

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

VAKIF FİNANSAL KİRALAMA A.Ş.

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2019**



**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 2019 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 2019, 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 2,774,117 thousand including the doubtful lease receivables in the statement of financial position as of 31 December 2019. Explanations and notes related to the provision for impairment of finance lease receivables are provided in accordance with the requirements of "BRSA Accounting and Reporting Legislation" are presented in Note 6 in the accompanying financial statements as at 31 December 2019.</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.



- 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.



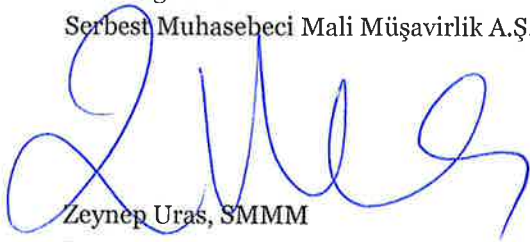
B. Other Responsibilities Arising From Regulatory Requirements

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 2019 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 13 February 2020.

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, 13 February 2020

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VAKIF FİNANSAL KİRALAMA A.Ş.

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VAKIF FİNANSAL KİRALAMA A.Ş.

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT DECEMBER 31, 2019**

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

ASSETS		Note	Unconsolidated Current Period 31 December 2019			Consolidated Prior Period 31 December 2018		
			TL	FC	Total	TL	FC	Total
I.	CASH, CASH EQUIVALENTS AND BALANCES AT CENTRAL BANK	4	7,074	59,936	67,010	2,705	160,400	163,105
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	13,277	-	13,277	10,517	-	10,517
V.	FINANCIAL ASSETS AT AMORTISED COST (Net)	6	527,901	2,133,871	2,661,772	507,004	2,081,837	2,588,841
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	501,709	2,077,438	2,579,147	491,995	2,021,677	2,513,672
5.3.1	Finance lease receivables		708,861	2,343,923	3,052,784	655,248	2,281,106	2,936,354
5.3.2	Operating Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		(207,152)	(266,485)	(473,637)	(163,253)	(259,429)	(422,682)
5.4	Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5	Non Performing Receivables	6	42,727	152,243	194,970	27,004	129,143	156,147
5.6	Allowance For Expected Credit Losses / Specific Provisions (-)	6	(16,535)	(95,810)	(112,345)	(11,995)	(68,983)	(80,978)
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	24,240	-	24,240	20,543	-	20,543
VIII.	INTANGIBLE ASSETS AND GOODWILL (Net)	8	908	-	908	523	-	523
IX.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X.	CURRENT TAX ASSETS		-	-	-	-	-	-
XI.	DEFERRED TAX ASSET	10	5,788	-	5,788	12,346	-	12,346
XII.	OTHER ASSETS	11	37,978	220,034	258,012	47,003	242,385	289,418
	SUBTOTAL		617,166	2,413,841	3,031,007	600,671	2,484,622	3,085,293
XIII.	ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	9	140	-	140	230	-	230
13.1	Held for Sale		140	-	140	230	-	230
13.2	Non-Current Assets From Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS			617,306	2,413,841	3,031,147	600,901	2,484,622	3,085,523

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.

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT DECEMBER 31, 2019**

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

LIABILITIES		Note	Unconsolidated			Consolidated		
			Current Period 31 December 2019			Prior Period 31 December 2018		
			TL	FC	Total	TL	FC	Total
I.	LOANS RECEIVED	12	380,987	2,219,870	2,600,857	261,581	2,260,051	2,521,632
II.	FACTORING PAYABLES		-	-	-	-	-	-
III.	LEASE PAYABLES	13	68	99	167	-	-	-
IV.	MARKETABLE SECURITIES (Net)	14	-	-	-	168,682	-	168,682
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VII.	PROVISIONS	16	4,780	-	4,780	4,747	-	4,747
7.1	Provision for Restructuring		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		4,780	-	4,780	4,747	-	4,747
7.3	General Loan Loss Provisions		-	-	-	-	-	-
7.4	Other provisions		-	-	-	-	-	-
VIII.	CURRENT TAX LIABILITIES	10	8,650	-	8,650	13,771	-	13,771
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED DEBT		-	-	-	-	-	-
XI.	OTHER LIABILITIES	15	30,189	103,159	133,348	31,359	98,173	129,532
	SUBTOTAL		424,674	2,323,128	2,747,802	480,140	2,358,224	2,838,364
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	283,345	-	283,345	247,159	-	247,159
13.1	Issued capital		175,000	-	175,000	140,000	-	140,000
13.2	Capital Reserves		244	-	244	353	-	353
13.2.1	Equity Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		244	-	244	353	-	353
13.3	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss		18,231	-	18,231	16,153	-	16,153
13.4	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss		10,580	-	10,580	7,958	-	7,958
13.5	Profit Reserves		47,712	-	47,712	42,610	-	42,610
13.5.1	Legal Reserves		9,738	-	9,738	7,984	-	7,984
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		37,974	-	37,974	34,626	-	34,626
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		31,578	-	31,578	40,055	-	40,055
13.6.1	Prior Years' Profit or Loss		-	-	-	-	-	-
13.6.2	Current Period Net Profit Or Loss		31,578	-	31,578	40,055	-	40,055
13.7	Non-controlling interests		-	-	-	30	-	30
Total equity and liabilities			708,019	2,323,128	3,031,147	727,299	2,358,224	3,085,523

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

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OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2019

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

OFF-BALANCE SHEET ITEMS		Unconsolidated			Consolidated		
		Current Period 31 December 2019			Prior Period 31 December 2018		
	Note	TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II. REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III. COLLATERALS RECEIVED	22	5,670,214	21,358,612	27,028,826	5,446,023	18,294,684	23,740,707
IV. COLLATERALS GIVEN		-	-	-	-	-	-
V. COMMITMENTS	22	222,659	618,378	841,037	403,112	509,874	912,986
5.1 Irrevocable Commitments		165,625	218,807	384,432	352,393	135,445	487,838
5.2 Revocable Commitments		57,034	399,571	456,605	50,719	374,429	425,148
5.2.1 Lease Commitments		57,034	399,571	456,605	50,719	374,429	425,148
5.2.1.1 Finance Lease Commitments		57,034	399,571	456,605	50,719	374,429	425,148
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		1,650,501	4,777,053	6,427,554	895,951	2,934,630	3,830,581
TOTAL OFF-BALANCE SHEET ITEMS		7,543,374	26,754,043	34,297,417	6,745,086	21,739,188	28,484,274

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PROFIT OR LOSS STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2019

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

STATEMENT OF PROFIT OR LOSS		Note	Unconsolidated Current Period 1 January - 31 December 2019	Consolidated Prior Period 1 January - 31 December 2018
I.	OPERATING INCOME		238,896	204,429
	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		238,896	204,429
1.5	Finance Lease Income		234,637	200,059
1.6	Operational Lease Income		-	-
1.7	Fee and Commission Income From Lease Operations		4,259	4,370
II.	FINANCE COST (-)		(169,680)	(159,861)
2.1	Interest Expenses on Funds Borrowed		(157,530)	(122,899)
2.2	Interest Expenses On Factoring Payables		-	-
2.3	Lease Interest Expenses		(11)	-
2.4	Interest Expenses on Securities Issued		(3,513)	(30,680)
2.5	Other Interest Expense		-	-
2.6	Fees and Commissions Paid		(8,626)	(6,282)
III.	GROSS PROFIT (LOSS)		69,216	44,568
IV.	OPERATING EXPENSES (-)	18	(26,043)	(22,158)
4.1	Personnel Expenses		(17,090)	(14,470)
4.2	Provision Expense for Employment Termination Benefits		(597)	(423)
4.3	Research and development expense		-	-
4.4	General Operating Expenses		(8,356)	(7,265)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT (LOSS)		43,173	22,410
VI.	OTHER OPERATING INCOME	19	29,263	65,127
6.1	Interest Income on Banks		2,852	1,859
6.2	Interest Income on Marketable Securities Portfolio		-	-
6.3	Dividend Income		-	109
6.4	Gains Arising from Capital Markets Transactions		-	-
6.5	Derivative Financial Transactions' Gains		-	-
6.6	Foreign Exchange Gains		10,652	38,639
6.7	Other		15,759	24,520
VII.	PROVISION EXPENSES	6	(32,870)	(35,665)
7.1	Specific Provisions		(32,870)	(35,665)
7.2	Allowances For Expected Credit Losses		-	-
7.3	General Loan Loss Provisions		-	-
7.4	Other		-	-
VIII.	OTHER OPERATING EXPENSES (-)	19	(93)	(1,494)
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		-	(1,023)
8.5	Foreign Exchange Losses		-	-
8.6	Other		(93)	(471)
IX.	NET OPERATING PROFIT (LOSS)		39,473	50,378
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		39,473	50,378
XIV.	TAX PROVISION FOR CONTINUING OPERATIONS (+/-)	10	(7,895)	(10,363)
14.1	Current Tax Provision		(1,695)	(12,456)
14.2	Expense Effect of Deferred Tax		(6,200)	-
14.3	Income Effect of Deferred Tax		-	2,093
XV.	NET PERIOD PROFIT (LOSS) FROM CONTINUING OPERATIONS		31,578	40,015
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		-	-
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		-	-
XXI.	NET PROFIT OR LOSS FOR THE PERIOD		31,578	40,015
	Non-controlling Interests	20	-	(40)
XXII.	EARNINGS (LOSS) PER SHARE		0.1804	0.2858
	Basic Earnings (Loss) Per Share from Continuing Operations		0.1804	0.2858
	Basic Earnings (Loss) Per Share from Discontinued Operations		-	-

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

**CONVENIENCE TRANSLATION INTO ENGLISH
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VAKIF FİNANSAL KİRALAMA A.Ş.

**PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2019**

(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 2019	Consolidated Prior Period 1 January - 31 December 2018
	Note		
I. CURRENT PERIOD PROFIT/LOSS		31,578	40,015
II. OTHER COMPREHENSIVE INCOME		4,700	2,034
2.1 Items that may not be Reclassified subsequently to Profit or Loss		2,078	(296)
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	(128)	(370)
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(220)	74
2.2 Items that may be Reclassified subsequently to Profit or Loss		2,622	2,330
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 Income/Expenses of Financial Assets		2,760	2,453
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		(138)	(123)
III. TOTAL COMPREHENSIVE INCOME (I+II)		36,278	42,049

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.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2019

(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 r			Accumulated other comprehensive income or losses 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				
Current Period														
I. Prior Beginning Balance	140,000	-	-	353	16,595	(442)	-	-	7,958	-	42,610	40,085	-	247,159
II. Changes in Accounting Policies according to TAS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-
11.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	5,102	(5,102)	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+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 remeasurement gains/losses on defined benefit plans.
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on financial assets at fair value through other comprehensive income.
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement).

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

**CONVENIENCE TRANSLATION INTO ENGLISH
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VAKIF FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2018

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

							Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement		Accumulated other comprehensive income or losses to be reclassified under profit or loss statement								
STATEMENT OF CHANGES IN EQUITY		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income /(Loss)	Net Period Profit /(Loss)	Uncontrollable Profit/ Loss	Total Equity	
I.	Prior Beginning Balance (31/12/2017)	109,000	-	-	353	16,595	(146)	-	-	5,628	-	39,791	33,819	-	98	205,138	
II.	Changes in Accounting Policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes to the Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I+II)	109,000	-	-	353	16,595	(146)	-	-	5,628	-	39,791	33,819	-	98	205,138	
IV.	Total Comprehensive Income	-	-	-	-	-	(296)	-	-	2,330	-	-	-	-	-	2,034	
V.	Increase in Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase From Internal Resources	31,000	-	-	-	-	-	-	-	-	-	-	(31,000)	-	-	-	
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Current Period Income or Loss	-	-	-	-	-	-	-	-	-	-	-	-	40,055	(40)	40,015	
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	2,819	(2,819)	-	(28)	(28)	
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2,819	(2,819)	-	(28)	(28)	
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+XI+XII)		140,000	-	-	353	16,595	(442)	-	-	7,958	-	42,610	-	40,055	30	247,159	

1. The accumulated revaluation increases/losses on property and equipment,
2. The accumulated remeasurement gains/losses on defined benefit plans,
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement),
4. Foreign currency translation differences,
5. The accumulated revaluation increases/losses on financial assets at fair value through other comprehensive income,
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement),

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

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VAKIF FİNANSAL KİRALAMA A.Ş.

CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2019

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

	Note	Unconsolidated Current Period 1 January - 31 December 2019	Consolidated Prior Period 1 January - 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		97,124	(12,212)
1.1.1 Interests Received/ Leasing Income		210,143	192,786
1.1.2 Interest Paid/Leasing Expense		(94,572)	(164,537)
1.1.3 Dividend Received		-	109
1.1.4 Fees and Commissions Received		4,259	4,369
1.1.5 Other Revenue Gained		8,439	37,840
1.1.6 Collections from Priorly Written-off Doubtful Receivables		1,501	12,907
1.1.7 Payments to Personnel and Service Suppliers		(17,090)	(14,470)
1.1.8 Taxes Paid		(14,270)	-
1.1.9 Other		(1,286)	(81,216)
1.2 Changes in Operating Assets and Liabilities		(47,154)	(40,899)
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		331	(894,684)
1.2.2 Net (Increase)/Decrease in Other Assets		(47,379)	(3,420)
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		-	-
1.2.4 Net Increase/(Decrease) in Funds Borrowed		(2,749)	815,051
1.2.5 Net Increase/(Decrease) in Liabilities Due		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		2,643	42,154
I. Net Cash Provided from Operating Activities		49,970	(53,111)
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	(5,732)	(833)
2.4 Disposals of Property and Equipment		11	67
2.5 Purchase of financial assests at fair value through other compherensive income		-	-
2.6 Sale of financial assests at fair value through other compherensive income		-	-
2.7 Purchase of financial assests at amortized cost		-	-
2.8 Sale of financial assests at amortized cost		-	-
2.9 Other		-	-
II. Net Cash (Used in)/Provided from Investing Activities		(5,721)	(766)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		3,513	207,900
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(161,817)	(127,274)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(11)	-
3.6 Other		-	-
III. Net Cash Provided from Financing Activities		(158,315)	80,626
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		17,971	24,296
V. Net Increase/(Decrease) in Cash and Cash Equivalents		(96,095)	51,045
VI. Cash and Cash Equivalents at Beginning of the Period	4	163,105	112,060
VII. Cash and Cash Equivalents at End of the Period	4	67,010	163,105

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
DECEMBER, 31 2019**

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

	Current period 31 December 2019(*)	Prior period 31 December 2018
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	39,473	50,378
1.2 TAXES AND DUES PAYABLE (-)	(7,895)	(10,363)
1.2.1 Corporate Tax (Income Tax)	(1,695)	(12,456)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(6,200)	2,093
A. NET PERIOD PROFIT (1.1 - 1.2)	31,578	40,015
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	-
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	(2,093)
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)	31,578	37,922
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 (TL)	-	-
3.2 TO OWNERS OF STOCKS (%)	-	-
3.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF STOCKS (TL)	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
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 2019, the Company has no deferred tax income arising from deferred tax assets (31 December 2018: TL 2.093 deferred tax income).

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER, 31 2019

(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 22.54% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

As the liquidation process was completed on December 30, 2019 Vakıf Sigorta Aracılık Hizmetleri Ltd. Şti., a subsidiary subject to consolidation, financial statements of the Company have been prepared on an unconsolidated basis as of 31 December 2019.

As at 31 December 2019, the Company has 70 employees. (31 December 2018: 74).

The registered address of the Company is as follows:

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

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank. As at 31 December 2019 and 2018, the share capital and ownership structure of the Company are as follows:

Shareholder	31 December 2019		31 December 2018	
	Share Amount (TL)	Share Percentage (%)	Share Amount (TL)	Share Percentage (%)
Vakıfbank	102,746	58.71	82,197	58.71
Güneş Sigorta Anonim Şirketi(**)	27,386	15.65	21,909	15.65
Public Shares(*)	39,442	22.54	31,553	22.54
Other	5,426	3.10	4,341	3.10
Paid-in capital	175,000	100	140,000	100

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

(**) Vakıfbank, majority shareholder of the Company, has made a announcement about negotiations in Public Disclosure Platform on December 13, 2019. According to this announcement Türkiye Varlık Fonu Yönetimi A.Ş. will take over the 56.39% shareholding of Güneş Sigorta A.Ş. and 53.90% shareholding of Vakıf Emeklilik ve Hayat A.Ş. which is among Güneş Sigorta A.Ş.'s marketable securities of affiliates.

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER, 31 2019

(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), ("TFRS") 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 Regulation on Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies promulgated in Official Gazette No. 30409 dated 2 May 2018 requires the format and contents of financial statements be changed effective 30 September 2018 so that they are prepared in line with TFRS 9. Again with the "Regulation on the Amendment to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 1 February 2019 and numbered 30673, amendments have been made again in accordance with the relevant communiqué. The prior period's financial statements are made compatible with the new financial statement formats.

The financial statements as at and for the year ended 31 December 2019 are approved by the Board of Directors of the Company and authorized for issue as at 13 February 2020. 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.

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 International Financial Reporting Standards ("IFRS") 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 IFRS.

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER, 31 2019

(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)

2.1.2 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.

2.1.3 Going concern

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

2.1.4 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").

2.1.5 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.

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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 TFRS.

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

Within the Regulation on Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies promulgated in Official Gazette No. 30673 dated 01 February 2019, the amendment was made again in accordance with the related communiqué and tables are made compatible with new financial statement formats. Within the scope of TFRS 16, no changes have been made to the financial statements and TFRS 16 has been applied in a simplified method.

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.

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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes In Accounting Policies (Continued)

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 2019 are prepared were implemented in line with the new and adjusted TFRS standards in effect as of 01 January 2019 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 2019:

- **Amendment to IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes In Accounting Policies (Continued)

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified Priorly that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, 'Business combinations', - a company remeasures its Priorly held interest in a joint operation when it obtains control of the business.
 - IFRS 11, 'Joint arrangements', - a company does not remeasure its Priorly held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not Priorly recognised because of the impact of the asset ceiling.

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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 2019:

- **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.
- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Early adoption of standards

The Company did not early-adopt new or amended standards at 31 December 2019. 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.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EUR	6.6506	6.0280
CNY	0.8545	0.7620
GBP	7.7765	6.6528
CHF	6.0932	5.3352
100 YEN	5.4291	4.7547

Cash and Cash Equivalents

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

Financial leasing transactions

(i) As lessor

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

(ii) As lessee

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

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Allowances for impairment of lease receivables

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

In accordance with the related Provisions Communiqué, the Company also recognises specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in TFRS.

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 "TFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 January 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 2018: 16,595 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 2019, 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 2019	31 December 2018
Fair Value	24,055	21,629
Net book value calculated on cost value	3,190	3,190
Before tax revaluation differences	20,865	18,439
Calculated deferred tax liability (-)	2,086	1,844
Revaluation differences, net	18,779	16,595

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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.

Tangible assets

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 2019 is TL 6,730.15 full TL (31 December 2018: 6,017.60 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 2019 and 2018, the actuarial assumptions are as follows:

	31 December 2019	31 December 2018
Discount rate	3.60%	4.24%
Expected rate of salary/ceiling increase	12.10%	15.99%
Estimated employee turnover rate	11.03%	1.92%

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 2019, the Company has no deductible tax losses (31 December 2018: 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.

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

The deferred tax assets and liabilities are reported as net in the 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 18).

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 2019 and 2018, for the purposes of the statement of cash flows, cash and cash equivalents are presented below:

	31 December 2019	31 December 2018
Banks	66,974	163,200
Interest accruals on bank deposits(-)	36	(95)
Cash and cash equivalents in the statement of cash flows	67,010	163,105

Information on leasing activities

The difference between operating leases and financial leases has been eliminated with the "TFRS 16 Leases" effective as of January 1, 2019, and on the transition date, the Company has applied the simplified transition approach and elected not to restate comparative figures.

The Company started to apply the "TFRS 16 Leases" standard which went into effect on January 1, 2019 to leases of service buildings and car rentals. Short term lease contracts with a duration of 12 months or less, have been evaluated within the scope of the exemption granted by the standard. The payments for these contracts are recorded as expense in the period they occurred.

In accordance with "TFRS 16 Leases" standard, the Company calculates the "right to use" amount on the basis of the present value of the lease payments of the fixed asset leased at the beginning of the lease and includes them in "tangible fixed assets". The securities/properties having a right to use were capitalised by showing them under property, plant and equipment. In calculating assets having a right to use, outstanding rent amounts were discounted by a specific rate, considering the remaining term of the lease contract signed with the property owner, to determine net present value.

Instead of recognising leases in the scope of the "TFRS 16 Leases" standard as expenses or prepaid expenses, the Company recognised the total lease liabilities to be paid by the end of the lease contract as "Lease Payables" under liabilities on the balance sheet. Changes that may impact the lease liability are remeasured and included in the balance sheet accounts.

Monthly interest and depreciation are calculated on the net present value based on the period of the lease contract, and are recognised on the income statement.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Applications and Impacts of TFRS 16 Standard

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to show these transactions related with the lessee and lessor in a fair manner and provide appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

The Company has applied the simplified transition approach and elected not to restate comparative figures.

Regarding the lease agreements within the scope of TFRS 16, the Company has accounted for depreciation and interest expenses instead of operating lease expenses. Throughout the period ended on 31 December 2019, 136 TL depreciation expense and 11 TL interest expense were recognized.

During the first implementation, the Company recorded a lease obligation regarding its leases Priorly classified as operational leasing in accordance with TAS 17. These liabilities are measured from the present value of the remaining lease payments discounted using the Company's average borrowing interest rates as of January 1, 2019.

The details regarding the asset use right recognized are as follows:

	31 December 2019	1 January 2019
Tangibles	66	179
Intangibles	81	138
Right of use assets	147	317

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

Cash and cash equivalents

As at 31 December 2019 and 31 December 2018, details of bank balances are as follow

	31 December 2019	31 December 2018
Banks	67,010	163,105
Demand deposit	33,991	115,313
Time deposit	33,019	47,611
Liquid fund	-	181
Total	67,010	163,105

As at 31 December 2019, time deposits consist of bank placements with maturity less than three months and with interest rates average 1.65% for foreign currency and 21.65% for TL time deposits. (31 December 2018: 21% for TL and 2.62% 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 2019		31 December 2018	
	Carrying value (*)	Share (%)	Carrying value	Share (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	10,602	3.79	8,238	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,940	3.27	1,617	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	735	0.25	662	0.25

Financial assets for which fair value difference is recognised

through other comprehensive income	13,277	10,517
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(*) 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.

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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 31 December 2019 and 31 December 2018, financial assets at fair value through other comprehensive income are as follow:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Lease receivables	685,658	2,216,753	608,068	2,166,944
Invoiced lease receivables	23,203	127,170	47,180	114,162
Subtotal	708,861	2,343,923	655,248	2,281,106
Unearned interest income	(207,152)	(266,485)	(163,253)	(259,429)
Finance lease receivables, net of unearned income	501,709	2,077,438	491,995	2,021,677
Impaired lease receivables	42,727	152,243	27,004	129,143
Specific provision	(16,535)	(95,810)	(11,995)	(68,983)
Impaired lease receivables, net	26,192	56,433	15,009	60,160
Finance lease receivables, net	527,901	2,133,871	507,004	2,081,837

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

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
31 December 2018	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	1,098,033	796,279	557,418	321,921	162,703	2,936,354
Unearned interest income	(183,509)	(115,245)	(56,578)	(22,900)	(44,450)	(422,682)
Finance lease receivables, Net	914,524	681,034	500,840	299,021	118,253	2,513,672

As of 31 December 2019, the average compounded interest rates for finance lease receivables are %18.67 for TL, %8.63 for USD and %6.63 for EUR (31 December 2018: %17.74 for TL, %8.36 for USD and %6.04 for EUR).

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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 31 December 2019 and 2018, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2019	31 December 2018
Neither past due nor impaired	2,405,869	2,345,416
Past due but not impaired	173,278	168,256
Impaired	194,970	156,147
Allowances for impairment	(112,345)	(80,978)
Finance lease receivables, net	2,661,772	2,588,841

	31 December 2019	31 December 2018
151-240 days	13,922	4,138
241-1 year	16,327	49,901
1 year and over	164,721	102,108
Impaired lease receivables, net	194,970	156,147

As at 31 December 2019 and 2018, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Impaired lease receivables	42,727	152,243	27,004	129,143
Specific provisions	(16,535)	(95,810)	(11,995)	(68,983)
Impaired lease receivables, net	26,192	56,433	15,009	60,160

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

	31 December 2019	31 December 2018
Specific provisions at the beginning of the year	80,978	119,489
Provision for the year	32,870	35,665
Collections during the year	(1,501)	(12,907)
Finance lease receivables written off during the year	(2)	(61,269)
Specific provisions at the end of the year	112,345	80,978

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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 2019	31 December 2018
Mortgage	17,795	20,125
Cash blockages	15,278	33,021
Other	9,278	1,043
Total collateral	42,351	54,189

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. Since the Company has many customers, credit risk concentration of the Company is not at a significant level. 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 2019:

	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

(*) The balance consists of includes the lease contracts made within the scope of TFRS16.

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7 - TANGIBLE ASSETS (Continued)

Movement in tangible assets in the period from 1 January to 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
<i>Cost:</i>				
Furniture and fixture	741	305	(67)	979
Motor vehicles	120	-	-	120
Other tangible assets	499	112	-	611
Buildings	22,514	-	-	22,514
	23,874	417	(67)	24,224
<i>Accumulated depreciation:</i>				
Furniture and fixture	(285)	(151)	53	(383)
Motor vehicles	(26)	(24)	-	(50)
Other tangible assets	(439)	(25)	-	(464)
Buildings	(2,224)	(560)	-	(2,784)
	(2,974)	(760)	53	(3,681)
Net Book Value	20,900			20,543

As 31 December 2019 and 31 December 2018, there is no mortgage on the tangible assets of the Company.

As of 31 December 2019 total insurance coverage for tangible assets of the *Company* is TL 23,156 (31 December 2018: 19,062 TL).

8 - INTANGIBLE ASSETS

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

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8 - INTANGIBLE ASSETS (Continued)

Movement in intangible assets in the period from 1 January to 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Software	2,101	417	-	2,518
	2,101	417	-	2,518
Accumulated amortization:				
Software	(1,618)	(377)	-	(1,995)
	(1,618)	(377)	-	(1,995)
Net book value	483			523

9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2019 and 31 December 2018, 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 2019	31 December 2018
Real estate held for sale	140	230
Total	140	230

10 - TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
VAT payable	2,873	1,148
Social Security Premiums	677	270
Income tax	142	199
Stamp tax	7	7
	3,699	1,624

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10 - TAX ASSETS AND LIABILITIES (Continued)

	31 December 2019	31 December 2018
Tax provision	9,149	14,080
Less: Prepaid taxes	499	309
Current income tax liabilities, net	8,650	13,771

	31 December 2019	31 December 2018
Tax expense		
Corporate tax expense for the period	(1,695)	(12,456)
Deferred tax expense effect	(6,200)	-
Deferred tax income effect	-	2,093
	(7,895)	(10,363)

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

	31 December 2019	31 December 2018
Profit before taxes	39,473	50,378
Theoretical tax expense with 22% tax rate (*)	(8,684)	(11,083)
Other(*)	789	720
Current year tax expense	(7,895)	(10,363)

(*) 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 22% 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 2019, the Company's management recorded deferred tax asset amounting to TL 195,513 from unused investment according to constitutional court decision (31 December 2018: TL 168,116).

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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 2019	31 December 2018	31 December 2019	31 December 2018
Lease Asset Receivable Impairment	71,120	72,524	15,646	15,956
Unused investment incentives- without stoppage	197,513	168,116	4,345	3,699
Provision for employee termination benefit	2,644	2,451	529	490
Provision for unused vacations	1,226	1,282	270	282
Other short term employee benefits	910	1,014	200	223
Deferred tax assets			20,990	20,650
Finance lease income accruals	53,119	25,772	(11,686)	(5,670)
Tangible and intangible assets revaluation difference	20,865	18,439	(2,086)	(1,844)
Subsidiary revaluation fund	11,137	8,377	(557)	(419)
Others	3,967	1,168	(829)	(371)
Deferred tax liabilities			(15,202)	(8,304)
Deferred tax assets, (net)			5,788	12,346

The movement for deferred tax assets is as follows:

	31 December 2019	31 December 2018
1 January	12,346	10,302
Current year deferred tax income/expense	(6,200)	2,093
Deferred tax in Equity income/expense	(358)	(49)
31 December	5,788	12,346

11 - OTHER ASSETS

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Investments under lease	16,765	25,450	11,101	110,135
Advances given for leasing transactions	13,281	182,778	25,842	120,852
Other receivables regarding leasing transactions	6,572	1,856	5,370	1,544
Checks Received	333	4,155	3,378	6,573
Prepaid expenses	935	5,778	1,076	2,895
Other	90	17	266	386
Total other assets	37,976	220,034	47,033	242,285

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12 - BORROWINGS

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Domestic banks	380,987	1,512,957	261,581	1,276,831
Foreign banks	-	706,913	-	983,220
Total Borrowings	380,987	2,219,870	261,581	2,260,051

	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	106,368	2.65	410,698	111,547	185,163	707,408
USD	35,259	3.79	136,344	73,102	-	209,446
Floating rate borrowings:						
EUR	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	48,055	3.25	144,208	57,896	117,492	319,596
USD	18,100	5.87	69	59,927	47,522	107,518
Floating rate borrowings						
EUR	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

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12 - BORROWINGS (Continued)

	Carrying value					
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2018						
Borrowings from domestic banks:						
<i>Fixed rate borrowings:</i>						
TL	261,581	22.85	252,906	5,000	3,675	261,581
USD	40,775	5.36	5,281	204,683	4,550	214,514
EUR	70,332	3.52	144,988	218,651	60,322	423,961
<i>Floating rate borrowings:</i>						
EUR	105,898	2.99	35,297	65,834	537,225	638,356
Total borrowing from domestic banks			438,472	494,168	605,772	1,538,412
Borrowings from foreign banks:						
<i>Fixed rate borrowings:</i>						
EUR	110,906	3.49	69,030	371,529	227,982	668,541
USD	18,106	5.87	-	-	95,254	95,254
<i>Floating rate borrowings</i>						
EUR	36,401	2.59	45,254	4,654	169,517	219,425
Total borrowings from foreign banks			114,284	376,183	492,753	983,220
Total borrowings			552,756	870,351	1,098,525	2,521,632

13 - LEASE LIABILITIES

As at 31 December 2019 details of lease liabilities are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Right of use tangibles	-	99	-	-
Right of use intangibles	68	-	-	-
Total lease liabilities	68	99	-	-

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14 - SECURITIES ISSUED

As at 31 December 2019 details of securities issued are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Bill (*)	-	-	98,856	-
Lease certificate (**)	-	-	69,826	-
Total securities issued	-	-	168,682	-

(*) The Company has realized 90 days maturity financing bonus issue with a nominal value of TL 100,000 on October 17, 2018 with the sales method of qualified investors. The maturity date of bill is October 17, 2018 and the redemption date is January 15, 2019. The annual interest rate on this financing bill is 29,00%.

(*) Through Katılım Varlık Kiralama A.Ş., which provides loans to the Company, the Company completed the sale of lease certificates backed by a management agreement, and having a maturity period of 364 days, and which amounted to TL 62,960, to qualified investors (without a public offering). The start date of the maturity of the asset-backed security is 28 March 2018, and the redemption date is 27 March 2019. The annual simple interest rate on this asset-backed security is 14.50%.

15 - OTHER LIABILITIES

As at 31 December 2019 details of other liabilities are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Advances received (*)	24,850	87,557	17,289	79,434
Other trade payables	1,235	2,624	12,844	15,761
Deferred income	4,104	12,978	1,226	2,978
Total other liabilities	30,189	103,159	31,359	98,173

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

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16 - PROVISIONS

As at 31 December 2019 details of provisions for liabilities and charges are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Reserve for employee benefits	4,780	-	4,747	-
<i>Reserve for employee termination benefit</i>	2,644	-	2,451	-
<i>Provision for unused vacations</i>	1,226	-	1,282	-
<i>Reserve for bonuses</i>	547	-	527	-
<i>Provisions for other employee rights</i>	363	-	487	-
Total provisions	4,780	-	4,747	-

	31 December 2019	31 December 2018
At the beginning of the year	2,451	1,926
Interest rate cost	311	238
Service cost	284	185
Payments during the year	(590)	(268)
Actuarial difference (*)	188	370
At the end of the year	2,644	2,451

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

17 - EQUITY

Share capital

As at 31 December 2019, the share in capital of the Company amounts to TL 175,000 and composed of 17.500.000.000 shares with a face value of TL 0.01 each (31 December 2018: capital shares TL140,000, nominal value: 14.000.000.000 shares).

As at 31 December 2019 and 31 December 2018, the share capital and ownership structure of the Company is as follows:

	31 December 2019		31 December 2018	
	Amount of Share(TL)	Share Percentage (%)	Amount of Share(TL)	Share Percentage (%)
Vakıfbank	102,746	58.71	82,197	58.71
Güneş Sigorta A.Ş.	27,386	15.65	21,909	15.65
Publicly traded (*)	39,442	22.54	31,553	22.54
Other	5,426	3.10	4,341	3.10
Pain-in capital	175,000	100	140,000	100

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

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17 - EQUITY (Continued)

Capital reserves

As at 31 December 2019, capital reserves amounted to TL 244 consists of inflation adjustment differences of paid-in capital of the Company (31 December 2018: TL 353).

As at 31 December 2019, revaluation difference on tangible assets amounting to TL 18,779 (31 December 2018: TL 16,595) is accounted directly in equity. As at 31 December 2019 the marketable securities valuation differences amounts to TL 10,580 (31 December 2018: TL 7,958).

Profit reserves

As at 31 December 2019, profit reserves of the Company consists of first legal reserves amounting to TL 9,738 (31 December 2018: TL 7,984) and extraordinary reserves amounting to TL 37,974 (31 December 2018: TL 34,626).

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 26 June 2019, due to the 2018 year end gain amounting TL 2,022 which corresponds to 5% of the net profit of TL 40,433 as the legal reserve adding to the capital TL 35,000 to give bonus shares and to reserve extraordinary reserve TL 3,412.

18 - OPERATING EXPENSES

For the years ended 31 December 2019, general administrative expenses included in the operating expenses are as follow:

	31 December 2019	31 December 2018
General administration expenses	2,488	1,996
Depreciation and amortization expenses	1,656	1,138
Court expenses	1,307	1,270
Consultancy expenses	697	713
Transportation expenses	512	446
Notary expenses	301	349
Taxes, duties and charges expenses	221	109
Marketing expenses	138	151
Printing, stationary and office expenses	103	148
Registration expenses	51	46
Non-deductible expenses	38	77
Other operating expenses	844	822
Total general administrative expenses	8,356	7,265

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18 - OPERATING EXPENSES (Continued)

For the years ended 31 December 2019 and 31 December 2018, personnel expenses included in the operating expenses are as follows:

	31 December 2019	31 December 2018
Salaries	13,258	11,309
Social security premiums and other contributions	1,930	1,592
Personnel insurance expenses	1,070	879
Other personnel expenses	832	690
Total personnel expenses	17,090	14,470

19 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2019 and 31 December 2018, personnel expenses included in the operating expenses are as follows:

	31 December 2019	31 December 2018
Foreign exchange gains	10,652	38,639
Interest income from non-performing loans	6,449	5,793
Default interest income	3,719	3,313
Interest income from bank deposits	2,852	1,859
Provisions reversed during the year	2,146	13,175
Income from sales of fixed assets and assets held for sale	500	271
Rent income	50	48
Dividend income	-	109
Other income	2,895	1,920
Total other operating income	29,263	65,127

Other operating expenses:

	31 December 2019	31 December 2018
Loss on derivative financial transactions	-	1,023
Other expense	93	471
Total other operating expenses	93	1,494

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20 - EARNINGS PER SHARE

	31 December 2019	31 December 2018^(*)
At the beginning of the year		
Total number of outstanding shares	17,500,000,000	17,500,000,000
At the beginning of the year		
Total number of outstanding shares	17,500,000,000	17,500,000,000
	31 December 2019	31 December 2018^(*)
Net income for the period	31,578	40,015
Number of outstanding shares with a nominal value of TL 0.01	17,500,000,000	17,500,000,000
Earnings per share (TL)	0.1804	0.2286

21- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	3,548	26,496	2,508	2,072
Bank Deposits	3,548	26,496	2,508	2,072
Vakıf Faktoring A.Ş.	10,602	-	8,238	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,940	-	1,617	-
Vakıf Yatırım Menkul Değerler A.Ş.	735	-	662	-
Financial assets for which fair value difference is recognised through other comprehensive income	13,277	-	10,517	-
Güneş Sigorta A.Ş.	-	-	11	-
Receivables from related parties	-	-	11	-
Türkiye Vakıflar Bankası T.A.O.	16,657	118,902	9,124	119,626
Vakıfbank International AG	-	103,699	-	111,557
Borrowings	16,657	222,601	9,124	231,183
Güneş Sigorta A.Ş.	3,680	-	3,411	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	20	-	24	-
Vakıf Yatırım Menkul Değerler A.Ş.	-	-	-	-
Payables to related parties	3,700	-	3,435	-

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21 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2019	31 December 2018
Güneş Sigorta A.Ş.	-	-
Finance lease interest income	-	-
Türkiye Vakıflar Bankası T.A.O.	2,303	1,235
Interest income from related parties	2,303	1,235
Türkiye Vakıflar Bankası T.A.O. - interest expense	24,123	4,343
Vakıfbank International AG- interest expense	4,024	6,476
Finance expenses of related parties	28,147	10,819
Güneş Sigorta A.Ş.	1,509	2,060
Vakıf Emeklilik ve Hayat A.Ş.	37	50
Vakıf Faktoring A.Ş.	24	20
Other incomes of related parties	1,570	2,130
Türkiye Vakıflar Bankası T.A.O.	3,876	1,246
Güneş Sigorta A.Ş.	813	666
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	297	276
Vakıf Yatırım Menkul Değerler A.Ş.	54	674
Vakıf Emeklilik ve Hayat A.Ş.	8	8
Vakıf Faktoring A.Ş.	6	28
Other expenses of related parties	5,054	2,898
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	-	67
Vakıf Yatırım Menkul Değerler A.Ş.	-	42
Dividend income of relates parties	-	109

Executive management compensations

As at 31 December 2019 and 2018, Company's executive management compensations are as follows:

	31 December 2019	31 December 2018
Compensation to the executive management	2,246	1,870
Total	2,246	1,870

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 2019 and 2018, the collaterals obtained by the Company against finance lease receivables are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Received guarantees	4,731,409	19,303,000	4,754,497	16,818,043
Mortgages	290,058	1,399,458	272,776	1,040,031
Letters of guarantee	6,306	-	4,498	-
Cash blockage	309	1,121	303	469
Others	642,132	655,033	413,949	436,141
Total	5,670,214	21,358,612	5,446,023	18,294,684

Commitments

As at 31 December 2019, the Company has irrevocable commitments amounted to TL 384,432 (31 December 2018 TL 487,838) 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 2019	31 December 2018
TL	165,625	352,393
EUR	212,240	112,363
JPY	-	13,721
USD	6,567	9,361
Total	384,432	487,838

Revocable Commitments

As at 31 December 2019, Company's financial lease commitments amounts to TL 456,605 (31 December 2018: TL 425,148).

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Financial lease commitment	57,034	399,571	50,719	374,429
Total	57,034	399,571	50,719	374,429

Derivative financial instruments

There are no derivative financial instruments as of 31 December 2019.

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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)

As at 31 December 2019 and 31 December 2018, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2019	Receivables		Banks Deposits	Financial Investments	Other	Total
	Finance Lease Receivables	Other Receivables				
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 soverdue 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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	Receivables		Banks Deposits	Financial Invesments	Other	Total
	Finance Lease Receivables	Other Receivables				
31 December 2018						
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	2,588,841	6,914	163,105	-	-	2,758,860
- The portion of maximum risk covered by guarantees	687,135	-	-	-	-	687,135
A. Net carrying value of financial assets which are neither impaired nor overdue	2,345,416	6,914	163,105	-	-	2,515,435
- The portion covered by guarantees	632,945	-	-	-	-	632,945
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 soverdue but not impaired	168,256	-	-	-	-	168,256
- The portion covered by guarantees	-	-	-	-	-	-
D. Net carrying value of impaired assets	75,169	-	-	-	-	75,169
- Overdue (gross)	156,147	-	-	-	-	156,147
- Impairment (-)	(80,978)	-	-	-	-	(80,978)
- Net book value covered by guarantees	54,190	-	-	-	-	54,190
- Not past due (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-

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As at 31 December 2019 and 31 December 2018, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2019		31 December 2018	
	Amount	(%)	Amount	(%)
Manufacturing	1,246,800	48.34	1,122,889	44.67
Construction	605,570	23.48	634,052	25.22
Wholesale, retail and trading	191,973	7.44	206,924	8.23
Real estate	139,543	5.41	161,512	6.43
Education	94,153	3.65	99,349	3.95
Hotels and restaurants	81,048	3.14	102,211	4.07
Mining	69,060	2.68	57,712	2.30
Transportation, warehousing and communication	52,870	2.05	34,796	1.38
Health and social services	51,370	1.99	29,447	1.17
Agriculture	35,638	1.38	44,911	1.79
Other social and individual services	4,162	0.16	10,248	0.41
Financial intermediary services	1,882	0.07	3,327	0.13
Others	5,078	0.20	6,294	0.25
Total	2,579,147	100	2,513,672	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 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	-

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Borrowings	2,521,632	2,627,397	1,043,088	437,106	583,215	563,988	-
Securities issued	168,682	168,682	168,682	-	-	-	-
Other payables and other liabilities	129,533	129,533	129,533	-	-	-	-
Total	2,819,847	2,925,612	1,341,303	437,106	583,215	563,988	

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 2019 and 31 December 2018, the Company's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2019	US Dollar	Euro	JPY	GBP	CNY	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
Financial lease liabilities	-	-	-	-	-	-
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⁾ Foreign currency non-performing receivables in financial statements are not included.

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018	US Dollar	Euro	JPY	GBP	CNY	Total
Banks	28,069	132,331	-	-	-	160,400
Finance lease receivables, net ⁽¹⁾	354,218	1,899,713	-	39	238	2,254,208
Other Assets	6,629	3,225	-	-	-	9,854
Total assets	388,916	2,035,269	-	39	238	2,424,462
Borrowing	309,769	1,950,282	-	-	-	2,260,051
Other liabilities	15,403	79,641	3,127	(2)	-	98,173
Total liabilities	325,172	2,029,923	3,127	(2)	-	2,358,224
Net financial statement position	63,744	5,346	(3,127)	37	238	66,238
Net off-balance sheet items position	-	-	-	-	-	-
Net foreign currency position	63,744	5,346	(3,127)	37	238	66,238

⁽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 2019 and 31 December 2018 are shown below.

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

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

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2018				
10% change of the US Dollar against TRY				
1-Net USD asset/liability	6,374	(6,374)	6,374	(6,374)
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	6,374	(6,374)	6,374	(6,374)
10% change of the Euro against TRY				
4-Net Euro asset/liability	535	(535)	535	(535)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	535	(535)	535	(535)
10% change of the JPY against TRY				
7-Net JPY asset/liability	(313)	313	(313)	313
8-Hedged portion of TRY against JPY (-)	-	-	-	-
9-Net effect of JPY (7+8)	(313)	313	(313)	313
10% change of the GBP against TRY				
10-Net GBP asset/liability	4	(4)	4	(4)
11-Hedged portion of TRY against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	4	(4)	4	(4)
10% change of the CNY against TRY				
13- Net CNY asset/liability	24	(24)	24	(24)
14- Hedged portion against CNY (-)	-	-	-	-
15- Net effect of CNY(13+14)	24	(24)	24	(24)
TOTAL (3+6+9+12+15)	6,624	(6,624)	6,624	(6,624)

(*) 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 2019 and 2018, the interest bearing financial assets and liabilities of the Company are as follows:

	31 December 2019	31 December 2018
<i>Financial assets and liabilities with fixed interest rate</i>		
Time deposits	33,019	47,611
Finance lease receivables, net	2,579,147	2,513,672
Borrowing	1,724,955	1,663,851
Securities issued	-	168,682
<i>Financial assets and liabilities with floating rate</i>		
Borrowing	875,902	857,781

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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 2019 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

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

31 December 2018	Profit or Loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate financial liabilities	(86)	86	(86)	86
Total, net	(86)	86	(86)	86

(*) 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 2018, the ratio of the equities to the debts is 10% (31 December 2018: 9%). As of 31 December 2019 and 31 December 2018, the debt to equity ratio is as follows:

	31 December 2019	31 December 2018
Borrowing	2,600,857	2,521,632
Securities issued	-	168,682
Other liabilities	133,348	129,532
Total Liabilities	2,734,205	2,819,846
Total Equity	283,345	247,159
Equity/Debt ratio	10%	9%

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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 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>				
Finance lease receivables, net	2,579,147	3,762,266	2,513,672	1,956,110
Banks	67,010	67,010	163,105	163,105
<i>Financial liabilities</i>				
Borrowings	2,600,857	2,703,675	2,797,758	2,522,862
Securities issued	-	-	168,682	168,682
Other liabilities	133,348	133,348	129,532	129,533

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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24 - FINANCIAL INSTRUMENTS (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2019 and 31 December 2018:

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 2018	1. Level	2. Level	3. Level	Total
Financial assets at fair value through Other comprehensive income:	-	-	10,517	10,517
Investments in equity participations (*)	-	-	-	-
Financial assets at fair value through profit or loss:	-	-	-	-
Financial derivative liabilities	-	-	-	-
Total Financial Assets/Liabilities	-	-	10,517	10,517

(*) 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	31 December 2018
Balance at the beginning of the period	10,517	8,064
Total gains for the period recognized under equity	2,760	2,453
Balance at the end of the period	13,277	10,517

24 - OTHER ISSUES

None.

25 - SUBSEQUENT EVENTS

None.