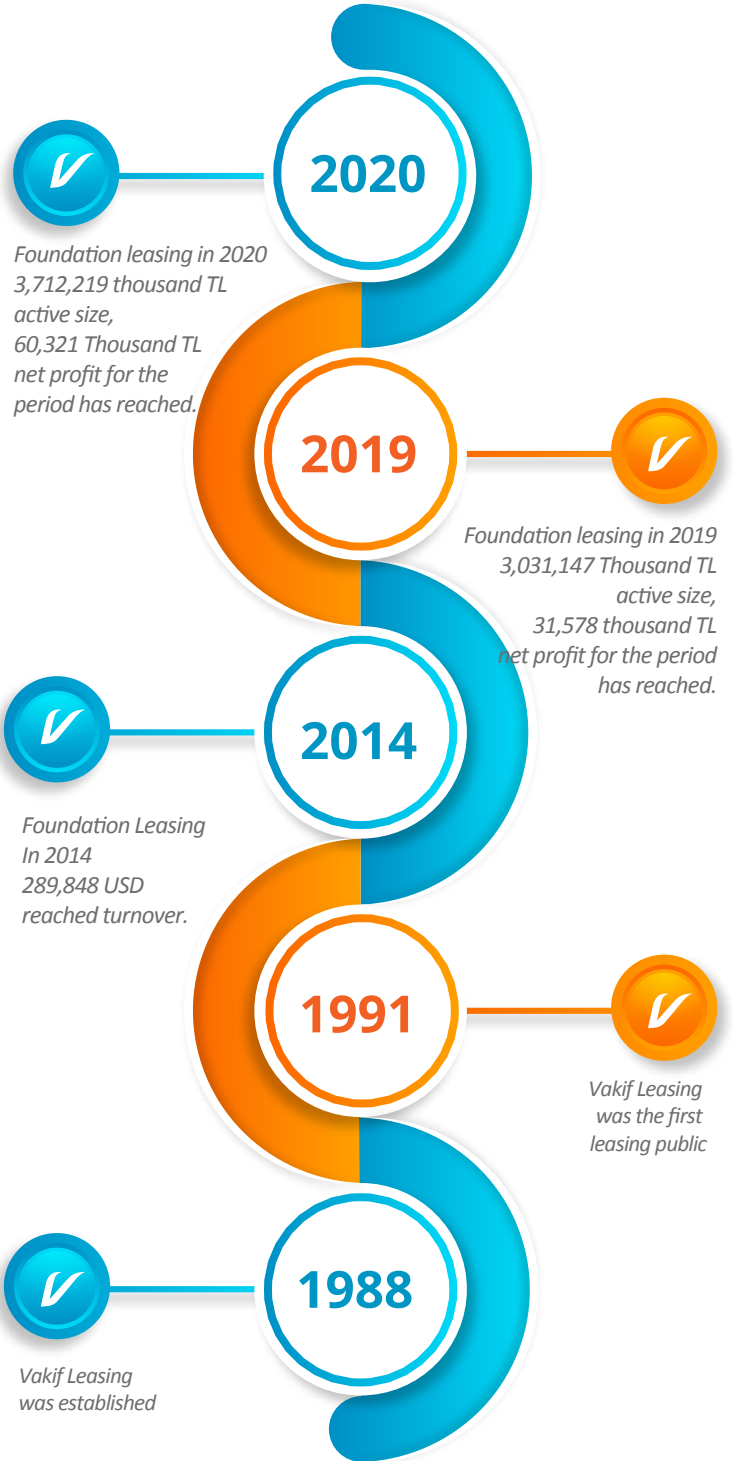
Vakif Leasing was founded on 15 September 1988 by Vakıf Finansal Kiralama A.Ş. was established as a subsidiary of Vakıfbank. It was listed on the Istanbul Stock Exchange in 1991 and became the first leasing company to go public.

Success full 32 years to fill Foundations Leasing our country, contributing to the development and increase in employment continues to be one of Turkey's surplus etmektedir.özenl a run at the right time moves provide very significant benefits to investors in the leasing and make the experience of the Foundation Leasing, yesterday, with the right policies adopted today ; It is taking firm steps towards the future in a determined, faithful and progressive manner.

Aiming to act as a financial intermediary for SMEs and investors in the commercial segment, which constitute a significant part of the customer portfolio, Vakıf Leasing continues on its way by increasing its market share in the sector.

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

Vakıf Leasing has branches in Ankara, Adana, İzmir, Bursa, Antalya and continues its comprehensive works with its wide customer portfolio and service network all over the country, backed by the institutional power of Vakıfbank's nearly a thousand branches.



32nd
years

32nd
years

32nd
years



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 32nd Year*



**VAKIF
FINANCIAL LEASING INC.
CORPORATE
GOVERNANCE**

✓ DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

2020

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vakıf Finansal Kiralama A.Ş. ("Vakıf Leasing" or the "Company") adheres 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 and takes maximum care to pass. It has adopted the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles ("Principles") published by the Capital Markets Board ("CMB").

From the Corporate Governance Principles included in the Annex of the Corporate Governance Communiqué numbered II-17.1, which was published in the Official Gazette dated 03 January 2014 and numbered 28871;

a-) Companies must apply (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.) Are in compliance with the principles.

The duty, authority and responsibility area of the "Investor Relations Directorate", which carries out its activities as the Financial Affairs and Investor Relations Directorate, has been reconsidered by adapting it to the framework specified in Article 11 of the Corporate Governance Communiqué, thus ensuring full compliance with the relevant legislation.

b-) Regarding the principles that are not mandatory to apply;

There are female members on the company's Board of Directors. A target rate and target time for the ratio of female members within the Board of Directors has not been determined. In this context, 4.3.9. There is a partial compliance with the advisory principle no. Harmonization studies have also been initiated regarding the Sustainability Policy No. 4.5.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT:

With the decision of the Capital Markets Board dated 10.01.2019 and numbered 2/49, Compliance Reporting will be made on the PDP platform by using the Corporate Compliance Report (URF) and Corporate Management Information Form (KYBF) templates.

Related Reports are available at www.kap.org.tr/tr/sirket-bilgileri/ozet/1115-vakif-finansal-Kiralama-a-s.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

CORPORATE GOVERNANCE PRACTICES

STAKEHOLDERS

2.1 Investor Relations Chapter

The Investor Relations Department operates under the Financial Affairs and Investor Relations Directorate, under the Group Manager Mehmet İlkey COŞKUN regarding the duties of the Investor Relations Department.

Financial Affairs and Investor Relations Directorate, which manages relations with institutional investors, rating agencies, shareholders, makes a quarterly presentation to the Board of Directors regarding all activities carried out, especially comparative financial analysis presentation with competitors.

The department manager license 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.		

The personnel working within the Financial Affairs and Investor Relations Department are as follows:

Name Surname	Title	Phone Number	E - mail
Mehmet İlkey COŞKUN	Group Manager	0212 337 67 67	I.COSKUN@vakifleasing.com.tr
Aslı KEKEÇ	Manager	0212 337 67 67	A.KEKEC@vakifleasing.com.tr
Neslihan YILDIZLI	Senior Specialist	0212 337 67 67	N.YILDIZLI@vakifleasing.com.tr
Fatma HAFIZOĞLU	Senior Specialist	0212 337 67 67	F.HAFIZOGLU@vakifleasing.com.tr
Ece AKGÜN	Assistant Specialist	0212 337 67 67	E.AKGUN@vakifleasing.com.tr

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

- Ensuring that the records of the shareholders are kept in a healthy, secure and up-to-date manner,
- Responding to the shareholders' written requests for information about the company, excluding the information that is not publicly disclosed, confidential and trade secret,
- To ensure that the general assembly meeting is held in accordance with the current legislation, articles of association and other in-house regulations,
- Preparing documents that can be used by shareholders at the general assembly meeting,
- Ensuring that the voting results are recorded and the reports regarding the results are sent to the shareholders,
- To observe and monitor all kinds of issues related to public disclosure, including the legislation and the company's disclosure policy.

By the Investor Relations Directorate throughout 2020;

- The Ordinary General Assembly Meeting held in 2020 was organized to be fulfilled in the scope and manner required by the Relevant Law, Capital Market Law, Corporate Governance Communiqué, Company Articles of Association and other legislation.

2.2 Utilization of Shareholders' Right to Information

Questions directed to the Investor Relations Unit are answered either by phone or in writing by contacting the most authorized person of the relevant subject, except for information that is confidential and trade secret.

Although there were no written requests for information received by the Investor Relations Unit in 2020, the necessary answers were given to the questions asked by phone. Stock transactions, capital increase, dividend transactions, general assembly meetings, financial reports, material event disclosures etc. that concern shareholders. Information and developments regarding the Company, such as the Company, are regularly communicated to the relevant parties either via the website, mail or telephone. In addition, information requests of domestic shareholders regarding the status of their stocks during the operating period, the conversion of their existing stocks and the distribution procedures of their stocks after death are answered in writing.

On the other hand, the request for the appointment of a special auditor has not been regulated as an individual right in the articles of association and there has been no request for the appointment of a special auditor during the period.

2.3 General Assembly Meetings

The General Assembly of our company for the activity period of 2019 was held on 25.06.2020 at the headquarters of the company with the participation of the representatives of the partners, the Ministry of Commerce Ministry Representative and 74.36% of the shareholders.

The Company held its Ordinary General Assembly Meeting in 2020 in accordance with the provisions of the "Regulation on General Assemblies to be Held in Electronic Media in Joint Stock Companies" and "Communiqué on the General Assembly System to be Applicable in the General Assemblies of Joint Stock Companies". Thus, the stakeholders had the opportunity to participate in the General Assembly meeting in electronic environment, made suggestions, expressed their opinions and had the opportunity to vote.

The General Assembly invited for the General Assembly to inform shareholders before the meeting, agenda, proxy form and the relevant legislation annex located other documents Public Disclosure Platform, Turkey Trade Registry are made public through newspapers is also the company published documents also said on the website . For the e-General Assembly service, which enables the Company to attend the General Assembly Meeting electronically, to make suggestions, to express opinions and to vote, a General Assembly call is made at least 21 days before the MKK system, excluding meeting and call days. In addition to these, the documents in question are also sent via mail to our shareholders whose address information is up-to-date in the Company records.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

2020

To present the Company's Balance Sheet and Profit-Loss Tables for the 2019 accounting period, the 2019 Board of Directors Annual Report, the Financial Statements and Footnotes for the year 2019, including the Independent External Audit Firm Report, prepared for the General Assembly for information and examination of the Company shareholders before the General Assembly. are kept ready for the information of our shareholders at the Company Headquarters as well as the MKK system. In addition, if requested by the stakeholders, samples of the invitation, agenda and power of attorney related to the General Assembly can be obtained. Partners who have the right to participate in the General Assembly and fulfilled the necessary procedures to participate, attended the Ordinary General Assembly Meeting in 2020.

In the announcement and invitation letters published before the General Assembly;

- the day, time and place of the meeting,
- meeting agenda,
- By which body the invitation is made (Company Board of Directors),
- Addresses (General Directorate) where the Activity Report and balance sheet, profit and loss statements will be submitted to the examination of the partners in the ordinary meeting announcements
- For shareholders who cannot attend the meeting in person, samples of power of attorney are announced to the shareholders.

In the Annual Report prepared; Company activities, information about top management, Company balance sheets, balance sheet footnotes, Independent Audit Report, Corporate Governance Principles Compliance Report, etc. information such as. An Annual Report is provided to the shareholders who request it by the Investor Relations Department before and after the General Assembly.

At the Ordinary General Assemblies of the Company, all shareholders, regardless of their share percentage, have the right to speak, express their opinions and ask questions on the agenda. The questions asked, wishes and opinions expressed by the shareholders, who attended the Ordinary General Assembly meeting held on 25 June 2020, both physically and electronically, and the answers given by the Chairman of the Meeting and the Board of the Board regarding these matters are included in the minutes of the General Assembly in detail. . 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 also Company is also available on the website.

In 2020, there is no transaction in which the decision was left to the General Assembly, as a positive vote could not be achieved by the majority of the Independent Board members.

Shareholders, members of the board of directors, managers with administrative responsibility and their spouses and relatives by blood or affinity up to the second degree do not have any important transactions that may cause conflict of interest with the Company or its subsidiaries. In addition, it has been understood that the aforementioned persons do not carry out a commercial business transaction within the scope of the Company or its subsidiaries on their own account or on someone else's account, or they do not have any responsibilities as an unlimited partner in another partnership dealing with the same type of business.

In accordance with the last item of the agenda, shareholders and other invitees exercised their right to ask questions, and after receiving adequate answers from the company managers, they expressed their wishes.

2.4 Voting Rights and Minority Rights

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

At the General Assembly meetings, every ten shareholder or one representing this amount of shares has one vote. Those who have more than ten shares have the right to vote without being subject to a certain number of limitations according to the above ratio.

There is no mutual participation relationship in the capital of the company. Exercise of minority rights is subject to the Turkish Commercial Code, Capital Market Law, relevant legislation and CMB's communiqués and decisions.

Our company does not make use of the cumulative voting method.

2.5 Dividend Right

There is no privilege regarding participation in the profit of the company.

The "Dividend Policy" of our Company, which determines the profit distribution decisions by taking into account the provisions of the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board regulations, tax laws and other legal regulations, together with the company's articles of association, has been determined according to the following principles.

According to this;

- In the decision of the Board of Directors for the distribution of profits; It makes recommendations to the General Assembly, taking into account the CMB legislation, market conditions and Company objectives. As a profit distribution policy, it is foreseen that at least 10% of the distributable profit will be distributed as cash and / or dematerialized shares, if there are no adverse events in the world and country economic conditions and the financial structure and capital adequacy ratios of the Company are at the foreseen levels.

- The distribution decision takes effect if it is approved at the General Assembly Meeting, and the decisions taken are announced to the public through the Public Disclosure Platform on the same day.

- The dividend per share of the stocks to be issued by the company is distributed equally to all shareholders. The company may consider distributing an advance dividend in accordance with the provisions of the current legislation.

- Cash dividend payments are made no later than the end of the second month following the General Assembly meeting when the profit distribution decision is made. Dividend distribution in the form of bonus shares is carried out after obtaining legal permissions.

- There is no privileged share in terms of getting a share from the profit.

- If the profit is not distributed, the Board of Directors informs the shareholders why it has not been distributed and where the undistributed profit is used.

- In profit distributions, the Company's Articles of Association, the Capital Market Law, the provisions of the Capital Markets Board's communiqué and the Turkish Commercial Code are complied with.

The Company's Board of Directors submits its proposal for dividend distribution to the General Assembly and to the information of the shareholders through the annual report before the General Assembly. The proposal of the Board of Directors regarding profit distribution is discussed and resolved in the General Assembly. The decision taken in 2020 regarding the distribution of profits for 2019 has been implemented, and the necessary notifications have been made to the official authorities. In addition, the relevant decision was announced to the public on the same day through the Public Disclosure Platform.

2.6 Transfer of Shares

There are no provisions restricting the transfer of shares in the Articles of Association of our company. According to Article 7 of the Articles of Association, all of our Company's shares are registered, and their transfer is possible by complying with the provisions of the legislation.

PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Company Website and Its Content

The company's Turkish and English websites; It can be reached at www.vakifleasing.com.tr.

Company's website; It is in compliance with the principles of (2.1.1), (2.1.2) and (2.1.3) regarding the corporate website from the Principles of Corporate Governance Communiqué (II-17.1) published by the CMB on 03.01.2014.

3.2 Activity Report

Company's Annual Report; It is in compliance with the principles (2.2.1) and (2.2.2) related to the activity report from the Principles of Corporate Governance Communiqué (II-17.1) published by the CMB on 03.01.2014.

STAKEHOLDERS

4.1 Informing Stakeholders

Vakif Leasing's stakeholders are regularly informed on issues deemed necessary through annual reports, news on the website, and explanations.

In order to ensure accurate and reliable information flow, information on financial statements announced every quarter is shared with investors via the website and announced on PDP. All questions and requests by investors are answered by phone and e-mail.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

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4.2 Participation of Stakeholders in Management

In our company, two different models have been created regarding the participation of stakeholders in management.

Committee Meeting: The decisions taken in the regular committee meetings are implemented by our company.

Suggestion System: Thanks to this system, employees offer their suggestions for improvement and development in all matters related to the Company, and suggestions deemed appropriate are put into practice.

In addition, "Weekly General Assessment Meetings" are held to inform the employees about the general activities and progress of the company and to get their suggestions, and the financial structure and performance data of the company are evaluated together with the employees.

4.3 Human Resources Policy

Our company's human resources policy is carried out within the framework of the "Human Resources Regulation". In addition, our work on career planning continues. Our company plays an important role in the success and development of the sector. Vakif Leasing places special emphasis on providing and developing the necessary equipment for efficient work, especially training, and sees its employees as its most important capital. It employs researchers, visionary, creative, problem solving employees within its structure.

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

Recruitments and promotions at Vakif Leasing are carried out within the framework of the Human Resources Regulation, with the decision of the Board of Directors. There is no discrimination among the employees of our company. Our employees are in full equality in all matters.

4.4 Ethical Rules and Social Responsibility

- Full compliance with laws enacted regulations
- Honesty, transparency and reliability in customer-vendor-creditor relations
- To operate by taking into account the reasons for economic development as well as profitability.
- Respecting information and confidentiality and keeping secrets
- Not creating unfair competition by considering the common interest of the sector.

Vakif Leasing is aware of its social responsibilities towards its customers, employees and society and endeavors to fulfill these responsibilities in the best way. It complies with all legislation related to business life, stands behind its public commitments and gives confidence in its service, encourages its employees to conduct honest and ethical behavior, takes all precautions regarding the safety of the workplace, does not mislead its customers, does not engage in deceptive advertising and marketing activities, complies with and supports the rules prohibiting discrimination. . It tries to resolve customer problems quickly, covers most of the healthcare costs of its employees, and constantly tries to improve its service quality.

4.5 Sustainability Policy

In accordance with the provisions of the Communiqué on Amendment of the Capital Markets Board Corporate Governance Communiqué (II-17.1) (II-17.1.a), in order to comply with the principles of sustainability based on voluntarism and to establish an environmental and social risk management policy, with the approval of the Board of Directors of our company and the Social Policy Text and the Environmental and Social Impacts Working Group have been created and the relevant text has been published under the corporate communication tab of our website.

With the working group under the directorship of the relevant Assistant General Manager, our company makes the utmost effort to comply with sustainability principles, while determining its strategies, it takes into account the environmental and social impacts of its activities as required by its policy.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

According to the 8th article 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 carried out by a board of directors consisting of at least 5 members including the general manager. The board of directors elects a chairman and a deputy chairman to act in his absence from among the members. The duties of general manager and chairman of the board of directors cannot be combined in the same person. Members other than the general manager are elected by the shareholders by the general assembly in accordance with the provisions of the Turkish Commercial Code. The majority of the members of the board of directors consist of non-executive members. Among the members of the board of directors who do not have executive duties, there are independent members who are capable of performing their duties without being under any influence, whose number and qualifications are determined in accordance with the regulations of the Capital Markets Board on Corporate Governance and the provisions of the relevant legislation. The general manager of the company, in his absence, his deputy is a natural member of the Board of Directors. General manager and his deputy must have a bachelor's degree and have at least seven years of professional knowledge and experience in the field of finance or business administration. In the implementation of the provisions of this article, the provisions of the Financial Leasing Factoring and Financing Companies Law No. 6361 and the relevant legislation are reserved."

NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Hazım AKYOL	Chairman Of the Board	26/06/2019
Halil ÇELİK	Deputy Chairman - Independent Member	26/06/2019
	Member of the Audit Committee	01/07/2019
Şeref YAROĞLU	Member of the Board	26/06/2019
Emine UYUMAZ	Member of the Board	03/04/2018
Eren SÜZEN	Member of the Board	25/06/2020
	Member of Corporate Governance Committee	26/06/2020
	Member of Early Identification of Risk Committee	26/06/2020
Burhaneddin TANYERİ	Member of the Board – Independent Member	26/06/2019
	Corporate Governance Committee - Chairman	01/07/2019
	Early Identification of Risk Committee - Chairman	01/07/2019
	Member of Audit Committee - Chairman	01/07/2019
Ersin ÖZOĞUZ	Member of the Board - Deputy General Manager	08/12/2020

The Chairman of the Board of Directors does not have an executive duty. Ersin ÖZOĞUZ, Deputy General Manager, is an executive member of the Board of Directors by proxy.

The resumes of the Members of the Board of Directors are published in the Annual Report.

The number of independent members has been determined as two in accordance with the provisions of the CMB's Communiqué on the Determination and Implementation of Corporate Governance Principles Serial: IV No: 56. Independence declarations of Halil ÇELİK and Burhaneddin TANYERİ and those who fulfill the independence criteria specified in principles 4.3.6 and 4.3.7 of the CMB Corporate Governance Principles within the framework of the legislation, articles of association and the criteria included in the relevant communiqué are included in the report dated 25.06.2020. Independent members were presented to the Board of Directors on 25.06.2020.

There is no situation that eliminates the declarations of the independent members of the Board of Directors regarding their independence and as of the relevant activity period.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

2020

Partnerships in which the members of the Board of Directors are assigned outside the Company and their duties:

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Hazım AKYOL	T. Vakıflar Bankası T.A.O.	Deputy General Manager
Emine UYUMAZ	T. Vakıflar Bankası T.A.O.	Head of Commercial Loans Allocation Management
Eren SÜZEN	T. Vakıflar Bankası T.A.O.	SME and Local Governments Head of Loans Allocation Management
Şeref YAROĞLU	T. Vakıflar Bankası T.A.O.	Chief Legal Advisers

5.2 Operating Principles of the Board of Directors

Whenever necessary, the board of directors is held at the location of the company headquarters or where the majority of board members request. However, it must meet at least once a month. Even if the meeting has not been duly held, the presence of all members at the meeting place on a certain day and time does not harm the validity of the meeting. Those who have the right to attend the meeting of the board of directors of the company can attend these meetings electronically in accordance with article 1527 of the Turkish Commercial Code. The company may set up an electronic meeting system that will allow right holders to attend and vote in electronic media in accordance with the provisions of the Communiqué on General Assemblies to be Held in Electronic Environment, in addition to joint stock company general assemblies, as well as purchasing services from systems established for this purpose. In the meetings to be held, it is ensured that the right holders can exercise their rights specified in the relevant legislation, within the framework of the provisions of the notification, through the system established in accordance with this provision of the Company's articles of association or the system from which support services will be received. The provisions of the Turkish Commercial Code are applied regarding the meeting quorum and decision quorum of the Board of Directors.

The agendas of the Board of Directors meetings are determined according to the issues and authorities specified in the articles of association. 40 Board of Directors meetings were held in the period 01.01.2020 - 31.12.2020. Whenever necessary, the Board of Directors is held at the location of the company headquarters or where the majority of the members of the Board of Directors request. However, it must meet at least once a month. The provisions of the Turkish Commercial Code are applied regarding the Board of Directors meeting quorum and decision quorum. The duty of informing and communication of the members of the board of directors is the secretary of the General Manager. Decisions that need to be disclosed to the public are made public immediately after the end of the meeting.

- Determining the subjects that the company will operate on and approving the business and financing plans,
- Issues related to the invitation and organization of the Ordinary / Extraordinary General Assembly,
- Finalizing the annual activity report to be submitted to the General Assembly,
- Election of the Chairman of the Board of Directors, Vice Chairman and appointment of a new member,
- Establishing administrative units or terminating their activities,
- Appointment or dismissal of the Chief Executive Officer / General Manager,
- Establishing committees,
- Merger, division, restructuring, selling 10% of the whole company or fixed assets or investing more than 10%, making expenses more than 10% of the total assets,
- Determining the dividend policy of the company and the profit to be distributed,
- All members actually attend the meetings held on issues such as capital increase or decrease.

5.3 Number, Structure and Independence of Committees Established by the Board of Directors

In accordance with the Corporate Governance Communiqué, which our Company's Board of Directors asks for public companies to fulfill its duties and responsibilities, the Audit Committee, consisting of two members (Chairman- Burhaneddin TANYERİ, Member- Halil ÇELİK), consists of three members (Chairman - Burhaneddin TANYERİ, Member - Eren SÜZEN, Member - Mehmet İlkey COŞKUN) The Corporate Governance Committee and the Early Detection of Risk Committee (Chairman- Burhaneddin TANYERİ, Member- Eren SÜZEN), also consisting of two members, have been established.

The number of members of the Board of Directors of the Company is 6 and the number of members of the committees affiliated to the Board of Directors is higher than the number of members of the Board of Directors in accordance with the principles specified in the CMB Corporate Governance principles and BRSA; members serve on more than one committee.

5.4 Risk Management and Internal Control Mechanism

- Internal Control:

The internal control unit, operating under the Audit Committee within the Board of Directors, within the control points established specifically for the company; It is responsible for identifying the risks that may occur - to ensure that preventive - mitigation measures are taken for these risks and to report the results of the results to the Audit Committee periodically (at least twice a year).

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

Company activities, systems and processes; Whether it is carried out in accordance with legal regulations, management strategies and policies and Financial Leasing practices; A systematic and disciplined approach is demonstrated regarding the compliance of directives, work flows and powers and responsibilities of employees, and recommendations are made to take measures to prevent and / or reduce risks by identifying them.

It is aimed to create an internal control system to identify, evaluate, monitor, manage and use the results to be used in decision-making mechanisms to identify, evaluate, monitor, and manage potential credit, market and operational risk factors that may affect the Company's assets in order to prevent damages that may affect the achievement of the Company's goals.

As of 2020, within the scope of the "Communiqué on Management and Audit of Information Systems of Financial Leasing, Factoring and Financing Companies" published by the BRSA in the Official Gazette dated 06.04.2019 and numbered 30737, the preparation of a "Compliance Report" for Internal Control Units, and submitting it to the Board of Directors. Again in the same paper; It was also emphasized that although external services may be obtained in the preparation of the "Risk Assessment Report" and "Security Violations Report", the reports should be submitted to the management by the internal control unit or other units of the Company.

The Internal Control Manager, as the Compliance Officer, also performs the duties of taking the necessary measures throughout the Company regarding compliance with the legal regulations of the Financial Crimes Investigation Board, carrying out training and control activities and communicating with the Board.

- Risk management:

It operates under the Early Detection of Risk Committee within the Board of Directors. In line with the general strategies and short-long term targets of the company, the risks to be exposed and the strategies to be followed for these risks are determined and the Early Detection of Risk Committee is periodically (recommendations - suggestions; at least 6 times a year - report; annually). reports as once).

Risk management process; It is a cycle where the risks that prevent or are likely to be in the realization of the strategic objectives of the institution are identified, identified, classified, priorities are determined as a result of risk assessment, evaluated and monitored.

5.5 Strategic Goals of the Company

The strategic goals set by our managers are evaluated at the end of the previous year and the goals for the next year are approved at the end of each year. In addition, our Board of Directors makes an evaluation regarding the achievement of the determined goals.

5.6 Financial Rights

At the Ordinary General Assembly Meeting dated June 25, 2020, it was decided to pay a monthly net amount of 5,500 TL to the members of the Board of Directors.

There is no other fee or right given to the Members of the Board of Directors. The salaries and benefits that the Members of the Board of Directors are entitled to are not determined according to their performances. Losses that may be caused by the faults of the members of the board of directors during their duties are not insured.

The Company has not made loans or loans to any Board Member, nor does it have any guarantees or guarantees, such as compensation, for the benefit of a person to whom it has lent personally through a third party and for the third party.

In accordance with the Corporate Governance Principles, the remuneration and all other benefits provided to senior executives as well as the members of the Board of Directors are also disclosed to the public through the annual report. However, the explanation made is not on an individual basis, but in a way that separates the board of directors and senior executives.

Our company; In 2020, the gross wages of 620 thousand TL were paid to the members of the Board of Directors, and 2.500 thousand TL to the General Manager and Assistant General Managers.



*Vakıf Leasing
In its 32nd 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**

a) The company is the management control of the company or the partnerships in which it has a significant influence, the partners who have the management control of the company or have significant influence in the company, and the legal entities that these partners have management control and themselves, their spouses and their relatives by blood and affinity up to the second degree I have complied with the principle that there is no employment principle in the managerial position that will undertake important duties and responsibilities in the last five years, that more than 5% of the capital or voting rights or privileged shares are not owned together or alone, or that a significant commercial relationship has not been established,

b) In the last five years, partners in companies from which the company purchases or sells services or products to a significant extent, during the periods of service or product sales, within the framework of the agreements made in the last five years, including the audit, rating and consultancy of the company (including tax audit, legal audit, internal audit) (5% and above) that I comply with the principle of being an employee or a member of the Board of Directors to assume important duties and responsibilities,

c) I have the professional education, knowledge and experience to properly fulfill the duties that I will undertake due to being an independent board member,

ç) I am not working full-time in public institutions and organizations after being elected as a member, except as a university lecturer, provided that they comply with the legislation they are affiliated with,

d) of the Income Tax Law No. 193 dated 31.12.1960 (G.V.Rodicheva.) is according to me would be settled in Turkey,

e) I have strong ethical standards, professional reputation and experience that can contribute positively to the activities of the company, maintain impartiality in conflicts of interest between the company and shareholders, and decide freely by taking into account the rights of the stakeholders,

f) I am able to devote enough time to the company's business to be able to follow the operation of the company activities and to fully fulfill the requirements of the duties I have undertaken,

g) I have not been a member of the Board of Directors of the company for more than six years in the last ten years,

ğ) I am not an independent member of the Board of Directors in more than three of the companies controlled by the same person, the company or the shareholders holding the management control of the company, and in more than five of the companies listed on the stock exchange in total,

h) I have not been registered and announced on behalf of the legal person elected as a member of the Board of Directors,

In the event of a situation that destroys my independence, I will immediately forward the change to the board of directors to be announced to the public, in this case, I will resign from my board of directors membership and duties in principle because I lost my independence,

I declare, accept and undertake 25.06.2020

Halil ÇELİK

Independent Member Of Board Of Directors



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

2020

VAKIF LEASING INC. İSTANBUL

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

a) The company is the management control of the company or the partnerships in which it has a significant influence, the partners who have the management control of the company or have significant influence in the company, and the legal entities that these partners have management control and themselves, their spouses and their relatives by blood and affinity up to the second degree I have complied with the principle that there is no employment principle in the managerial position that will undertake important duties and responsibilities in the last five years, that more than 5% of the capital or voting rights or privileged shares are not owned together or alone, or that a significant commercial relationship has not been established,

b) In the last five years, partners in companies from which the company purchases or sells services or products to a significant extent, during the periods of service or product sales, within the framework of the agreements made in the last five years, including the audit, rating and consultancy of the company (including tax audit, legal audit, internal audit) (5% and above) that I comply with the principle of being an employee or a member of the Board of Directors to assume important duties and responsibilities,

c) I have the professional education, knowledge and experience to properly fulfill the duties that I will undertake due to being an independent board member,

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In the event of a situation that destroys my independence, I will immediately forward the change to the board of directors to be announced to the public, in this case, I will resign from my board of directors membership and duties in principle because I lost my independence,

I declare, accept and undertake 25.06.2020

Burhaneddin TANYERİ
Independent Member Of Board Of Directors

Affiliate Company Report Prepared within the Scope of Article 199 of the Turkish Commercial Code

In accordance with Article 199 of the Turkish Commercial Code numbered 6102, which entered into force on 1 July 2012, Vakıf Finansal Kiralama A.Ş. and the relationship between the controlling partner and its subsidiaries was evaluated. Within the framework of the information submitted to our Board of Directors, Vakıf Finansal Kiralama A.Ş. and its subsidiaries in 2020, according to the state and conditions known to us at the time the transaction was made or the measure was taken or avoided, in each transaction. It was concluded that a counter action was provided and there were no measures taken or avoided to cause damage to the company, and that there was no action or measure that would require offsetting within this framework.

✓ BRIEFING ON OTHER ISSUES

2020

EXPLANATIONS ON THE CORPORATE GOVERNANCE COMMITTEE

- ✓ In 2020, the Company increased its paid-up capital from 175,000 thousand TL to 200,000 thousand TL. The increased amount has been covered from the 2019 profit. In 2020, Vakıfbank Personnel Officers and Employees Pension and Health Aid Fund and Vakıfbank Personnel Private Social Security Services sold their shares in Borsa İstanbul. There has been a change in the organization chart.
- ✓ There is no research and development activity in 2020.
- ✓ Within the fiscal period of 2020, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. conducted a limited independent audit on 30.06.2020 and an independent audit on 31.12.2020. In addition, within the scope of corporate tax certification, the Company's financial statements are prepared by Vezin YMM A.Ş. from the tax audit quarterly by has been passed.
- ✓ There are no ongoing lawsuits or legal proceedings filed against the Company that may have a negative impact on the financial status or results of operations of the Company.
- ✓ There are no administrative or judicial sanctions imposed on the company and its members of the management body due to practices contrary to the provisions of the legislation.
- ✓ No extraordinary general meeting was held during the year.
- ✓ The company does not have its own shares acquired.
- ✓ Vakıf Leasing's turnover decreased by 3% in 2020 compared to the previous year and decreased from 172.655 thousand USD to 166.657 thousand USD. The number of transactions, which was 353 in 2019, was 546 in 2020 with an increase of 55%.
- ✓ Vakıf Leasing's capitalized contract amount decreased by 4% in 2020 compared to the previous year and was realized as 163,767 thousand USD. The amount of contracts activated in 2019 was 170,458 thousand USD. The number of contracts activated, which was 362 in 2019, increased by 63% in 2020 to 590.
- ✓ Aiming to grow with discipline, the Company acted selectively in growth in order to manage the increasing profit margin pressure as a result of competition in an effective and balanced manner, and did not compromise on its strategy of widening the base and creating a quality portfolio in its transaction volume.
- ✓ As of the end of 2020, the Company's paid-in capital is 200 Million TL, and there is no evidence or opinion that the capital is unpaid and the Company is deeply in debt.



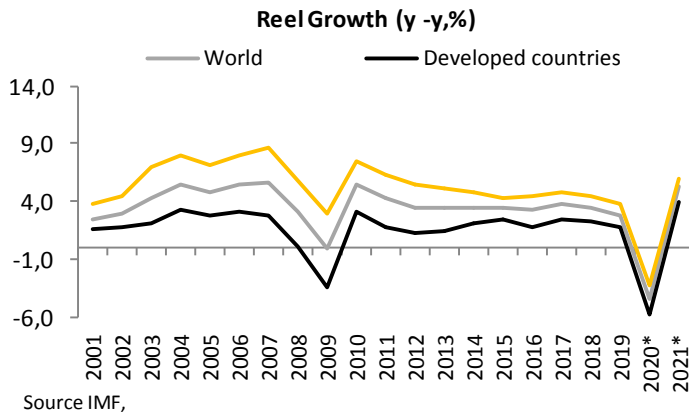
2019
GLOBAL ECONOMY
IN THE WORLD
AND TURKEY

✓ 2020 GLOBAL ECONOMY IN THE WORLD AND TURKEY

2020

2020 GLOBAL ECONOMY IN THE WORLD AND TURKEY

The year 2020 has been a year when the global economy has come to a standstill, with the coronavirus emerging in China spreading all over the world.



The year 2020 passed in difficult conditions with the coronavirus epidemic, with the total number of cases over 87 million worldwide and causing 1.9 million deaths. The global economy had a difficult year with the measures taken to combat the rapidly spreading coronavirus in China, the ongoing tension between the USA and China, and the Brexit uncertainties. The economies of the country were hit hard due to travel restrictions, business closures, curfews and assembly bans. The world economy, which completed 2019 with a growth rate of 2.8%, is expected to complete 2020 with a 4.4% shrinkage due to the negativities experienced. Despite the optimism created by the discovery of the coronavirus vaccine, it is predicted that the first half of 2021 will be difficult and pre-pandemic levels will not be achieved before the second half of 2021. The World Bank announced that 88 million to 115 million people will be dragged into extreme poverty this year due to the coronavirus outbreak. Stating that the Kovid-19 outbreak can trigger a debt crisis, especially in poor countries, G-20 leaders stated that the initiative to suspend debt repayments of poor countries will continue at least until June 2021. While low-wage jobs, especially in the service sector, were lost due to the coronavirus crisis, the wealthy people recovered much faster, opening the gap between social segments. On the other hand, after the sharp contraction in the economies of the country in the second quarter, a rapid growth was experienced in the third quarter as a result of the steps taken by governments and central banks to deal with the economic problems caused by the Kovid-19 outbreak. The resumption of restrictions due to the second wave of the epidemic caused the sharp growth experienced in the third quarter to slow down again in the fourth quarter.

While the total number of cases in the USA was approximately 22 million due to coronavirus, the total loss of life reached 370 thousand. The US economy, which completed 2019 with a growth of 2.2%, is expected to complete 2020 with a contraction of 4.3%. The US economy is expected to grow by 3.9% in 2021. While the lowest unemployment rate of the last 50 years was achieved with 3.5% before the epidemic in the USA,

More than 22 million people lost their jobs in March and April. With the effect of the epidemic in April, the unemployment rate reached its highest level since the Great Depression that started in 1929 with 14.7%. As of May, the unemployment rate started to decline again and fell to 6.7% in November. However, only half of the 22 million workers who lost their jobs between February and April were able to find jobs again.

In the presidential elections held in November, Democratic candidate Joe Biden won the election. In the USA, after long-standing negotiations between the Republican and Democratic Party, an agreement was reached on an approximately \$ 900 billion support package for the economic impacts of the coronavirus epidemic. US President Donald Trump signed and enacted the \$ 2.3 trillion bill, consisting of a \$ 892 billion coronavirus aid package and a \$ 1.4 trillion federal government spending plan. The package became the second largest incentive in US history, after \$ 2.4 trillion in economic aid adopted in March. Thus, unemployment benefits were given to millions of Americans again and federal government agencies were not closed.

While the European Continent was heavily affected by the Kovid-19 crisis in 2020, it went through a difficult period as daily cases and total casualties reached record levels. In order to prevent the epidemic, the entire economy, especially the service sector, was negatively affected as a result of the closure of the countries. The European Parliament (EP) has approved the European Union's (EU) budget for the years 2021-2027 and the coronavirus rescue package of 750 billion Euros. In March, Germany announced a 750 billion euro rescue package to keep the economy afloat. In addition, Germany announced a further 130 billion euro stimulus package in June. In Germany, the largest economy in the region, the economy is expected to contract by 5.1% in 2020. It was stated that the closures against the epidemic in Germany and other countries pushed the recovery in the economy back, and the production of goods and services would not reach pre-crisis levels before the end of 2021. The Euro Zone is expected to shrink by 8.3% in 2020 due to the epidemic.

The Brexit process, which started with the referendum in 2016, ended with the parties reaching a trade agreement on December 24, 2020. On January 23, 2020, the Brexit bill passed through the parliament and became law. On January 31, 2020, the UK left the European Union, which it has been a member of since 1973, and the 11-month transition process, which ended on February 31, 2020, officially started. Although it took a long time to reach an agreement between the EU and the UK, the free trade agreement approved by the Parliament by a majority vote on December 30th was signed by Johnson. Thus, the Brexit process, which started in June 2016 and was an important source of uncertainty, ended in December 2020.

2020 GLOBAL ECONOMY IN THE WORLD AND TURKEY

Various measures have been taken in Japan to support the economy adversely affected by the Kovid-19 outbreak. The previous Prime Minister of Japan, Shinzo Abe, announced a \$ 1.1 trillion package in April and a second economic stimulus package worth \$ 1.1 trillion in May. Thus, the total amount of support reached 2.2 trillion dollars, making it the largest package in the world. The government of Prime Minister Yoshihide Suga, who succeeded Abe, who resigned due to health problems, announced a \$ 700 billion stimulus package in December to mitigate the economic effects of the epidemic. In addition, the government of Japan approved a record budget bill of 106.6 trillion yen prepared for fiscal year 2021. Finance minister Taro Aso stated that they are making a balanced budget to prevent the epidemic, economic recovery and fiscal consolidation. Thus, the 2021 budget adopted in the country struggling with coronavirus and trying to stimulate the economy brought the heaviest debt burden among developed countries. It was planned to spend 35.8 trillion yen for social security and 5 trillion yen to combat the epidemic in the budget. As a result of these developments, the Japanese economy, which grew by 0.9% in 2019, is expected to shrink by 5.3% in 2020.

Although China was the first country where the Kovid-19 epidemic started, it survived the epidemic very quickly and the reflection of the epidemic on the economy was limited compared to other countries. In addition, the disruption of the supply chain in Europe made China positively affected by this as an alternative supplier. Thus, although China will slow down in 2020, it is expected to be one of the rare countries that will achieve a positive growth rate, and the Chinese economy, which completed 2019 with a growth of 6.1%, is expected to complete 2020 with a growth of 1.8%. China is expected to grow 8% in 2021. On the other hand, due to the uncertainties created by the epidemic, China decided not to set a gross domestic product (GDP) target for 2020 for the first time since 1990. In early March, plans were announced to increase public spending, facilitate the entry of foreign companies into the Chinese market, and a tax cut of 2 trillion yuan (\$ 298 billion) to stimulate the economy. China made progress in its relations with the United States in January and signed the "phase one" trade agreement. On the other hand, the USA announced that it would cut the high tariffs on Chinese products by half. However, tensions between the US and China have resumed after the epidemic. While the US has blacklisted some Chinese companies, it has decided to sanction a group of Chinese officials in its latest move against China. On the other hand, China announced that it will extend the customs duty exemptions for some products imported from the US by one year. Analysts who made predictions about how China-US relations will take shape during the period of Joe Biden, who was elected to the US Presidency, stated that it will take time to decrease the tension in China-US relations and that they do not expect any structural change in the relations between the two countries during the Biden period.

In 2020, expansionary monetary policies continued, while central banks rapidly lowered interest rates to combat coronavirus.

In 2019, the Federal Reserve (Fed) cut the interest rates to a total of three interest rates from 1.50% to 1.75%. In the USA, the country with the highest number of cases and deaths in the world, the Fed made important decisions to protect the economy from the epidemic throughout 2020. The Fed, which held two extraordinary meetings in March, cut the funding rate by a total of 150 basis points and cut the funding rate to the range of 0-0.25%. In addition, the Fed announced that it has started a \$ 700 billion expansion program. The Fed supported the economy by announcing an additional action decision in April, which will provide loans of up to \$ 2.3 trillion. The Fed, which did not change interest rates at its December meeting, promised to continue asset purchases. While the Fed and the European Central Bank (ECB) established swap lines with the central banks of six countries to maintain liquidity, the Fed later expanded this number to nine central banks.

2020 has also been an extraordinary year for the European Central Bank (ECB). The ECB announced on March 18 that it started an additional 750 billion-euro emergency bond purchase program (PEPP) against the epidemic. Stating that the program will include all assets within the framework of the current monetary expansion, the bank announced that a new long-term pandemic refinancing program was decided on April 30. Stating that asset purchases of 20 billion Euros per month will continue, the bank stated that they are ready to purchase more bonds if necessary. The ECB, which increased its Pandemic Emergency Procurement Program by 600 billion euros in June, announced that it extended the program until June 2021. Proceeding with the measures announced until December, the ECB increased its pandemic procurement program by another 500 billion euros to 1.85 trillion euros with the December 10 meeting. It extended the program for 9 more months and revised the deadline to March 2022. The bank kept the policy interest at 0% by not changing the interest rates throughout the year.

The Bank of Japan (BoJ) further relaxed its monetary policy in 2020 in order to reduce the economic effects of the Kovid-19 outbreak. BoJ decided to purchase 2 trillion yen corporate bonds and 3 trillion yen corporate bonds. It also announced that it will make an additional purchase of 7.5 trillion yen each by the end of March 2021. It raised the target set for net purchases of exchange traded funds (ETFs) from 6 trillion yen to 12 trillion yen. Japanese real estate investment funds (J-REIT) increased their purchases from 90 billion yen annually to 180 billion yen annually. The BOJ extended its monetary stimulus measures by removing the bond purchase limit against the deepening economic effects of the coronavirus epidemic. He reported that he will buy unlimited amount of government bonds by removing the annual ceiling for purchases of government bonds of 80 trillion yen.

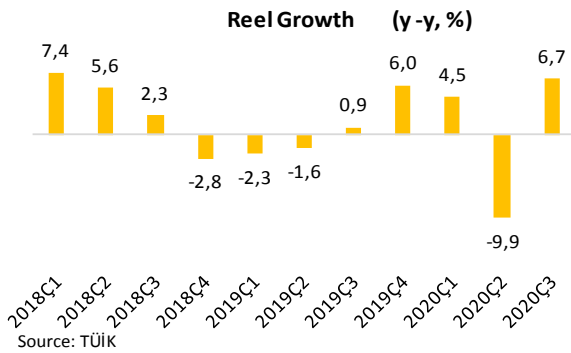
✓ 2020 GLOBAL ECONOMY IN THE WORLD AND TURKEY

2020

It announced a new borrowing program of 75 trillion yen to support small businesses heavily affected by the coronavirus epidemic and stop the economy from drifting into deep recession. BoJ kept the policy rate unchanged at -0.1% in 2020. The Bank emphasized that it will continue its Yield Curve Controlled Monetary Expansion policy until it reaches the 2% inflation target. Many central banks took action in 2020 to support the economies of countries hit by the coronavirus crisis. The Bank of England (BoE) announced a £ 200 billion in bond purchase and a £ 330 billion loan and guarantee program. In addition, it cut the interest rates to 0.1% by a total of 65 basis points in two extraordinary meetings. The Reserve Bank of Australia made two rate hikes during March, pulling the interest rate to 0.25% and established a \$ 60 billion swap line with the Fed. The bank reduced the interest rate to 0.1% at its November meeting. The Indonesian Central Bank cut the interest rate by 25 basis points to a record low of 3.75% at its November meeting. The Central Bank of India cut the interest rates by 40 basis points to 4% at its May meeting. At its July meeting, the Central Bank of Russia lowered its policy rate to historic lows by 4.25%.

TURKISH ECONOMY

Turkey's economy, the year of recovery after the sharp decline experienced in the first half.

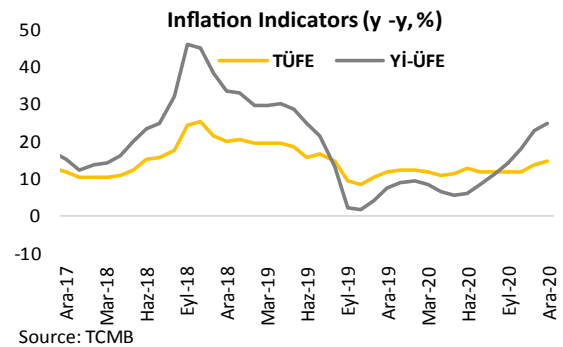


Then it began the second half of Turkey's economy experienced the effects of the base compared to the same quarter of last year with positive growth in the first quarter of 2020 and positive growth in 2019 with the contribution of stock. Due to the negative effects of the coronavirus epidemic, which started to be seen almost all over the world since March, the growth rate decreased sharply in the second quarter. The decline in net exports was the determining factor in the contraction in the second quarter, as exports fell more sharply than imports as a result of the declining foreign demand. the loosening of restrictions because of outbreaks and implemented in Turkey's economy recovered in the third quarter as a result of normalization started in June recorded positive growth again.

rapid rise in domestic demand with incentives following a sharp contraction in the second quarter, third quarter growth above the market expectations of Turkey's economy was effective. Expected in economic activity in the last quarter of the year still to go negative in Turkey's rapid deceleration of the economy with positive growth in 2020 is expected to be close.

The budget balance, which started in 2020 with an increase due to the absence of epidemic effects, has experienced deterioration since March. The increase in tax revenues was rather limited due to the delay in tax collections and the decrease in the buoyancy in domestic demand. Another factor in the deterioration in the budget balance was the slowdown in foreign trade due to the epidemic. In the normalization process, while tax revenues increased with the recovery in domestic demand and economic recovery, the budget balance started to display a more positive performance thanks to the decrease in interest expenditures. After the normalization in the pandemic, the budget balance again showed a deficit as the effects of the second wave started to be seen. In November, the surplus was given as domestic demand continued to be buoyant and the exchange rate and price increase increased the taxes on consumption. In December, due to some restrictions put into practice, there may be a deterioration in the budget balance as there will be a loss of momentum in revenues and an increase in expenses. Despite the deterioration that may occur after the closures that started as of the end of November, the budget deficit / GDP ratio is expected to finish below the 4.9% target level announced in the New Economy Program by the end of 2020.

Inflation was at double digits in 2020.

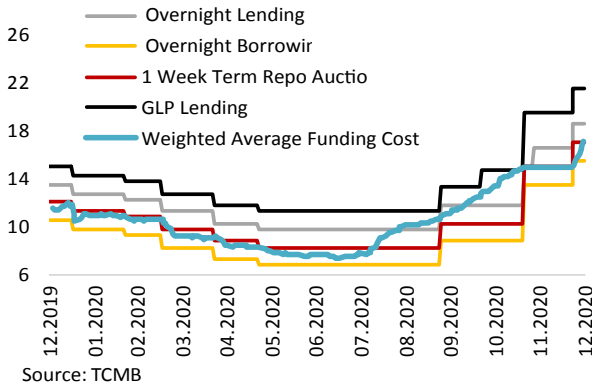


Inflation, which was at double-digit levels throughout 2020, declined to its lowest level in the year with 10.94% in April due to the base effect from last year. However, with the measures taken to combat the Kovid-19 epidemic, increasing domestic demand and the pressure created by the increase in exchange rates, the decline in inflation did not continue, and with the increase of cost-side pressures, the inflation ended the year at 14.60%, the highest level it had seen in the year. Although inflation may continue to rise in the first months of 2021, a downward movement may occur for the rest of the year due to the tightening decisions in monetary policy.

2020 GLOBAL ECONOMY IN THE WORLD AND TURKEY

CBRT increased the interest rates in the last months of the year and took steps to simplify.

CBRT Interest rates



Central Bank of the Republic of Turkey (CBRT), in the first four months of the coronavirus outbreak due to the deepening of the weakening in global growth, developed and developing central banks continued the expansionary direction in steps went to cut interest rates on the grounds. In the middle of 2020, CBRT suspended interest rate cuts due to the increase in the inflation outlook. The CBRT, which kept its policy rate unchanged in August, took liquidity tightening steps. In September, it was decided to increase the interest rates, stating that the tightening steps taken since August should be strengthened in order to bring inflation expectations under control and to limit the risks against inflation. While it is expected that the CBRT will continue to increase interest rates in October, surprisingly, it was stated that it was decided to continue with liquidity measures by leaving the policy rate unchanged. In November, when the first meeting of the new chairman Naci Ağbal was held, the CBRT realized the sharpest interest rate increase in the last two years in line with the market expectations and increased the policy interest rate from 10.25% to 15% with an increase of 475 basis points. The CBRT decided to make all funding at the one-week repo rate and simplified its monetary policy. In addition, the CBRT simplified its required reserve application and reduced the number of rates in categories where more than one rate is applied, with the change in reserve requirement ratios on 27 November. Calling the 200 basis point rate hike in the last month of the year as a strong tightening, the CBRT stated that it made this decision, taking into account the 2021 year-end forecast target, in order to eliminate the risks regarding the inflation outlook, to control inflation expectations and to restore the disinflation process as soon as possible.

The unemployment rate, which started 2020 with a decline, rose in the middle of the year as a result of the negative course of the economy due to the pandemic effect. The unemployment rate, which stood at 14.3% in June, decreased gradually after reaching its peak. Due to the pandemic in 2020

The dismissal ban imposed by the presidential decree has been effective in the relatively low unemployment rate. Employment and labor force participation rates increased in the third quarter of the year. In 2021, an improvement in unemployment rate is expected in line with the 5.8% growth target specified within the scope of the YEP.

Central government gross debt stock increased, led by domestic debt.

Although it is seen that the central government debt stock increased in 2020, the ratio of debt stock to GDP is below 60% within the framework of the Maastricht Criterion, also known as the "Fiscal Rule" of the EU. It is expected to remain below this rate in 2021.

Current account deficit this year, due to the pandemic effect.

Although the current account surplus continued with 12-month total figures in the first two months of 2020 with the positive effect from 2019, the negative outlook created by the Covid-19 outbreak in the world economies was reflected in the domestic current account balance figures. The first deficit in the balance of services due to the decrease in tourism revenues was one of the most important reasons that increased the current account deficit. The sharp decrease in reserves was the first item to be affected by the epidemic. Especially in the recent period, the increase in gold imports, which is the most important factor to suppress imports, increased annually by more than 100%, and the continuation of this increase, even though it lost momentum in September and October after the increase in August, increased the current deficit. The 12-month cumulative current account deficit, which currently rises to \$ 35 billion, is expected to end the year at \$ 37 billion. In 2021, after the Covid-19 epidemic, the current account balance is expected to be deficit again due to the revival in economic activity and the increase in energy costs, but the current account deficit is expected to decrease compared to 2020 due to the increase in tourism revenues.



*Vakıf Leasing
In its 32nd Year*

VAKIF LEASING IN 2020

VAKIF LEASING IN 2020

Vakif Leasing's turnover decreased by 3% in 2020 compared to the previous year and decreased from 172.655 thousand USD to 166.657 thousand USD. The number of transactions, which was 353 in 2019, was 546 in 2020 with an increase of 55%.

Vakif Leasing's capitalized contract amount decreased by 4% in 2020 compared to the previous year and was realized as 163,767 thousand USD. The amount of contracts activated in 2019 was 170,458 thousand USD. The number of contracts activated, which was 362 in 2019, increased by 63% in 2020 to 590.

One thousand USD-Vakif Leasing			
Period	2020	2019	Increase %
First 3-month period	43,944	47,986	-8,4
Second 3-month period	45,646	41,827	9,1
Third 3-month period	41,175	30,338	35,7
Fourth 3-month period	33,002	50,306	-34,4
TOTAL	163,767	170,458	-3,9
Number Of Contracts	590	362	63,0

✓ GENERAL ASSESSMENT

✓ 2020

GENERAL ASSESSMENT

Vakif Leasing, one of the oldest players in the Turkish financial leasing industry, has continued to play a leading role in the promotion and development of financial leasing since 1988.

Vakif Leasing, which intermediated in fixed asset investment of 167 million USD in 2020, has made serious contributions to the development of our country's economy by supporting SMEs in the first place.

Aiming to act as a financial intermediary for SMEs and investors in the commercial segment, which constitute a significant part of the customer portfolio, Vakif Leasing continues on its way by increasing its market share in the sector.

Providing alternative financing options with its 32 years of experience, sector knowledge and solution-oriented employees, Vakif Leasing has a transaction volume of 167 million USD in 2020, with a 22% increase compared to the previous year, its assets to TL 3.712 million and its leasing receivables by 18%. with an increase of 3,055 million TL and its equity to 355 million TL with an increase of 21%, it continued its growth trend.

Vakif Leasing aims to concentrate especially on production machines in line with its sustainable targets in the coming period, and aims to increase its market share by supporting investments regardless of scale and sector in 2021.

Our target for 2021 to increase the number of new customers, taking into account Turkey's domestic market growth and demand for commercial loans, our trading volume comes to grow in a healthy way.

Vakif Leasing, which is represented on the basis of branches in Ankara, İzmir, Adana, Bursa and Antalya in order to provide on-site service and fast response to investors, has been working towards achieving its targets with its wide customer portfolio and service network all over the country, backed by the corporate power of nearly a thousand branches of Vakifbank. will continue.



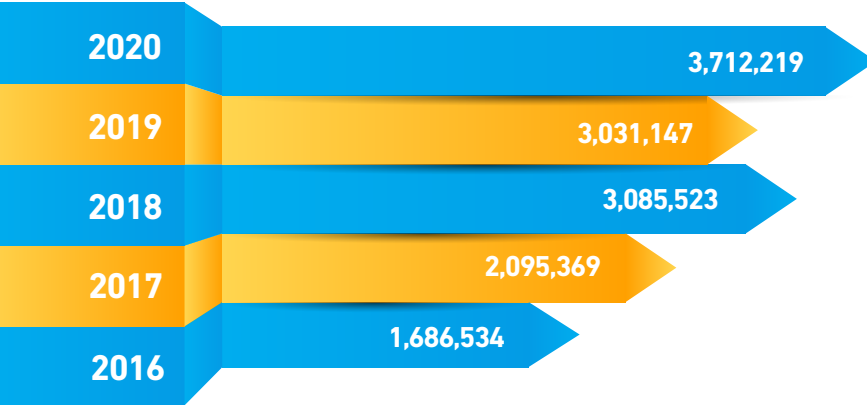
PRIMARY FINANCIAL INDICATORS AND RATIOS

✓ PRIMARY FINANCIAL INDICATORS
AND RATIOS

2020

PRIMARY FINANCIAL INDICATORS

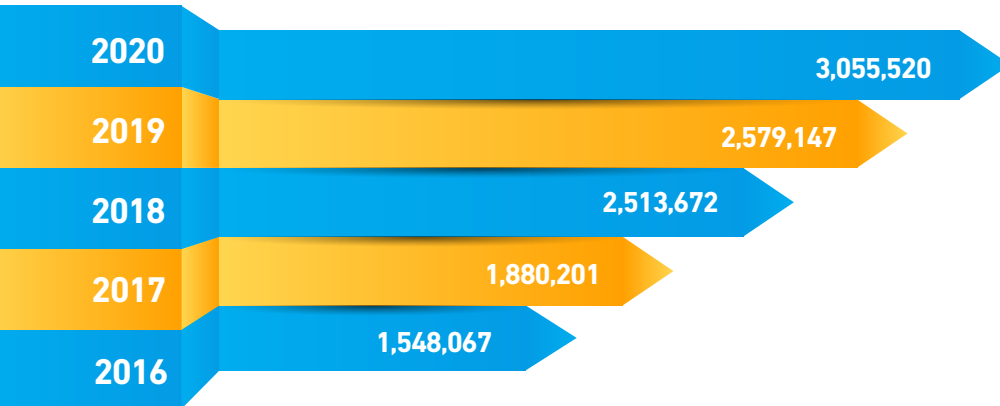
TOTAL ASSETS (THOUSAND TL)



+%22.5

Vakif Leasing's total assets increased by 22.5% compared to the previous year, reaching TL 3,712,219 thousand.

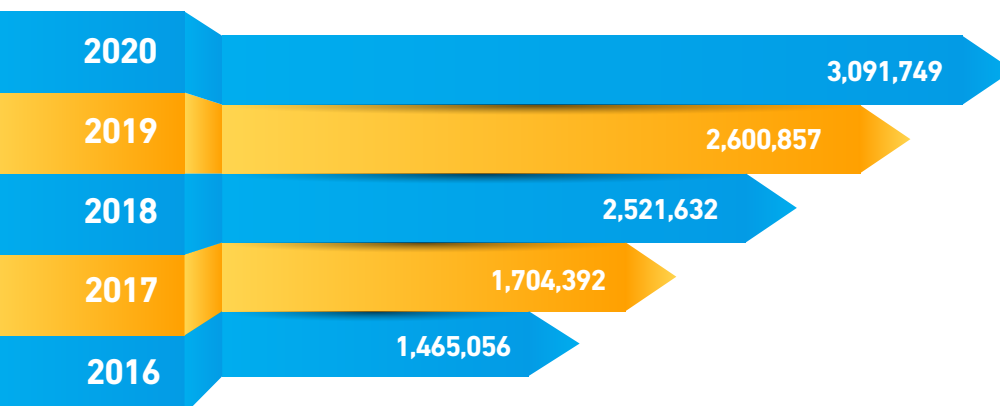
LEASING RECEIVABLES (THOUSAND TL)



+%18.5

Vakif Leasing's total leasing transactions increased by 18.5% compared to the previous year and reached 3,055,520 thousand TL.

CREDITS OBTAINED



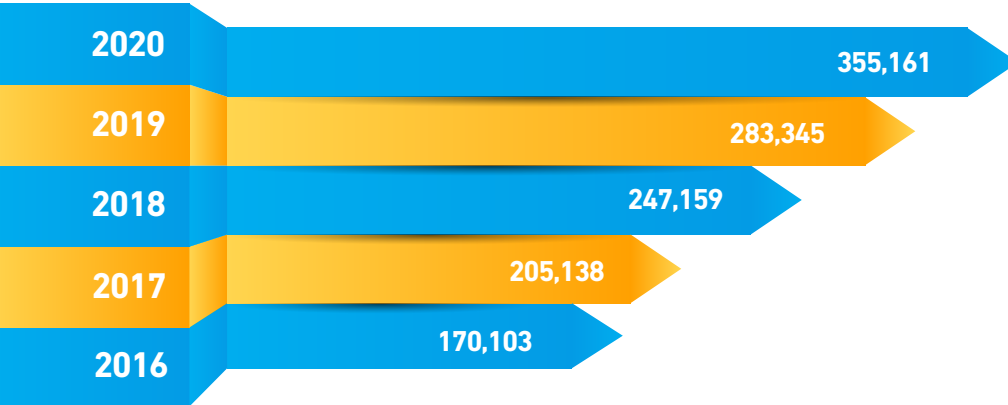
+%18.9

Vakif Leasing's total borrowed loans increased by 18.9% compared to the previous year and reached 3,091,749 thousand TL.

PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY FINANCIAL INDICATORS

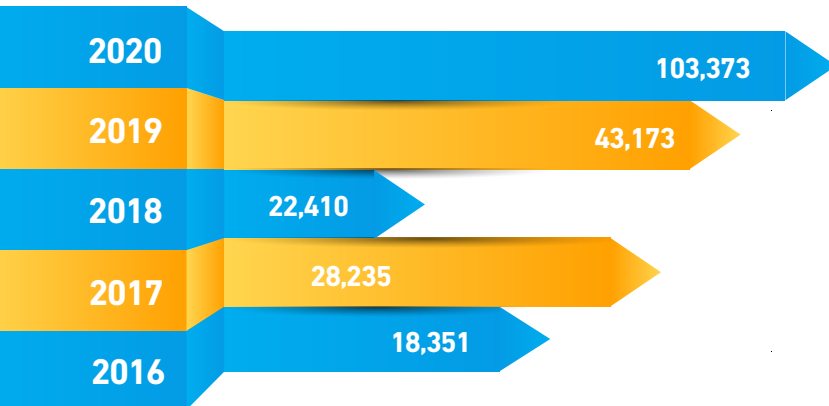
SHAREHOLDERS' EQUITY (THOUSAND TRY)



+%25.4

Vakif Leasing's total equity rose to 355,161 thousand TL with an increase of 25.4% compared to the previous year.

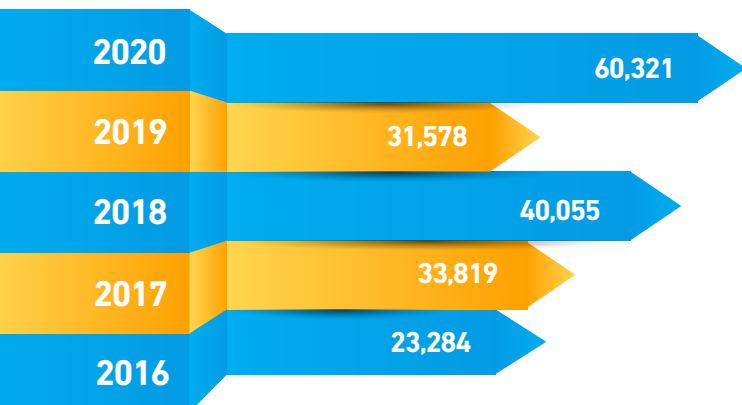
GROSS PROFIT/LOSS (THOUSAND TL)



+%139.4

Vakif Leasing's gross operating profit increased by 139.4% compared to the previous year, reaching 103,373 thousand TL.

NET PROFIT (THOUSAND TRY)



+%91.0

Vakif Leasing's net profit increased by 91.0% compared to the previous year, reaching TL60,321 thousand.

✓ PRIMARY FINANCIAL INDICATORS AND RATIOS

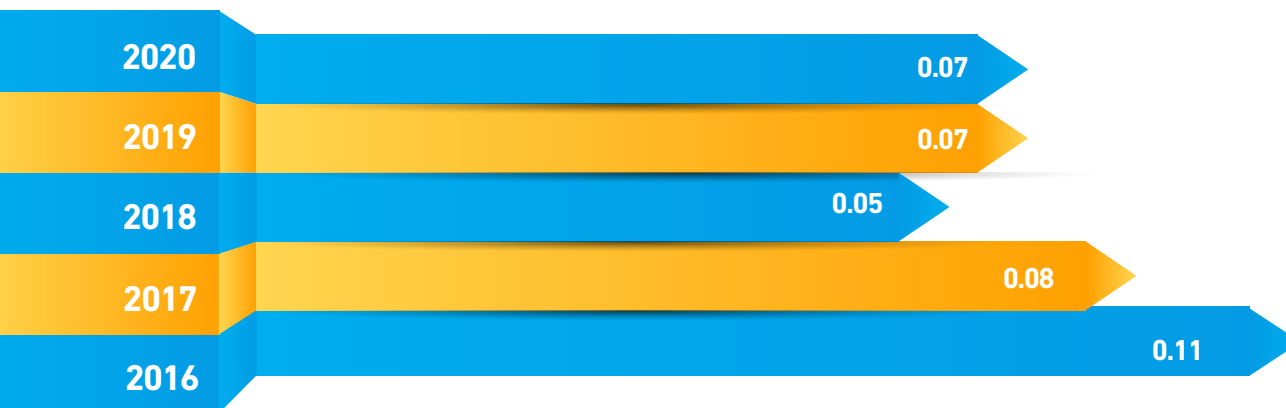
2020

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)





“
JCR
Eurasia Rating,
in its periodic review,
has affirmed the ratings
of
Vakıf Finansal
Kiralama A.Ş. as
‘A- (Trk)’
on the long term
national scale and
‘BB’
on the International
local and foreign
currency scale.
”

RATINGS

		Long Term	Short Term
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Negative	Negative
	Issue Rating	LC Negative	Negative
National	Local Rating	A- (Trk)	A-1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	A- (Trk)	A-1 (Trk)
	Sponsor Support	1	-
	Stand-Alone	AB	-

Sector: Leasing
Report Date: 29/04/2020

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Press Release

Istanbul – April 29, 2020

JCR Eurasia Rating, in its periodic review, has evaluated Vakıf Finansal Kiralama A.Ş. in investment-level category on the national and international scales and affirmed the ratings on the Long Term National Scale as ‘A- (Trk)’ and the Short Term National Scale as ‘A-1 (Trk)’ with ‘Stable’ outlooks. International Long Term Local and Foreign Currency Ratings are affirmed as ‘BB’.

The oligopolistic structure dominated by the bank-related companies resulting with more associative activities with banking sector compared to other countries, the high level of sensitivity to changes in tax legislation, the relatively low penetration rate, the maturity mismatch resulting from medium- and long-term investment financing services offered mostly through short term resources, the high level of sensitivity to developments in the external value of TRY due to transaction volume mostly composed of foreign currencies are the most basic characteristics of the Turkish Leasing Sector. With the recent regulations, the development of the institutional structure of the sector, the quality, standardization and transparency of financial reporting and the level of competition equality have significantly changed, and additional leasing issues and operational conveniences have been introduced that could contribute significantly to the transaction volume of the sector. However, the issues, starting in the second half of 2018 after the currency shock in Turkey and the current contraction in global scale due to coronavirus outbreak, down pressure in the investment environment, the deceleration in the household consumption expenditures and the deterioration in the consumer and real sector confidence adversely affected the leasing sector. The declining private sector machinery investments especially in construction, plastic and textile sectors, which have a significant share in leasing transactions, did not contribute positively to the development of the sector. However, tax advantages, facilitation of collateral systems, and reduction of reserve ratios continue to support the development of the sector. Factors such as the increase in sell and lease back transactions through significant tax exemptions, leasing sector activities of participation banks and commissioning of operational leasing will continue to contribute positively to the rise in the penetration rate of the sector with the balancing of the existing economic conjuncture. Macro level investments in replacement and capacity increasing, use of leasing in public investment and access to long-term financing facilities will continue to be important criteria regarding the growth of the leasing sector in the current and following periods.

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 and 943 branches of its parent company, Vakıfbank. The Company increased its market efficiency and share despite the industry-wide contraction. Vakıf Leasing, whose borrowing structure is unlike the short-term weighted borrowing composition of the sector, strengthens its equity quality with periodic capital increases via internal resources. Besides, the synergy created with the main shareholder, Vakıfbank, helped the Company to increase operational and financial efficiency. In addition, although it is not specific to the Company, it is expected that many global and local market players will be hit by the coronavirus outbreak, and this will adversely affect the collection performance and new volume creation across the industry. The increase in NPL ratio that reaches to slightly above of the sector averages and narrowing profitability due to decline in interest rate margins are other negative factors. Taken as a whole, although the current developments create an adverse expectation on the economy, it is considered that Vakıf Leasing, together with the possibilities of accessing liquidity and high-quality equity, is at a level to meet the debt service and operational costs. In this regard, The Company's Long Term National Rating has been affirmed as ‘A- (Trk)’, as in investment-level category. Until the effects of the coronavirus epidemic on the global and local economy are clearly revealed, the company's long and short-term outlooks are determined as ‘Stable’. Sustainability of the Company's profitability performance, efficiency of cost management, and equity level together with the trend of NPL ratio are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored. No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralization. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

In addition to the recent legal arrangements aiming to support the sector and our consideration that the major controlling shareholder, Vakıfbank T.A.Ş., has the willingness and experience to ensure long term liquidity and equity within their financial capability and to provide efficient operational support to Vakıf Finansal Kiralama A.Ş. when required, the Company initiated efforts to increase intra-group synergy and Vakıfbank branches supported transaction volume in the last year. In this regard, the Company's Support Rating Grade has been affirmed as (I) in JCR Eurasia Rating notation.

Taking into account the Company's organizational structure, asset size, market efficiency, corporate governance practices and 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 affirmed as (AB) in the JCR Eurasia Rating notation system.

For more information, related with the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our head of group Mr. Zeki Metin ÇOKTAN and assistant analyst Mr. Ersin KILIÇKAP.

JCR EURASIA RATING
General Manager



*Vakıf Leasing
In its 32nd Year*



FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Vakıf Finansal Kiralama A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vakıf Finansal Kiralama A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial 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 Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

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 Financial Statements" section of our report. We hereby declare that we are independent of the Company 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 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 financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the 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>Impairment of finance lease receivables</p> <p>The Company's total finance lease receivables are amounting to TL 3,271,010 thousand including the doubtful lease receivables in the statement of financial position as of 31 December 2020. 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 Notes 2.1.5 and 6 in the accompanying financial statements as at 31 December 2020.</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 Company's processes, assessed and tested the design and operating effectiveness of the relevant important controls applied by the Company 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 relevant legislation.</p> <p>We have tested the appropriateness of specific provision calculation provided for non-performing finance lease receivables in accordance with the relevant legislation including testing of the collaterals on a sample basis whether they are taken into consideration with their market values multiplied by specified valuation ratios and are adequately classified to correct collateral group specified in the relevant legislation.</p>



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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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 2020 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 10 February 2021.

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 financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying 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.

Zeynep Uras, SMMM
Partner

Istanbul, 10 February 2021

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2020

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

VAKIF FİNANSAL KİRALAMA A.Ş.

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ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.

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

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

ASSETS	Note	Unconsolidated			Consolidated		
		Current Period 31 December 2020			Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	4	63,462	55,253	118,715	7,074	59,936	67,010
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	5	25,618	-	25,618	13,277	-	13,277
V. FINANCIAL ASSETS AT AMORTISED COST (Net)	6	711,884	2,409,796	3,121,680	527,901	2,133,871	2,661,772
5.1 Factoring Receivables		-	-	-	-	-	-
5.1.1 Discounted Factoring Receivables (Net)		-	-	-	-	-	-
5.1.2 Other Factoring Receivables		-	-	-	-	-	-
5.2 Financial Loans		-	-	-	-	-	-
5.2.1 Consumer loans		-	-	-	-	-	-
5.2.2 Credit Cards		-	-	-	-	-	-
5.2.3 Installment Commercial Loans		-	-	-	-	-	-
5.3 Leasing Transactions (Net)	6	687,620	2,367,900	3,055,520	501,709	2,077,438	2,579,147
5.3.1 Finance lease receivables		925,919	2,706,854	3,632,773	708,861	2,343,923	3,052,784
5.3.2 Operating Lease Receivables		-	-	-	-	-	-
5.3.3 Unearned Income (-)		(238,299)	(338,954)	(577,253)	(207,152)	(266,485)	(473,637)
5.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5 Non Performing Receivables	6	64,028	151,462	215,490	42,727	152,243	194,970
5.6 Allowance For Expected Credit Losses / Specific Provisions (-)	6	(39,764)	(109,566)	(149,330)	(16,535)	(95,810)	(112,345)
VI. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Investments in Subsidiaries (Net)		-	-	-	-	-	-
6.3 Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	7	24,603	-	24,603	24,240	-	24,240
VIII. INTANGIBLE ASSETS AND GOODWILL (Net)	8	967	-	967	908	-	908
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSETS		-	-	-	-	-	-
XI. DEFERRED TAX ASSET	10	-	-	-	5,788	-	5,788
XII. OTHER ASSETS	11	72,325	348,311	420,636	37,978	228,034	266,012
SUBTOTAL		898,859	2,813,360	3,712,219	617,166	2,413,841	3,031,007
XIII. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	9	-	-	-	140	-	140
13.1 Held for Sale		-	-	-	140	-	140
13.2 Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		898,859	2,813,360	3,712,219	617,306	2,413,841	3,031,147

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

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2020

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 FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020

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

LIABILITIES	Note	Unconsolidated Current Period 31 December 2020			Consolidated Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. LOANS RECEIVED	12	457,722	2,634,027	3,091,749	380,987	2,219,870	2,600,857
II. FACTORING PAYABLES		-	-	-	-	-	-
III. LEASE PAYABLES	13	42	-	42	68	99	167
IV. MARKETABLE SECURITIES (Net)	14	51,615	-	51,615	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VII. PROVISIONS	16	7,404	21,043	28,447	4,780	-	4,780
7.1 Provision for Restructuring		-	-	-	-	-	-
7.2 Reserves For Employee Benefits		5,058	-	5,058	4,780	-	4,780
7.3 General Loan Loss Provisions	6,16	2,346	21,043	23,389	-	-	-
7.4 Other provisions		-	-	-	-	-	-
VIII. CURRENT TAX LIABILITIES	10	16,670	-	16,670	8,650	-	8,650
IX. DEFERRED TAX LIABILITY	10	8,299	-	8,299	-	-	-
X. SUBORDINATED DEBT		-	-	-	-	-	-
XI. OTHER LIABILITIES	15	45,588	114,648	160,236	30,189	103,159	133,348
XII. SUBTOTAL		587,340	2,769,718	3,357,058	424,674	2,323,128	2,747,802
XII. LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
12.1 Held For Sale		-	-	-	-	-	-
12.2 Related to Discontinued Operations		-	-	-	-	-	-
XIII. EQUITY	17	355,161	-	355,161	283,345	-	283,345
13.1 Issued capital		200,000	-	200,000	175,000	-	175,000
13.2 Capital Reserves		244	-	244	244	-	244
13.2.1 Equity Share Premiums		-	-	-	-	-	-
13.2.2 Share Cancellation Profits		-	-	-	-	-	-
13.2.3 Other Capital Reserves		244	-	244	244	-	244
13.3 Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		40,306	-	40,306	28,811	-	28,811
13.4 Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		-	-	-	-	-	-
13.5 Profit Reserves		54,290	-	54,290	47,712	-	47,712
13.5.1 Legal Reserves		11,317	-	11,317	9,738	-	9,738
13.5.2 Statutory Reserves		-	-	-	-	-	-
13.5.3 Extraordinary Reserves		42,973	-	42,973	37,974	-	37,974
13.5.4 Other Profit Reserves		-	-	-	-	-	-
13.6 Profit or Loss		60,321	-	60,321	31,578	-	31,578
13.6.1 Prior Years' Profit or Loss		-	-	-	-	-	-
13.6.2 Current Period Net Profit Or Loss		60,321	-	60,321	31,578	-	31,578
13.7 Non-controlling interests		-	-	-	-	-	-
Total equity and liabilities		942,501	2,769,718	3,712,219	708,019	2,323,128	3,031,147

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

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD
ENDED DECEMBER 31, 2020

2020

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

VAKIF FİNANSAL KİRALAMA A.Ş.

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2020

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

OFF-BALANCE SHEET ITEMS		Unconsolidated			Consolidated		
		Current Period 31 December 2020			Prior Period 31 December 2019		
	Note	TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II. REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III. COLLATERALS RECEIVED	22	6,683,957	40,943,684	47,627,641	5,670,214	21,358,612	27,028,826
IV. COLLATERALS GIVEN		-	-	-	-	-	-
V. COMMITMENTS	22	211,799	718,602	930,401	222,659	618,378	841,037
5.1 Irrevocable Commitments		86,402	216,024	302,426	165,625	218,807	384,432
5.2 Revocable Commitments		125,397	502,578	627,975	57,034	399,571	456,605
5.2.1 Lease Commitments		125,397	502,578	627,975	57,034	399,571	456,605
5.2.1.1 Finance Lease Commitments		125,397	502,578	627,975	57,034	399,571	456,605
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
6.1 Derivative Financial Instruments Held For Hedging		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1 Forward Buy or Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		-	-	-	-	-	-
6.2.3 Option Purchases or Sales		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY		2,830,374	8,241,818	11,072,192	1,650,501	4,777,053	6,427,554
TOTAL OFF-BALANCE SHEET ITEMS		9,726,130	49,904,104	59,630,234	7,543,374	26,754,043	34,297,417

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

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2020

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

VAKIF FİNANSAL KİRALAMA A.Ş.

PROFIT OR LOSS STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2020

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

STATEMENT OF PROFIT OR LOSS		Note	Unconsolidated Current Period 1 January - 31 December 2020	Consolidated Prior Period 1 January - 31 December 2019
I.	OPERATING INCOME		267,259	238,896
	FACTORING INCOME		-	-
1.1	Factoring Interest Income		-	-
1.1.1	Discounted		-	-
1.1.2	Other		-	-
1.2	Factoring Fee and Commission Income		-	-
1.2.1	Discounted		-	-
1.2.2	Other		-	-
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest Income From Financing Loans		-	-
1.4	Fee and Commission Income From Financing Loans		-	-
	LEASE INCOME		267,259	238,896
1.5	Finance Lease Income		261,703	234,637
1.6	Operational Lease Income		-	-
1.7	Fee and Commission Income From Lease Operations		5,556	4,259
II.	FINANCE COST (-)		(134,714)	(169,680)
2.1	Interest Expenses on Funds Borrowed		(125,708)	(157,530)
2.2	Interest Expenses on Factoring Payables		-	-
2.3	Lease Interest Expenses		(10)	(11)
2.4	Interest Expenses on Securities Issued		(1,644)	(3,513)
2.5	Other Interest Expense		-	-
2.6	Fees and Commissions Paid		(7,352)	(8,626)
III.	GROSS PROFIT (LOSS) (I+II)		132,545	69,216
IV.	OPERATING EXPENSES (-)	18	(29,172)	(26,043)
4.1	Personnel Expenses		(18,857)	(17,090)
4.2	Provision Expense for Employment Termination Benefits		(754)	(597)
4.3	Research and development expense		-	-
4.4	General Operating Expenses		(9,561)	(8,356)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT (LOSS) (III+IV)		103,373	43,173
VI.	OTHER OPERATING INCOME	19	52,072	29,263
6.1	Interest Income on Banks		5,203	2,852
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		-	-
6.4	Gains Arising from Capital Markets Transactions		-	-
6.5	Derivative Financial Transactions' Gains		1,415	-
6.6	Foreign Exchange Gains		25,178	10,652
6.7	Other		20,276	15,759
VII.	PROVISION EXPENSES	6	(63,630)	(32,870)
7.1	Specific Provisions		(40,241)	(32,870)
7.2	Allowances For Expected Credit Losses		-	-
7.3	General Loan Loss Provisions		(23,389)	-
VIII.	OTHER OPERATING EXPENSES (-)	19	(5,165)	(93)
8.1	Impairment in Value of Securities		-	-
8.2	Impairment in Value of Non-Current Assets		-	-
8.3	Capital Market Transactions Losses		-	-
8.4	Loss Arising from Derivative Financial Transaction		(4,930)	-
8.5	Foreign Exchange Losses		-	-
8.6	Other		(235)	(93)
IX.	NET OPERATING PROFIT (LOSS) (V+...+VIII)		86,650	39,473
X.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XI.	PROFIT (LOSS) FROM COMPANIES ACCOUNTED FOR USING EQUITY METHOD		-	-
XII.	NET MONETARY POSITION GAIN (LOSS)		-	-
XIII.	PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX (IX+X+XI+XII)		86,650	39,473
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	10	(26,329)	(7,895)
14.1	Current Tax Provision		(12,802)	(1,695)
14.2	Expense Effect of Deferred Tax		(13,527)	(6,200)
14.3	Income Effect of Deferred Tax		-	-
XV.	NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS (XIII+XIV)		60,321	31,578
XVI.	INCOME ON DISCONTINUED OPERATIONS		-	-
16.1	Income on Assets Held for Sale		-	-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
16.3	Other Income on Discontinued Operations		-	-
XVII.	EXPENSES ON DISCONTINUED OPERATIONS (-)		-	-
17.1	Expense on Assets Held for Sale		-	-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-	-
17.3	Other Expenses on Discontinued Operations		-	-
XVIII.	PROFIT (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVI-XVII)		-	-
XIX.	TAX PROVISION FOR DISCONTINUED OPERATIONS (+/-)		-	-
19.1	Current Tax Provision		-	-
19.2	Expense Effect of Deferred Tax		-	-
19.3	Income Effect of Deferred Tax		-	-
XX.	NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-
XXI.	NET PROFIT OR LOSS FOR THE PERIOD (XV+XX)		60,321	31,578
XXII.	EARNINGS (LOSS) PER SHARE	20	0.3016	0.1579
	Basic Earnings (Loss) Per Share from Continuing Operations		0.3016	0.1579
	Basic Earnings (Loss) Per Share from Discontinued Operations		-	-
	Diluted Earnings (Loss) Per Share		-	-

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.

**PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Unconsolidated Current Period 1 January - 31 December 2020	Consolidated Prior Period 1 January - 31 December 2019
	Note		
I. CURRENT PERIOD PROFIT/LOSS		60,321	31,578
II. OTHER COMPREHENSIVE INCOME		11,495	4,700
2.1 Items that may not be Reclassified subsequently to Profit or Loss		11,495	4,700
2.1.1 Tangible Assets Revaluation Increases/Decreases		-	2,426
2.1.2 Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	16	(286)	(128)
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss		12,341	2,760
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(560)	(358)
2.2 Items that may be Reclassified subsequently to Profit or Loss		-	-
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2 Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income Valuation and/or Classification		-	-
2.2.3 Cash Flow Hedge Income/Losses		-	-
2.2.4 Investment Risk Hedge Income/Expenses Related to the Overseas Company		-	-
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		-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)		71,816	36,278

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

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2020

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 ENDED 31 DECEMBER 2020

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

STATEMENT OF CHANGES IN EQUITY	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement				Net Period Profit /(Loss)		Total Equity
					1	2	3	4	5	6	
Current Period											
I. Prior Year Period End Balance	175,000	-	-	244	18,779	(548)	10,580	-	-	31,578	283,345
II. Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)	175,000	-	-	244	18,779	(548)	10,580	-	-	31,578	283,345
IV. Total Comprehensive Income	-	-	-	-	-	(229)	11,724	-	-	60,321	71,816
V. Increase in Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase From Internal Resources	25,000	-	-	-	-	-	-	-	-	(25,000)	-
VII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-
VIII. Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	6,578	-
11.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	6,578	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+...+XI+XII)	200,000	-	-	244	18,779	(777)	22,304	-	-	54,290	355,161

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated remeasurement gains/losses on defined benefit plans.
3. Other (Shares of investments valued by equity method that will not be classified in profit / loss and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit or loss).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on financial assets at fair value through other comprehensive income.
6. Other (Cash flow hedge gains / losses, the shares of other comprehensive income of investments valued by the equity method to be classified in profit / loss and the accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).

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
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VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

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

STATEMENT OF CHANGES IN EQUITY	Paid in Capital	Share Premium	Share Cancellation Profits	Other Reserves	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement				Profit Reserves	Prior Period's Profit/(Loss)	Net Period Profit / (Loss)	Total Equity
					1	2	3	4	5	6		
Prior Period												
I. Prior Year Period End Balance	140,000	-	-	353	16,595	(442)	7,958	-	-	42,610	40,085	247,159
II. Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)	140,000	-	-	353	16,595	(442)	7,958	-	-	42,610	40,085	247,159
IV. Total Comprehensive Income	-	-	-	-	2,184	(106)	2,622	-	-	-	31,578	36,278
V. Increase in Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase From Internal Resources	35,000	-	-	-	-	-	-	-	-	(35,000)	-	-
VII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	(109)	-	-	-	-	-	-	17	(92)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	5,102	(5,102)	-
XI.1 Dividend Paid	-	-	-	-	-	-	-	-	-	5,102	(5,102)	-
XI.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-
XI.3 Other	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+V+...+XI+XII)	175,000	-	-	244	18,779	(548)	10,580	-	-	47,712	31,578	283,345

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated revaluation gains/losses on defined benefit plans.
3. Other (Shares of investments valued by equity method that will not be classified in profit / loss and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit or loss).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on financial assets at fair value through other comprehensive income.
6. Other (Cash flow hedge gains / losses, the shares of other comprehensive income of investments valued by the equity method to be classified in profit / loss and the accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).

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

FINANCIAL STATEMENTS FOR THE FISCAL PERIOD ENDED DECEMBER 31, 2020

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

VAKIF FİNANSAL KİRALAMA A.Ş.

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2020

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

	Note	Unconsolidated Current Period 1 January - 31 December 2020	Consolidated Prior Period 1 January - 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating Profit before Changes in Operating Assets and Liabilities	54,362	97,124
1.1.1	Interests Received/ Leasing Income	220,601	210,143
1.1.2	Interest Paid/Leasing Expense	(159,928)	(94,572)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	5,556	4,259
1.1.5	Other Revenue Gained	23,045	8,439
1.1.6	Collections from Priorly Written-off Doubtful Receivables	3,257	1,501
1.1.7	Payments to Personnel and Service Suppliers	(18,857)	(17,090)
1.1.8	Taxes Paid	(9,269)	(14,270)
1.1.9	Other	(10,043)	(1,286)
1.2	Changes in Operating Assets and Liabilities	49,450	(47,154)
1.2.1	Net (Increase)/Decrease in Factoring Receivables	-	-
1.2.1	Net (Increase)/Decrease in Finance Loans	-	-
1.2.1	Net (Increase)/Decrease in Lease Receivables	(611,242)	331
1.2.2	Net (Increase)/Decrease in Other Assets	(5,086)	(47,379)
1.2.3	Net Increase/(Decrease) in Factoring Payables	-	-
1.2.3	Net Increase/(Decrease) in Lease Payables	(124)	-
1.2.4	Net Increase/(Decrease) in Funds Borrowed	619,336	(2,749)
1.2.5	Net Increase/(Decrease) in Liabilities Due	-	-
1.2.6	Net Increase/(Decrease) in Other Liabilities	46,566	2,643
I.	Net Cash Provided from Operating Activities	103,812	49,970
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	7,8 (2,702)	(5,732)
2.4	Disposals of Property and Equipment	543	11
2.5	Purchase of financial assets at fair value through other comprehensive income	-	-
2.6	Sale of financial assets at fair value through other comprehensive income	-	-
2.7	Purchase of financial assets at amortized cost	-	-
2.8	Sale of financial assets at amortized cost	-	-
2.9	Other	-	-
II.	Net Cash (Used in)/Provided from Investing Activities	(2,159)	(5,721)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash Obtained from Funds Borrowed and Securities Issued	1,644	3,513
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(51,615)	(161,817)
3.3	Issued Capital Instruments	(3,515)	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	(10)	(11)
3.6	Other	-	-
III.	Net Cash Provided from Financing Activities	(53,496)	(158,315)
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	3,548	19,971
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	51,705	(96,095)
VI.	Cash and Cash Equivalents at Beginning of the Period	4 67,010	163,105
VII.	Cash and Cash Equivalents at End of the Period	4 118,715	67,010

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

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VAKIF FİNANSAL KİRALAMA A.Ş.

PROFIT DISTRIBUTION STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2020

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

	Current period 31 December 2020(**)	Prior period 31 December 2019
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	86,650	39,473
1.2 TAXES AND DUES PAYABLE (-)	(26,329)	(7,895)
1.2.1 Corporate Tax (Income Tax)	(12,802)	(1,695)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(13,527)	(6,200)
A. NET PERIOD PROFIT (1.1 - 1.2)	60,321	31,578
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	-
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)	60,321	31,578
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	-	-
II. DISTRIBUTION FROM RESERVES	-	-
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 (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF STOCKS	-	-
3.2 TO OWNERS OF STOCKS (%)	-	-
3.3 TO OWNERS OF PREFERRED STOCKS	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF STOCKS	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS	-	-
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.

(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore the part of the period profit arising from these assets should not be subject to profit distribution and capital increase. As of 31 December 2020, the Company has no deferred tax income arising from deferred tax assets (31 December 2019: no deferred tax income arising from deferred tax assets).

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

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VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

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 25.64% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

As at 31 December 2020, the Company has 68 employees. (31 December 2019: 70).

The registered address of the Company is as follows:

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

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank. As at 31 December 2020 and 2019, the share capital and ownership structure of the Company are as follows:

Shareholder	31 December 2020		31 December 2019	
	Share Amount (TL)	Share Percentage (%)	Share Amount (TL)	Share Percentage (%)
Vakıfbank	117,424	58,71	102,746	58,71
Türkiye Sigorta Anonim Şirketi(**)	31,298	15,65	27,386	15,65
Public Shares(*)	51,278	25,64	39,442	22,54
Other	-	-	5,426	3,10
Paid-in capital	200,000	100	175,000	100

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

(**) The shares of Güneş Sigorta A.Ş., which owns 15.65% of the company's capital, merger of Ziraat Sigorta A.Ş. and Halk Sigorta A.Ş. with all its assets and liabilities under Güneş Sigorta A.Ş. The "Announcement Text", the amendment text of the articles of association and the issue document regarding the merger were approved by the Capital Markets Board's ("CMB") decision dated 16 July 2020 and numbered 44/908. Güneş Sigorta A.Ş. continues its operations with the title as Türkiye Sigorta A.Ş. after the merger.

(***) Vakıflar Bankası Employees Retirement and Health Aid Fund and Vakıfbank Personnel Private Social Security Services do not have any balance due to leaving the capital structure.

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VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

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 Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("IFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "BRSA Accounting and Financial Reporting Standards") in respect of accounting and financial reporting.

The financial statements as at and for the year ended 31 December 2020 are approved by the Board of Directors of the Company and authorized for issue as at 10 February 2021. The General Assembly and or legal authorities have the discretion of making changes in the accompanying financial statements after their issuance.

The accompanying 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 financial assets at fair value through other comprehensive income and assets held for sale which are measured at their fair values unless reliable measures are available.

Covid-19 (Coronavirus), which first appeared in China and spread rapidly around the world in a short time, started to be seen in our country in March. The World Health Organization declared the Covid-19 outbreak a global pandemic on 12 March 2020. The epidemic has had economic and social effects worldwide. In order to slow down the epidemic, including in our country, many measures have been taken, such as restricting travel around the world, taking quarantine measures, increasing remote work, and various regulations are made to reduce the economic effects of the epidemic. The company management continues to take measures to eliminate the possible effects of the epidemic on the Company's operations. In addition, the Company Management monitors the effects of the epidemic on local and global markets and evaluates the possible effects of these developments on the sector in which the company operates.

Due to Covid-19, the company has been given the opportunity to postpone the principal, interest and installment payments of its individual and corporate customers if they request, and has started to apply delays within this scope.

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.

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VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

2.1.3 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.

2.1.4 Going concern

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

2.1.5 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").

2.1.6 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 financial statements are described in the following notes:

Allowances for impairment of lease receivables

The provision for total financial leasing receivables, which is determined by valuing the financial leasing receivables, is determined in a way that includes the doubtful receivables in the Company's financial leasing 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. Due to economic recession caused by Covid-19 pandemic, considering notice period of 60 days, given time for leasing receivables are rearranged from 90 days to 240 days according to article 6 clause (a) on BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies by the decision of BRSA dated 19 March 2020 and letter numbered 24049440-010.03 As of 19 March 2020, the company takes this regulation into account as the number of delay days in the calculation of special provisions. These regulations made according to the BRSA's decision dated 8 December 2020 and numbered 9312 will be valid until 30 June 2021.

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis Of Presentation (Continued)

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 IFRS. The Company does not have any provision that has been allocated at the rates determined without including the guarantee amount in the calculation, except for the rates set forth in the relevant regulation.

In the provisions communiqué, it is stated that companies can set aside provisions in general and without being directly related to any transaction, in order to compensate for losses expected to arise from receivables that do not delay the collection of principal, interest or both or have not exceeded the aforementioned periods, but whose amount is not certain, but it is not considered as a requirement. The company allocates a general provision for its financial lease receivables that do not become doubtful. 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 Prior year's provisions, the related collection amount is credited to "Other Operating Income" account as income.

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.

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.

2.2 Changes in Accounting Policies

2.2.1 Comparatives and restatement of prior year financial statements

The Company's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. As of 31 December 2020, the company has prepared the financial statement, off-balance sheet, profit or loss statement, cash flow statement and changes in equity statement in comparison with the financial statements dated 31 December 2019.

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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

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

The accounting policies accepted to be the bases when the financial statements related to the accounting period ending 31 December 2020 are prepared were implemented in line with the new and adjusted IFRS standards in effect as of 1 January 2020 and the standards used in the Prior year, except for the TFRYK interpretations. The effects of these standards and interpretations on the financial position and performance of the Company have been explained in the related paragraphs.

a) Standards, amendments and interpretations applicable as at 31 December 2020:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
 - i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,
 - ii) Clarify the explanation of the definition of material and
 - iii) Incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2023. 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.
- **Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from Annual periods beginning on or after 1 January 2022.
 - o **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - o **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - o **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2**; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9**; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020: (Continued)

Early adoption of standards

The Company did not early-adopt new or amended standards at 31 December 2020. Considering the financial statement items of the Company, it is deemed that the prospective changes would have no significant effect to over the financial position and performance of the Company.

2.3 Summary of significant accounting policies

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 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
USD	7.3405	5.9402
EUR	9.0079	6.6506
GBP	9.9438	7.7765
CHF	8.2841	6.0932

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

"IFRS 16 Leases" Standard determines the principles regarding the recognition, measurement, presentation and disclosure of leases. The purpose of the standard is to ensure that the tenants and lessors present these transactions in fair value and provide the information appropriate to the need. This information constitutes the basis for the evaluation of the effect of leases on the financial position, financial performance and cash flows of the financial statement users.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

(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

In accordance with the 'IFRS 16 - Leases' standard, the Company calculates the "right of use" amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in "tangible fixed assets". In the calculation of right of use assets, the unpaid lease payment amounts have been discounted with an alternative borrowing interest rate, taking into account the remaining term in the lease contract with the property owner, and the net present value has been determined.

The Company has accounted the total of lease obligations to be paid until the end of the lease contract as "Liabilities from Leasing Transactions" in the balance sheet liabilities, instead of directly expense the leases subject to IFRS 16 Leases standard or taking them into prepaid expenses. Changes that will affect the lease obligation are measured again and reflected in the balance sheet accounts.

Based on the lease contract term, interest and depreciation are calculated monthly over the net present value and accounted in the income statement.

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. Due to economic recession caused by Covid-19 pandemic, considering notice period of 60 days, given time for leasing receivables are rearranged from 90 days to 240 days according to article 6 clause (a) on BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies by the decision of BRSA dated 19 March 2020 and letter numbered 24049440-010.03. As of 19 March 2020, the company takes this regulation into account as the number of delay days in the calculation of special provisions. Within the framework of the decision taken by the BRSA, the entry limit for close monitoring based on delay days will be valid until 30 June 2021 according to the decision number 9312 dated 8 December 2020.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Allowances for impairment of lease receivables (Continued)

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 IFRS. The Company does not have any provision that has been allocated at the rates determined without including the guarantee amount in the calculation, except for the rates set forth in the relevant regulation.

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 Prior year's provisions, the related collection amount is credited to "Other Operating Income" account as income.

Explanations on the write-off policy:

As a consequence of the tracking process, loans with low/no collection possibility and non-performing loans are removed from assets as per a decision from the Board of Directors.

Financial instruments

The Company classifies and recognises securities under "Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income" and subsidiaries.

The Company classifies and recognises financial assets under "Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in Section 3 related to the classification and measurement of financial instruments of the "IFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 December 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.3 Summary of significant accounting policies (Continued)****(i) Financial Assets for Which the Fair Value Difference is Recognised Through Other Comprehensive Income**

Financial assets for which the fair value difference is recognised through other comprehensive income 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.

The Company has security investments for which they do not have controlling power or significant activity and which represent a share of capital. Securities representing the share of capital are recognised at fair value if they are traded in organised markets and/or their fair value is determined in a reliable manner. If they are not traded in organised markets and their fair value is not determined in a reliable manner, they are reflected on financial statements at cost after the depreciation provision is deducted.

When recognising them in financial statements for the first time, the Company may choose to present future changes in the fair value of investments in an equity instrument which is not held for commercial purposes under other comprehensive income. In this case, dividends earned from the said investment are transferred to financial statements as profit or loss.

Property and equipment

In the accompanying 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 Company 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". As a result of the valuation performed by an independent appraisal company, revaluation difference of TL 18,779 (31 December 2019: 18,779 TL) 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 2020, 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 2020	31 December 2019
Fair Value	24,055	24,055
Net book value calculated on cost value	3,190	3,190
Before tax revaluation differences	20,865	20,865
Calculated deferred tax liability (-)	(2,086)	(2,086)
Revaluation differences, net	18,779	18,779

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 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.

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:

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

Intangible assets

The Company'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 Company allocates the depreciation of the intangible assets based on their inflation adjusted prices based on the useful lives of the assets, using the straight-line 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 Company 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 company 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 Company, and there is no sufficient evidence that the Company 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 income statement.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.3 Summary of significant accounting policies (Continued)****Non-financial assets**

The carrying amounts of the Company'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 firm together into the smallest company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or company 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 statement of income.

Employee benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company 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 2020 is TL 7,638.96 full TL (31 December 2019: 6,730.15 Full TL) The Company provided reserve for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the TAS 19.

As at 31 December 2020 and 2019, the actuarial assumptions are as follows:

	31 December 2020	31 December 2019
Discount rate	3.01%	3.60%
Expected rate of salary/ceiling increase	12.80%	12.10%
Estimated employee turnover rate	11.03%	11.03%

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 Company 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 financial statements.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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

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 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 Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the 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 financial statements. Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the 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 financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset in the accompanying 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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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 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 22%. 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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 2020, the Company has no deductible tax losses (31 December 2019: None).

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 25th day of the 4th 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.

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.

According to the tax legislation, as long as it is deemed possible to obtain a financial profit that can be deducted in the following periods, it calculates deferred tax assets on deductible temporary differences excluding general provisions and deferred tax liability on all taxable temporary differences.

The Company uses a tax rate of 20% considering deferred tax assets or deferred tax liabilities in deferred tax calculation (31 December 2019: 22%).

The deferred tax assets and liabilities are reported as net in the financial statements only if the Company 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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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;

- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,
- 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.
- 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.

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 Company will be able to deduct its remaining investment incentives from taxable profit in the future without any time limitation.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 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..

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 20).

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 Company's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post- balance sheet events that are not adjusting events are disclosed in the notes when material.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.3 Summary of significant accounting policies (Continued)****Statement of cash flows**

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

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

As at 31 December 2020 and 2019, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	31 December 2020	31 December 2019
Banks	118,687	66,974
Interest accruals on bank deposits(-)	(28)	(36)
Cash and cash equivalents in the statement of cash flows	118,715	67,010

3 - SEGMENT REPORTING**Segment reporting of financial information**

A business segment is a part of an area where the Company operates and for which outcomes are regularly reviewed, performance is measured and financial information can be distinguished by the Board of Directors (as the decision making authority), and a business segment earns revenues and has expenses, including revenues and expenses arising from transactions with other business segments.

Since all activities of the Company consist of financial leasing and are performed in a single region, Turkey, there is no segment reporting.

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4 - CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK

Cash and cash equivalents and the Central Bank

As at 31 December 2020 and 31 December 2019, details of bank balances are as follow

	31 December 2020	31 December 2019
Banks	118,715	67,010
Demand deposit	4,675	33,991
Time deposit	114,040	33,019
Total	118,715	67,010

As at 31 December 2020, time deposits consist of bank placements with maturity less than three months and with interest rates average 1.58% for foreign currency and 17.68% for TL time deposits. (31 December 2019: 21.65% for TL and 1.65% for foreign).

5 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPERHENSIVE INCOME

Details of financial assets for which the fair value difference is recognised through other comprehensive income are as follows:

	31 December 2020		31 December 2019	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
Not Traded at Stock Market:				
Vakıf Faktoring A.Ş.	21,445	3,79	10,602	3,79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2,680	3,27	1,940	3,27
Vakıf Yatırım Menkul Değerler A.Ş.	1,493	0,25	735	0,25
Financial assets for which fair value difference is recognised through other comprehensive income	25,618		13,277	

(*) Financial assets at fair value through other comprehensive income that are monitored at Level 3 include fair values of marketable securities representing fair market value held by independent appraisers.

(**) Within the scope of possible negative effects of Covid-19, the fair values of the above assets were reviewed by the company and evaluated whether there was a possible loss in value.

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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 31 December 2020 and 31 December 2019, financial assets at fair value through other comprehensive income are as follow:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Lease receivables	877,564	2,550,771	685,658	2,216,753
Invoiced lease receivables	48,355	156,083	23,203	127,170
Subtotal	925,919	2,706,854	708,861	2,343,923
Unearned interest income	(238,299)	(338,954)	(207,152)	(266,485)
Finance lease receivables, net of unearned income	687,620	2,367,900	501,709	2,077,438
Impaired lease receivables	64,028	151,462	42,727	152,243
Specific provision	(39,764)	(109,566)	(16,535)	(95,810)
Impaired lease receivables, net	24,264	41,896	26,192	56,433
Finance lease receivables, net	711,884	2,409,796	527,901	2,133,871

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

31 December 2020	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	1,437,349	953,789	764,834	283,159	193,641	3,632,772
Unearned interest income	(263,854)	(155,868)	(75,886)	(25,081)	(56,563)	(577,252)
Finance lease receivables, Net	1,173,495	797,921	688,948	258,078	137,078	3,055,520
31 December 2019	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	1,237,188	815,108	590,094	292,821	117,573	3,052,784
Unearned interest income	(226,093)	(123,112)	(56,660)	(22,204)	(45,568)	(473,637)
Finance lease receivables, Net	1,011,095	691,996	533,434	270,617	72,005	2,579,147

As of 31 December 2020, the average compounded interest rates for finance lease receivables are 18,54% for TL, 8,51% for USD and 6,71% for EUR (31 December 2019: 18.67% for TL, 8.63% and 6.63% for EUR).

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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 31 December 2020 and 2019, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2020	31 December 2019
Neither past due nor impaired	2,851,082	2,405,869
Past due but not impaired	204,438	173,278
Impaired	215,490	194,970
Allowances for impairment	(149,330)	(112,345)
Finance lease receivables, net	3,121,680	2,661,772

	31 December 2020	31 December 2019
151-240 days	26,875	13,922
241-1 year	5,322	16,327
1 year and over	183,293	164,721
Impaired lease receivables, net	215,490	194,970

As at 31 December 2020 and 2019, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Impaired lease receivables	64,028	151,462	42,727	152,243
Specific provisions	(39,764)	(109,566)	(16,535)	(95,810)
Impaired lease receivables, net	24,264	41,896	26,192	56,433

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

	31 December 2020	31 December 2019
Specific provisions at the beginning of the year	112,345	80,978
Provision for the year	40,241	32,870
General loan loss provisions for the year (Note 16)	23,389	-
Collections during the year	(3,256)	(1,501)
Finance lease receivables written off during the year	-	(2)
Specific provisions at the end of the year	172,719	112,345

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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

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

	31 December 2020	31 December 2019
Mortgage	23,294	17,795
Cash blockages	-	15,278
Other	8,457	9,278
Total collateral	31,751	42,351

The company 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. Sectoral distribution of the finance lease receivables is presented in Note 23.

7 - TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 31 December 2020:

	1 January 2020	Additions ^(*)	Disposals	31 December 2020
Cost:				
Furniture and fixture	993	824	(44)	1,773
Motor vehicles	2,253	1,162	(227)	3,188
Other tangible assets	684	61	(53)	692
Right of use tangible assets(*)	179	-	(179)	-
Right of use intangible assets (*)	93	30	(38)	85
Buildings	24,940	-	-	24,940
	29,142	2,077	(541)	30,678
Accumulated depreciation:				
Furniture and fixture	(773)	(534)	(259)	20
Motor vehicles	(388)	(425)	90	(723)
Other tangible assets	(502)	(44)	-	(546)
Right of use tangible assets(*)	(98)	(81)	179	-
Right of use intangible assets (*)	(27)	(50)	29	(48)
Buildings	(3,353)	(632)	-	(3,985)
	(4,902)	(1,491)	318	(6,075)
Net Book Value	24,240			24,603

^(*) The balance consists of includes the lease contracts made within the scope of IFRS16.

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7 - TANGIBLE ASSETS (Continued)

Movement in tangible assets in the period from 1 January to 31 December 2019 is as follows:

	1 January 2019	Additions ^(*)	Disposals	31 December 2019
Cost:				
Furniture and fixture	979	25	(11)	993
Motor vehicles	120	2,133	-	2,253
Other tangible assets	611	73	-	684
Right of use tangible assets(*)	-	179	-	179
Right of use in tangible assets (*)	-	93	-	93
Buildings	22,514	2,426	-	24,940
	24,224	4,929	(11)	29,142
Accumulated depreciation:				
Furniture and fixture	(383)	(157)	6	(534)
Motor vehicles	(50)	(338)	-	(388)
Other tangible assets	(464)	(38)	-	(502)
Right of use tangible assets(*)	-	(98)	-	(98)
Right of use in tangible assets (*)	-	(27)	-	(27)
Buildings	(2,784)	(569)	-	(3,353)
	(3,681)	(1,227)	6	(4,902)
Net Book Value	20,543			24,240

As 31 December 2020 and 31 December 2019, there is no mortgage on the tangible assets of the Company.

As of 31 December 2020 total insurance coverage for tangible assets of the Company is TL 25,514 (31 December 2019: 23,156 TL).

8 - INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	31 December 2020
Cost:				
Software	3,322	624	(2)	3,944
	3,322	624	(2)	3,944
Accumulated amortization:				
Software	(2,414)	(563)	-	(2,977)
	(2,414)	(563)	-	(2,977)
Net book value	908			967

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8 - INTANGIBLE ASSETS (Continued)

Movement in intangible assets in the period from 1 January to 31 December 2019 is as follows:

	1 January 2019	Additions	Disposals	31 December 2019
<i>Cost:</i>				
Software	2,518	804	-	3,322
	2,518	804	-	3,322
<i>Accumulated amortization:</i>				
Software	(1,995)	(419)	-	(2,414)
	(1,995)	(419)	-	(2,414)
Net book value	523			908

9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2020 and 31 December 2019, the Company'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 2020	31 December 2019
Real estate held for sale	-	140
Total	-	140

10 - TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
VAT payable	3,890	2,873
Social Security Premiums	295	677
Income tax	294	142
Stamp tax	9	7
	4,488	3,699

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10 - TAX ASSETS AND LIABILITIES (Continued)

	31 December 2020	31 December 2019
Tax provision	17,289	9,149
Less: Prepaid taxes	(619)	(499)
Current income tax liabilities, net	16,670	8,650

	31 December 2020	31 December 2019
Tax expense		
Corporate tax expense for the period	(12,802)	(1,695)
Deferred tax expense effect	(13,527)	(6,200)
	(26,329)	(7,895)

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

	31 December 2020	31 December 2019
Profit before taxes	86,650	39,473
Theoretical tax expense with 22% tax rate	(19,063)	(8,684)
General loan loss provision not subjected to deferred tax	(4,678)	-
Other ^(*)	(2,588)	789
Current year tax expense	(26,329)	(7,895)

(*) Investment tax credits used by the Company consist of non-deductible expenses and other expenses.

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% (31 December 2019: 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 2020, the Company's management recorded deferred tax asset amounting to TL 150,852 from unused investment according to constitutional court decision (31 December 2019: TL 195,513).

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10 - TAX ASSETS AND LIABILITIES (Continued)

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

	Total Temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Lease Asset Receivable Impairment	69,981	71,120	13,996	15,646
Unused investment incentives- without stoppage	150,852	197,513	302	4,345
Provision for employee termination benefit	3,405	2,644	681	529
Provision for unused vacations	514	1,226	103	270
Other short term employee benefits	1,139	910	228	200
Deferred tax assets	225,891		15,310	20,990
Finance lease income accruals	99,424	53,119	(19,885)	(11,686)
Tangible and intangible assets revaluation difference	20,865	20,865	(2,086)	(2,086)
Subsidiary revaluation fund	23,478	11,137	(1,174)	(557)
Others	2,315	3,967	(464)	(829)
Deferred tax liabilities	146,082		(23,609)	(15,202)
Deferred tax assets, (net)	79,809		(8,299)	5,788

The movement for deferred tax assets is as follows:

	31 December 2020	31 December 2019
1 January	5,788	12,346
Current year deferred tax income/expense	(13,527)	(6,200)
Deferred tax in Equity income/expense	(560)	(358)
31 December	(8,299)	5,788

11 - OTHER ASSETS

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

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Investments under lease	52,061	63,897	16,765	25,450
Advances given for leasing transactions	13,493	266,221	13,281	182,778
Other receivables regarding leasing transactions	5,069	2,403	6,574	1,856
Checks received	-	6,062	333	4,155
Prepaid expenses	1,079	9,659	935	5,778
Other	623	69	90	17
Total other assets	72,325	348,311	37,976	220,034

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12 - BORROWINGS

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

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Domestic banks	457,722	2,104,684	380,987	1,512,957
Foreign banks	-	529,343	-	706,913
Total Borrowings	457,722	2,634,027	380,987	2,219,870

	Carrying value					
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2020						
Borrowings from domestic banks:						
Fixed rate borrowings						
TL	457,722	9,95	35,824	178,913	242,985	457,722
EUR (thousand)	116,168	2,44	385,454	623,361	37,613	1,046,428
USD (thousand)	42,268	3,35	25,501	267,914	16,850	310,265
Floating rate borrowings:						
EUR (thousand)	83,037	2,99	59,759	183,013	505,220	747,992
Total borrowing from domestic banks			506,538	1,253,201	802,668	2,562,407
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	17,902	3,59	54,844	12,016	94,396	161,256
USD (thousand)	8,013	6,60	-	58,820	-	58,820
Floating rate borrowings						
EUR(thousand)	34,333	2,06	18,163	120,555	170,548	309,266
Total borrowings from foreign banks			73,007	191,391	264,944	529,342
Total borrowings			579,545	1,444,592	1,067,612	3,091,749

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12 - BORROWINGS (Continued)

			Carrying value			
31 December 2019	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
Borrowings from domestic banks:						
Fixed rate borrowings						
TL	380,987	15,11	274,555	50,151	56,281	380,987
EUR (thousand)	106,368	2,65	410,698	111,547	185,163	707,408
USD (thousand)	35,259	3,79	136,344	73,102	-	209,446
Floating rate borrowings:						
EUR (thousand)	89,632	2,99	45,014	135,423	415,666	596,103
Total borrowing from domestic banks			866,611	370,223	657,110	1,893,944
Borrowings from foreign banks:						
Fixed rate borrowings:						
EUR (thousand)	48,055	3,25	144,208	57,896	117,492	319,596
USD (thousand)	18,100	5,87	69	59,927	47,522	107,518
Floating rate borrowings						
EUR (thousand)	42,071	2,29	68,281	57,819	153,699	279,799
Total borrowings from foreign banks			212,558	175,642	318,713	706,913
Total borrowings			1,079,169	545,865	975,823	2,600,857

13 - LEASE LIABILITIES

As at 31 December 2020 details of lease liabilities are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Right of use tangibles	-	-	-	99
Right of use intangibles	42	-	68	-
Total lease liabilities	42	-	68	99

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14 - SECURITIES ISSUED

As at 31 December 2020 details of securities issued are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Bill (*)	50,000	-	-	-
Interest accruals on securities issued	1,615	-	-	-
Total securities issued	51,615	-	-	-

(*) The company made a 1-year term financing bond with a nominal value of TL 50,000 on October 9, 2020, by selling to qualified investors method. The maturity date of the bond is 9 October 2020 and the redemption date is 8 October 2021. The annual simple interest rate of this financing bill is 15.00%.

15 - OTHER LIABILITIES

As at 31 December 2020 details of other liabilities are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Advances received (*)	38,719	87,846	24,850	87,557
Other trade payables	5,611	24,094	1,235	2,624
Deferred income	1,258	2,708	4,104	12,978
Total other liabilities	45,588	114,648	30,189	103,159

(*) 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.

16 - PROVISIONS

As at 31 December 2020 details of provisions for liabilities and charges are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
General loan loss provisions for financial lease receivables (*) (Note 6)	2,346	21,043	-	-
Reserve for employee benefits	5,058	-	4,780	-
Reserve for employee termination benefit	3,405	-	2,644	-
Provision for unused vacations	514	-	1,226	-
Reserve for bonuses	583	-	547	-
Provisions for other employee rights	556	-	363	-
Total provisions	7,404	21,043	4,780	-

(*) The Company reserves general provisions within the scope of the fifth paragraph of Article 6 of the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies.

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16 – PROVISIONS (Continued)

	31 December 2020	31 December 2019
At the beginning of the year	2,644	2,451
Interest rate cost	405	311
Service cost	349	284
Payments during the year	(279)	(590)
Actuarial difference ^(*)	286	188
At the end of the year	3,405	2,644

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

17 - EQUITY

Share capital

As at 31 December 2020, the share in capital of the Company amounts to TL 200,000 and composed of 20,000,000,000 shares with a face value of TL0.01 each (31 December 2019: capital shares TL175,000, nominal value: 17,500,000,000 shares).

As at 31 December 2020 and 31 December 2019, the share capital and ownership structure of the Company is as follows:

	31 December 2020		31 December 2019	
	Amount of Share(TL)	Share Percentage (%)	Amount of Share(TL)	Share Percentage (%)
Vakıfbank	117,424	58,71	102,746	58,71
Türkiye Sigorta A.Ş.	31,298	15,65	27,386	15,65
Publicly traded ^(*)	51,278	25,64	39,442	22,54
Other	-	-	5,426	3,10
Paid-in capital	200,000	100	175,000	100

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

Capital reserves

As at 31 December 2020, capital reserves amounted to TL 244 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2019: TL 244).

As at 31 December 2020, revaluation difference on tangible assets amounting to TL 18,823 (31 December 2019: TL 18,823) is accounted directly in equity. As at 31 December 2020 the marketable securities valuation differences amounts to TL 10,580 (31 December 2019: TL 10,580).

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17 - EQUITY (Continued)

Profit reserves

As at 31 December 2020, profit reserves of the Company consists of first legal reserves amounting to TL 11,317 (31 December 2019: TL9,738) and extraordinary reserves amounting to TL 42,973 (31 December 2019: TL37,974).

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 25 June 2020, due to the 2019 year end gain amounting TL 1,579 which corresponds to 5% of the net profit of TL 60,321 as the legal reserve adding to the capital TL 25,000 to give bonus shares and to reserve extraordinary reserve TL 4,999.

18 - OPERATING EXPENSES

For the years ended 31 December 2020, general administrative expenses included in the operating expenses are as follow:

	31 December 2020	31 December 2019
General administration expenses	2,923	2,488
Depreciation and amortization expenses	2,054	1,656
Court expenses	1,385	1,307
Consultancy expenses	900	697
Transportation expenses	304	512
Notary expenses	596	301
Taxes, duties and charges expenses	206	221
Marketing expenses	144	138
Printing, stationary and office expenses	92	103
Registration expenses	45	51
Non-deductible expenses	163	38
Other operating expenses	749	844
Total general administrative expenses	9,561	8,356

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18 - OPERATING EXPENSES (Continued)

For the years ended 31 December 2020 and 31 December 2019, personnel expenses included in the operating expenses are as follows:

	31 December 2020	31 December 2019
Salaries	14,619	13,258
Social security premiums and other contributions	1,987	1,930
Personnel insurance expenses	1,348	1,070
Other personnel expenses	903	832
Total personnel expenses	18,857	17,090

19 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2020 and 31 December 2019, personnel expenses included in the operating expenses are as follows:

	31 December 2020	31 December 2019
Foreign exchange gains	25,179	10,652
Interest income from non-performing loans	6,970	6,449
Default interest income	4,319	3,719
Interest income from bank deposits	5,203	2,852
Provisions reversed during the year	4,248	2,146
Income from sales of fixed assets and assets held for sale	857	500
Rent income	18	50
Dividend income	1,415	-
Other income	3,863	2,895
Total other operating income	52,072	29,263

Other operating expenses:

	31 December 2020	31 December 2019
Loss on derivative financial transactions	4,930	-
Other expense	235	93
Total other operating expenses	5,165	93

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20 - EARNINGS PER SHARE

	31 December 2020	31 December 2019
At the beginning of the year		
Total number of outstanding shares	20,000,000,000	20,000,000,000
At the beginning of the year		
Total number of outstanding shares	20,000,000,000	20,000,000,000
	31 December 2020	31 December 2019
Net income for the period	60,321	31,578
Number of outstanding shares with a nominal value of TL 0.01	20,000,000,000	20,000,000,000
Earnings per share (TL)	0,3016	0,1579

21- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	120,506	1,352	3,548	26,496
Bank Deposits	120,506	1,352	3,548	26,496
Vakıf Faktoring A.Ş.	21,445	-	10,602	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2,680	-	1,940	-
Vakıf Yatırım Menkul Değerler A.Ş.	1,493	-	735	-
Financial assets for which fair value difference is recognised through other comprehensive income	25,618	-	13,277	-
Türkiye Vakıflar Bankası T.A.O.	253,744	59,262	16,657	118,902
Vakıfbank International AG	-	26,436	-	103,699
Borrowings	253,744	85,698	16,657	222,601
Türkiye Sigorta A.Ş.	4,770	-	3,680	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	27	-	20	-
Payables to related parties	4,797	-	3,700	-

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21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2020	31 December 2019
Türkiye Vakıflar Bankası T.A.O.	4,538	2,303
Interest income from related parties	4,538	2,303
Türkiye Vakıflar Bankası T.A.O. - interest expense	23,737	24,123
Vakıfbank International AG- interest expense	1,376	4,024
Finance expenses of related parties	25,113	28,147
Türkiye Sigorta A.Ş.	41	1,509
Türkiye Hayat ve Emeklilik A.Ş.	-	37
Vakıf Faktoring A.Ş.	26	24
Other incomes of related parties	67	1,570
Türkiye Vakıflar Bankası T.A.O.	2,911	3,876
Türkiye Sigorta A.Ş.	1,024	813
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	307	297
Vakıf Yatırım Menkul Değerler A.Ş.	144	54
Türkiye Hayat ve Emeklilik A.Ş.	9	8
Vakıf Faktoring A.Ş.	6	6
Other expenses of related parties	4,401	5,054

Executive management compensations

As at 31 December 2020 and 2019, Company's executive management compensations are as follows:

	31 December 2020	31 December 2019
Compensation to the executive management	2,500	2,246
Total	2,500	2,246

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

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22 - CONTINGENT ASSETS AND LIABILITIES

Collaterals received

As at 31 December 2020 and 2019, the collaterals obtained by the Company against finance lease receivables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Received guarantees	5,616,857	38,062,933	4,731,409	19,303,000
Mortgages	412,108	1,851,462	290,058	1,399,458
Letters of guarantee	5,034	-	6,306	-
Cash blockage	467	2,216	309	1,121
Others	649,491	1,027,073	642,132	655,033
Total	6,683,957	40,943,684	5,670,214	21,358,612

Commitments

As at 31 December 2020, the Company has irrevocable commitments amounted to TL 302,426 (31 December 2019 TL 384,432) 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 2020	31 December 2019
TL	86,402	165,625
EUR	192,305	212,240
USD	23,719	6,567
Total	302,426	384,432

Revocable Commitments

As at 31 December 2020, Company's financial lease commitments amounts to TL 627,975 (31 December 2019: TL 456,605).

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Financial lease commitment	125,397	502,578	57,034	399,571
Total	125,397	502,578	57,034	399,571

Derivative financial instruments

There are no derivative financial instruments as of 31 December 2020.

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

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company 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 Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through various mechanism established within the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company, 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 Company 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 Company 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 Company, 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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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

As at 31 December 2020 and 31 December 2019, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2020	Receivables					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)	3,121,680	5,090,342	118,715	-	-	8,330,737
- The portion of maximum risk covered by guarantees	907,202	-	-	-	-	907,202
A. Net carrying value of financial assets which are neither impaired nor overdue	2,851,082	5,090,342	118,715	-	-	8,060,139
- The portion covered by guarantees	875,451	-	-	-	-	875,451
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	204,438	-	-	-	-	204,438
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	66,161	-	-	-	-	66,161
- Overdue (gross)	215,491	-	-	-	-	215,491
- Impairment (-)	(149,330)	-	-	-	-	(149,330)
- Net book value covered by guarantees	31,751	-	-	-	-	31,751
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

31 December 2019	Receivables					Other	Total
	Finance Lease Receivables	Other Receivables	Banks Deposits	Financial Investments			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	2,661,772	12,584	67,010	-	-	-	2,741,366
- The portion of maximum risk covered by guarantees	793,035	-	-	-	-	-	793,035
A. Net carrying value of financial assets which are neither impaired nor overdue	2,405,869	12,584	67,010	-	-	-	2,485,463
- The portion covered by guarantees	750,684	-	-	-	-	-	750,684
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	173,278	-	-	-	-	-	173,278
- The portion covered by guarantees	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	82,625	-	-	-	-	-	82,625
- Overdue (gross)	194,970	-	-	-	-	-	194,970
- Impairment (-)	(112,345)	-	-	-	-	-	(112,345)
- Net book value covered by guarantees	42,351	-	-	-	-	-	42,351
- Not past due (gross)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2020 and 31 December 2019, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Manufacturing	1,443,882	47,25	1,246,800	48,34
Construction	731,786	23,95	605,570	23,48
Wholesale, retail and trading	308,574	10,10	191,973	7,44
Real estate	139,698	4,57	139,543	5,41
Education	66,330	2,17	94,153	3,65
Hotels and restaurants	119,077	3,90	81,048	3,14
Mining	110,861	3,63	69,060	2,68
Transportation, warehousing and communication	12,287	0,40	52,870	2,05
Health and social services	69,852	2,29	51,370	1,99
Agriculture	41,721	1,37	35,638	1,38
Other social and individual services	7,372	0,24	4,162	0,16
Financial intermediary services	2,116	0,07	1,882	0,07
Others	1,964	0,06	5,078	0,21
Total	3,055,520	100	2,579,147	100

Liquidity risk

Liquidity risk is the risk that the Company 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 Company manages the liquidity risk by following forecasted and actual cash flows, matching the terms of financial assets and liabilities and securing necessary funds.

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

31 December 2020	Carrying Amount	Total Contractual/ expected maturity cash in/out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	3,091,749	3,208,641	1,211,522	890,309	676,526	430,284	-
Securities issued	51,615	51,615	51,615	-	-	-	-
Other liabilities	160,236	160,236	160,236	-	-	-	-
Total	3,303,600	3,420,492	1,423,373	890,309	676,526	430,284	-

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019	Carrying Amount	Total Contractual/ expected maturity cash in/out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	2,600,857	2,698,929	1,376,308	304,555	615,697	402,369	-
Securities issued	-	-	-	-	-	-	-
Other liabilities	133,348	133,348	133,348	-	-	-	-
Total	2,734,205	2,832,277	1,509,656	304,555	615,697	402,369	-

Market risk

Market risk is the risk that the Company'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 Company 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 TL 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.

As at 31 December 2020 and 31 December 2019, the Company's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2020	US Dollar	Euro	GBP	CHF	Total
Banks	5,631	49,569	12	41	55,253
Finance lease receivables, net ⁽¹⁾	347,013	2,020,887	-	-	2,367,900
Other Assets	34,619	313,558	43	91	348,311
Total assets	387,263	2,384,014	55	132	2,771,464
Borrowing	369,085	2,264,942	-	-	2,634,027
Other liabilities	26,253	87,283	50	-	114,648
Provisions	313	20,730	-	1,062	21,043
Total liabilities	395,651	2,372,955	50	1,062	2,769,718
Net financial statement position	(8,388)	11,059	5	(930)	1,746
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	(8,388)	11,059	5	(930)	1,746

⁽¹⁾ Foreign currency non-performing receivables in financial statements are not included.

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

31 December 2019	US Dollar	Euro	GBP	CHF	Total
Banks	907	59,029	-	-	59,936
Finance lease receivables, net ⁽¹⁾	294,779	1,782,659	-	-	2,077,438
Other Assets	69,026	150,981	27	-	220,034
Total assets	364,712	1,992,669	27	-	2,357,408
Borrowing	316,964	1,902,906	-	-	2,219,870
Other liabilities	16,828	86,299	32	-	103,159
Total liabilities	333,792	1,989,205	32	-	2,323,029
Net financial statement position	30,920	3,464	(5)	-	34,379
Net off-balance sheet items position	-	-	-	-	-
Net foreign currency position	30,920	3,464	(5)	-	34,379

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

Foreign currency sensitivity analysis

The effects of 10 percent change of the TL against the following currencies on the statement of income and equity for the years ended 31 December 2020 and 31 December 2019 are shown below.

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

31 December 2020	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change of the US Dollar against TL				
1-Net USD asset/liability	(839)	839	(839)	839
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	(839)	839	(839)	839
10% change of the Euro against TL				
4-Net Euro asset/liability	1,106	(1,106)	1,106	(1,106)
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	1,106	(1,106)	1,106	(1,106)
10% change of the CHF against TL				
7-Net CHF asset/liability	(93)	93	(93)	93
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	(93)	93	(93)	93
10% change of the GBP against TL				
10-Net GBP asset/liability	1	(1)	1	(1)
11-Hedged portion of TL against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	1	(1)	1	(1)
TOTAL (3+6+9+12)	175	(175)	175	(175)

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

31 December 2019	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change of the US Dollar against TL				
1-Net USD asset/liability	3,092	(3,092)	3,092	(3,092)
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	3,092	(3,092)	3,092	(3,092)
10% change of the Euro against TL				
4-Net Euro asset/liability	346	(346)	346	(346)
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	346	(346)	346	(346)
10% change of the CHF against TL				
7-Net CHF asset/liability	-	-	-	-
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	-	-	-	-
10% change of the GBP against TL				
10-Net GBP asset/liability	-	-	-	-
11-Hedged portion of TL against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	-	-	-	-
TOTAL (3+6+9+12)	3,438	(3,438)	3,438	(3,438)

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

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 Company 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 2020 and 2019, the interest bearing financial assets and liabilities of the Company are as follows:

	31 December 2020	31 December 2019
Financial assets and liabilities with fixed interest rate		
Time deposits	114,040	33,019
Finance lease receivables, net	3,055,520	2,579,147
Borrowing	2,034,491	1,724,955
Securities issued	51,615	-
Financial assets and liabilities with floating rate		
Borrowing	1,057,256	875,902

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 2020 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

31 December 2020	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(106)	106	(106)	106
Total, net				
31 December 2019	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(88)	88	(88)	88
Total, net	(88)	88	(88)	88

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

Capital management

The Company'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 Company in 2020, the ratio of the equities to the debts is 11% (31 December 2019: 10%). As of 31 December 2020 and 31 December 2019, the debt to equity ratio is as follows:

	31 December 2020	31 December 2019
Borrowing	3,091,749	2,600,857
Securities issued	51,615	-
Other liabilities	160,236	133,348
Total Liabilities	3,303,600	2,734,205
Total Equity	355,161	283,345
Equity/Debt ratio	11%	10%

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24 - FINANCIAL INSTRUMENTS**Fair values of financial instruments**

The estimated fair values of financial instruments have been determined by the Company 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 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Finance lease receivables, net	3,055,520	2,929,220	2,579,147	3,762,266
Banks	118,715	118,715	67,010	67,010
Financial liabilities				
Borrowings	3,091,749	3,174,548	2,600,857	2,703,675
Securities issued	51,615	51,615	-	-
Other liabilities	160,236	160,236	133,348	133,348

Classification of Fair Value Measurement

IFRS 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.

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24 - FINANCIAL INSTRUMENTS (Continued)

Classification of Fair Value Measurement (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2020 and 31 December 2019:

31 December 2020	1. Level	2. Level	3. Level	Total
Financial assets at fair value through Other comprehensive income:	-	-	-	-
Investments in equity participations (*)	-	-	25,618	25,618
Financial assets at fair value through profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities			25,618	25,618

(*) Financial assets at fair value through other comprehensive income presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

31 December 2019	1. Level	2. Level	3. Level	Total
Financial assets at fair value through Other comprehensive income:	-	-	13,277	13,277
Investments in equity participations (*)	-	-	-	-
Financial assets at fair value through profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities	-	-	13,277	13,277

(*) Financial assets at fair value through other comprehensive income presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions

	31 December 2020	31 December 2019
Balance at the beginning of the period	13,277	10,517
Total gains for the period recognized under equity	12,341	2,760
Balance at the end of the period	25,618	13,277

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25 - OTHER ISSUES

None.

26 - SUBSEQUENT EVENTS

By the decision of the Board of Directors of the Company dated 12 January 2021 during Extraordinary General Assembly, the procedures to increase the registered capital ceiling of TL 300,000 to TL 1,000,000 to be submitted to the first General Assembly to be held in accordance with the Registered Capital System Communiqué of the Capital Markets Board have been completed and the Article 6 of the Company's Articles of Association showing the new capital was registered by the Istanbul Trade Registry Office on 15 January 2021.

