





# CONTENTS

P 07



> Message from the Chairman  
> Message of the General Manager

Executive Board Members and  
Their Personal Background <   
The Management <

P 11

P 17



> General Information Regarding  
the Company

Corporate Identity <

P 19

P 23



> Corporate Governance Compliance  
Practices

Declaration of Independence <   
Affiliation Report <   
Explanations On The  
Corporate Governance Committee <

P 32

P 37



> 2018 in Turkey And the World  
> Vakif Leasing in 2018  
> General Assessment

Economic Indicators and Ratios <   
Credit Note JCR-Eurasia Rating  
Press Statement <

P 45

P 51



> 31 December 2018 Consolidated  
Financial Statements and Notes and  
Independent Auditor's Report



**Vakif Leasing**  
Future Towards You

## ✓ MESSAGE FROM CHAIRMAN



**In 2018, total assets in financial leasing sector increased by 17,86%, to TRY 68,506,343 Thousand, leasing receivables increased by 16,71% to TRY 60,707,422 Thousand, total profit of the sector decreased by 3.68% to TRY 917,163 Thousand, shareholders' equity by 11,58% and TL 9.600.735 Thousand. In 2018, our Company's assets increased by 47.3% to TRL 3,085,523 Thousand, TRL increased by 48,3% to TRL 2,788,516 Thousand, net profit increased by 18.4% to TRL 40,055 Thousand and shareholders' equity An increase of 20.5% reached TL 247,159 Thousand.**

Dear Stakeholders,

Although the global growth expectation was 3.7% in 2018, there were downside risks to growth due to the slowdown in China, protectionist trade policies, political uncertainties and Brexit-related problems.

Trade wars between the US and China formed the main agenda item of 2018. As expected in 2018, the US Federal Reserve (Fed) increased its interest rates by 25 basis points four times. Trade wars, the sharp decline in US stock markets in the last quarter of the year, concerns about the slowdown in global growth and the decline in oil prices have created the expectation that the Fed will slow down the rate hike in the markets.

The European Union (EU) was adversely affected by protectionist policies and trade wars. Especially the slowing growth and political problems after the second half of the year constitute a risk factor on the EU.

The trade wars with the US and the slowdown in global growth have had a negative impact on the Chinese economy. In 2017, the economy started to show signs of slowdown in 2018. The Chinese economy achieved the lowest growth rate since 1990 with 6.6% in 2018.

In early 2018, due to the pricing of the sanctions to be imposed on Iran in November, the oil prices have increased sharply, and the price of US crude oil has seen over \$ 76 / barrel. The US sanctions on Iran's oil and energy exports began to be implemented on November 5th.

Turkey's economy has made a modest economic growth in 2018. With 7.4% growth rate in 2017 among the G-20 countries are at the forefront of Turkey's economy in the first nine months of 2018 recorded a moderate growth rate of 4.7%. In the first quarter, 7.2% in the third quarter with the impact of the rapid rise in Turkey's economy grew 5.3% in the second quarter interest rate has recorded a sharp deceleration in growth of 1.6%.

Despite the sharp slowdown in the third quarter, the positive impact of the sharp rise in foreign exchange rates on export revenues led to an increase in exports' contribution to growth. The said positive contribution is expected to continue in the last quarter. Although the government has taken a stabilization process in the last quarter in line with the measures taken by the government, it is expected that the economy will experience a lower growth rate in the last quarter compared to the third quarter and a growth of 3.8% in 2018.

In 2018, total assets in financial leasing sector increased by 17,86%, to TRY 68,506,343 Thousand, leasing receivables increased by 16,71% to TRY 60,707,422 Thousand, total profit of the sector decreased by 3.68% to TRY 917,163 Thousand, shareholders' equity by 11,58% and TL 9.600.735 Thousand.

In 2018, our Company's assets increased by 47.3% to TRL 3,085,523 Thousand, TRL increased by 48,3% to TRL 2,788,516 Thousand, net profit increased by 18.4% to TRL 40,055 Thousand and shareholders' equity An increase of 20.5% reached TL 247,159 Thousand.

I would like to express my gratitude on behalf of our company to our shareholders and investors for their trust in our success, our employees and our trust in our successes.

Best Regards,

  
SERDAR TUNÇBİLEK  
Chairman of the Board

## ✓ MESSAGE OF THE GENERAL MANAGER



//

***In 2019, we will continue to stand by our investors who are the indispensable part of sustainable growth, inspired by our motto "Future Towards You". We are excited to offer more support to our country's economy by producing financial solutions that are diversified according to the needs and expectations of our customers and increase our determination to work.***

//

Dear Stakeholders,

In the first half of 2018, our country's economy had a strong growth of 6.3%. However, the worsening trade wars with the second half of the year, the UK's withdrawal process from the European Union, Iran sanctions, trade protectionism, and the decline in China's growth prospects. Due to the increase in the uncertainties in the world economy and the possibility of economic slowdown, our country's economy was also affected negatively. The increase in the exchange rate and inflation experienced in the second half of the year was balanced with the rapid fiscal and monetary policies of our government, and the constructive approach of the financial sector, especially the public banks, played an important role in the balancing process.

Decrease in investments due to the economic slowdown in the last quarter was reflected in the financial leasing demands. The total amount of financial leasing agreement signed in 2018 decreased by 18% compared to the previous year. As Vakıf Leasing, we managed to increase the contract amount by 25% in 2018 despite the contraction in the sector as well as the investor. We increased our assets by 47% and our profitability by 18% and reached the highest figures in our Company's history.

In order to increase the variety of financial resources, we successfully issued the first bond issuance in 2017 and the first issuance in 2018. We also provided special resources from the World Bank and other international markets. The cost advantage we have achieved by increasing the diversity of resources in recent years when transportation access to resources has been difficult compared to previous years has been the most important factor in increasing our effective marketing strategy, continuous field work, customer focused approach, transaction volume and profitability.

In 2019, we will continue to stand by our investors who are the indispensable part of sustainable growth, inspired by our motto "Future Towards You". We are excited to offer more support to our country's economy by producing financial solutions that are diversified according to the needs and expectations of our customers and increase our determination to work.

I would like to thank all of our stakeholders who contributed to the success of our company, our founder and our main shareholder Vakıfbank, our Board of Directors, our customers who trust us, our business partners and all of our employees who made a difference.

**ŞEREF AKSAÇ**  
General Manager



## ✓ EXECUTIVE BOARD MEMBERS AND THEIR PERSONEL BACKGROUND



**Serdar TUNÇBİLEK**

Chairman of the Board

(14.6.2017 - ...)

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



**Şeyh Mehmet BOZ**

Member of the Board, Deputy Chairman

(14.06.2017 - ...)

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



**Alper ERSOY**

Member of the Board

(12.04.2016 - ...)

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



**Emine UYUMAZ**

Member of the Board

(03.04.2018 - ...)

Born in 1982 in Adana, Emine UYUMAZ graduated from the Department of Economics, Middle East Technical University in 2005. He completed his master's degree in Bilgi University Banking and Finance department. In 2006, he started to work at T. Vakıflar Bankası TAO as an Assistant Inspector. In July 2017, he was appointed as the Head of Commercial Loans Allocation Management at Vakıfbank. Emine UYUMAZ has been a Member of the Board of Directors in our Company since 03.04.2018.



## EXECUTIVE BOARD MEMBERS AND THEIR PERSONEL BACKGROUND



**İbrahim Halil ÇİFTÇİ**

Member of the Board - Independent Member

(29.03.2012 - ...)

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



**Hüseyin KEÇECİ**

Member of the Board - Independent Member

(14.06.2017 - ...)

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



**Şeref AKSAÇ**

Member of the Board - General Manager

(14.06.2017 - ...)

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



Şeref AKSAÇ  
General Manager

Yılmaz Arslan AYDIN  
Assistant General Manager

Emre AYDEDE  
Assistant General Manager

Mehmet İlkey COŞKUN  
Group Manager

Gonca YADİGAR  
Marketing Manager

Tolga AKOCAK  
Marketing Manager

Ahmet Erdoğan  
NEHROZOĞLU  
Ankara Branch Manager

Ferruh ATALAY  
Adana Branch Manager

Levent DEMİRCİ  
Bursa Branch Manager

Bora KIRGIZ  
İzmir Branch Manager

Murat KURTAŞ  
Antalya Branch Manager

Sedat TAŞKIN  
Credit Manager

Melda AKGÜN  
Insurance and Operations Manager

Mustafa SARITAŞ  
Information Technology Manager

Hülya YILDIRIM  
Asset and Risk Management Manager

Bayram KUYTAN  
Risk Management Manager /  
Deputy Internal Control Manager

✓ GENERAL INFORMATION  
REGARDING COMPANY

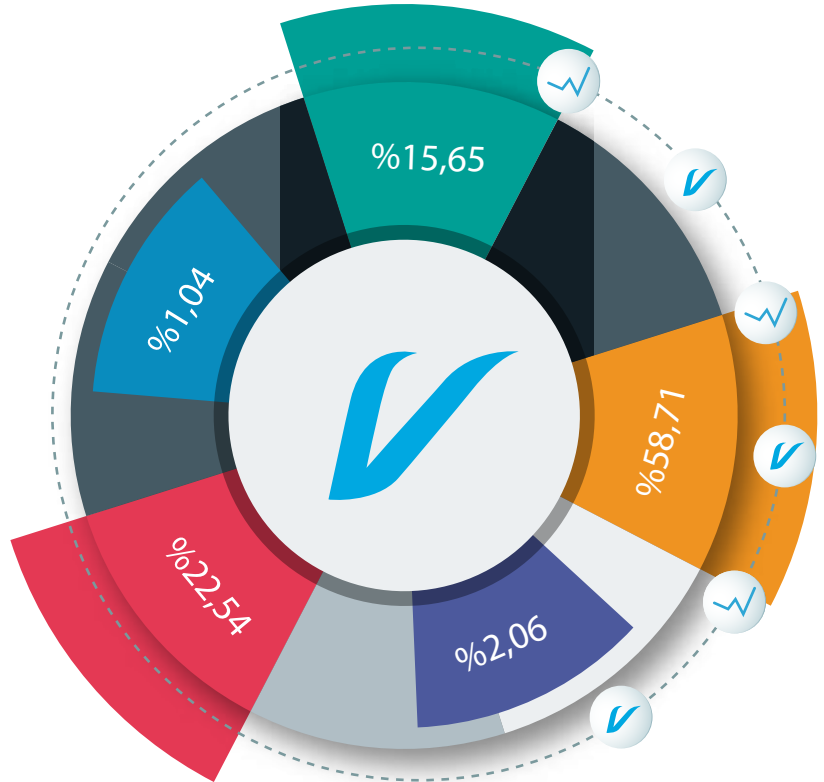
• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	140.000 TL
• Number of Employees	74
• Board Chairman	Serdar TUNÇBILEK
• General Manager Deputy	Şeref AKSAÇ
• Independent Auditing Firm	PWC Independent Auditor and independent Accountant Public Accountant Inc.
• Address - Corporate Headquarters	Büyükdere Av. Matbuat Street Gazeteciler Site No: 13 Esentepe/Şişli/İstanbul
• Telephone	+90 (212) 337 67 67 - (Santral)
• Trade Registry Number	248616
• Mersis Number	0922003369500010
• Fax	+90 (212) 337 67 99
• Website	www.vakifleasing.com.tr

## AVAILABLE FOR SALE FINANCIAL ASSETS

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

## PARTNERSHIP STRUCTURE

	%	Thousand TL
• T.Vakıflar Bankası TAO	% 58,71	82.197.081
• Güneş Insurance Inc.	% 15,65	21.908.579
• T. Vakıflar Bankası T.A.O.	% 2,06	2.886.478
• Employees and Serv. Retirement Fund Provident Fund Foundation	% 1,04	1.454.571
• VakıfBank Staff Private Social Security Services Foundation	% 22,54	31.553.291
• Public Offering	% 100,00	140.000.000





## ✓ CORPORATE IDENTITY- History / Milestones

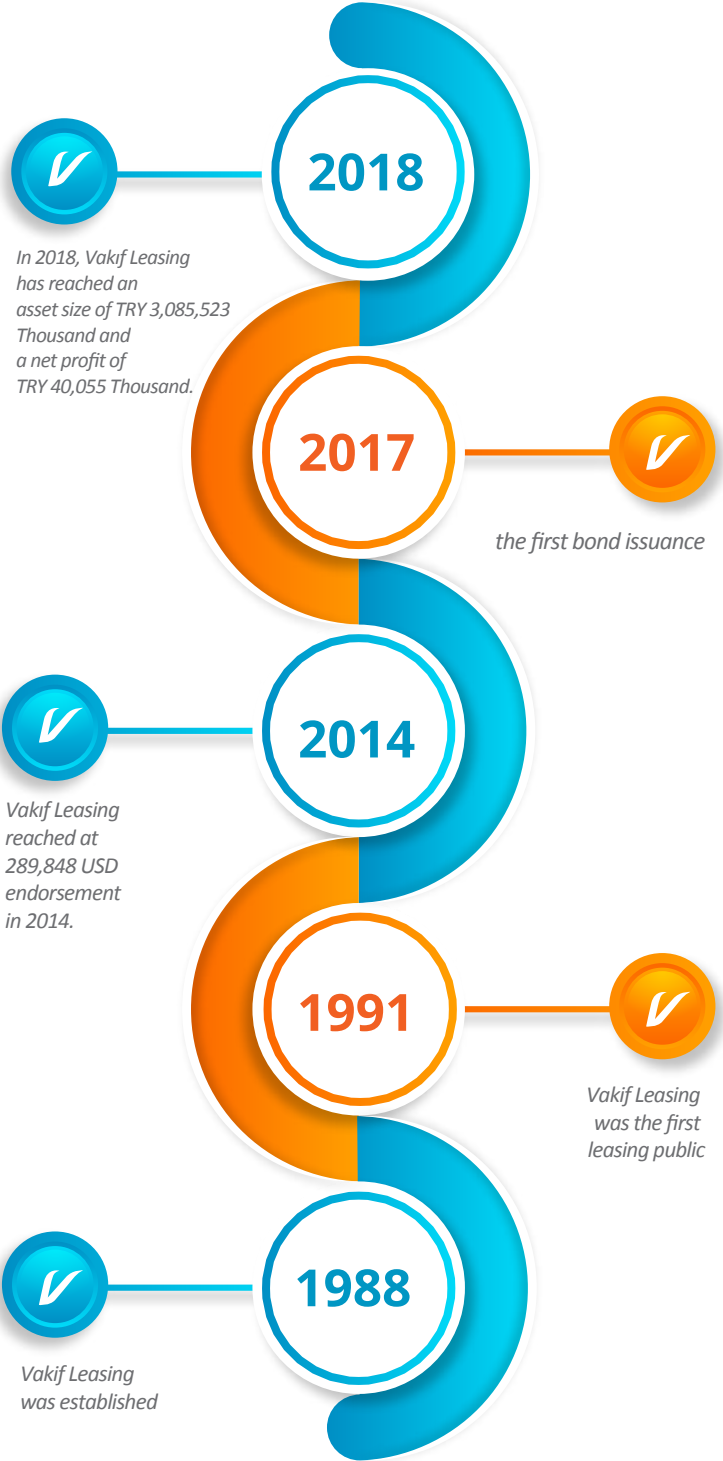
On September 15, 1988, Vakıf Leasing was appointed to Vakıf Finansal Kiralama A.Ş. as a subsidiary of Vakıfbank. In 1991, it became the first leasing company listed on the Istanbul Stock Exchange and opened to the public.

30 years full of success filled the Leasing Foundation, contributing to increased development and employment in our country continues to be one of Turkey's surplus value. Vakıf Leasing, which provides investors with significant advantages in leasing with the experience of being able to make the right moves at the right time with careful work, has adopted the right principles from yesterday to today; decisively, faithfully and progressively.

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

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

Vakıf Leasing has branches in Ankara, Adana, İzmir, Bursa and Antalya and continues to work with a wide customer portfolio and service network throughout the country, taking the institutional strength of nearly one thousand branches of Vakıfbank.







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



### OUR VISION

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



### OUR MISSION

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



### OUR VALUES

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



### OUR CODES OF CONDUCT

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



## ✓ DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

### DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vakıf Finansal Kiralama A.Ş. The Financial Leasing, Factoring and Financing Companies Law is subject to the corporate governance principles determined in accordance with the capital market legislation and the Turkish Commercial Code and the relevant regulations and pays utmost attention to the implementation of these principles. It has adopted the concepts of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by the Capital Markets Board.

The Company's Corporate Governance Principles included in the Corporate Governance Communiqué (II-17.1), which was published in the official newspaper No. 28871 dated 03 January 2014;

a-) The compulsory application of the companies (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.3.7.), (4.3.8.), (4.3.6) (4.5.2), (4.5.3.), (4.5.4), (4.5.9), (4.5.10), (4.5.11), (4.5. 12.), (4.5.13.), (4.6.2.) And (4.6.3.) In compliance with the principles.

The duties, authorities and responsibilities of the hale Investor Relations Department, which carries out its activities as the Financial Affairs and Investor Relations Department, have been revised in accordance with the framework specified in Article 11 of the Corporate Governance Communiqué and thus full compliance with the relevant legislation has been achieved.

b-) For non-compulsory principles;

There are female members in the Company's Board of Directors. A target ratio and target time for female member rate has not been determined with in the Board of Directors. In this context, 4.3.9. and there is a partial compliance with the principle of recommendation. No conflict of interest has occurred between the stakeholders so far.

### CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT:

The Corporate Governance Principles, which were announced by the Capital Markets Board (CMB) in 2017 Annual Report, were complied with and implemented in the period of 01.01.2018 - 31.12.2018. Corporate Governance Compliance Statement , 49 Corporate Governance Compliance Report and Corporate Governance Information Form which is prepared by the Company in accordance with the Corporate Governance Communiqué numbered II-17.1 dated 10.01.2019 and numbered 2/49 As, [www.kap.org.tr](http://www.kap.org.tr), "Notification Type">"Other", "Subject">"Corporate Governance Compliance Report on kap.

VAKIF FINANCIAL LEASING INC.  
CORPORATE GOVERNANCE PRACTICES

## CORPORATE GOVERNANCE PRACTICES

## STAKEHOLDERS

## 2.1 Investor Relations Chapter

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

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

The license of section manager is as shown below;

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

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

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

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

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

During the year 2018, the Investor Relations Directorate,

- The Ordinary General Assembly Meeting held in 2018 has been organized to fulfill the scope and the form required by the related Law, Capital Markets Law, Corporate Governance Communiqué, Company Articles of Association and other legislation.

## 2.2 Utilization of Shareholders' Right to Information

Questions directed to the Investor Relations Unit are answered by telephone or in writing in consultation with the most authorized person of the subject matter, except for confidential information and trade secrets.

In 2018, although no information requests were received from the Investor Relations Department, the answers to the questions asked by telephone were given. Shareholders interested in shareholders, capital increase, profit sharing transactions, general assembly meetings, financial reports, special event disclosures and so on. The information and developments related to the Company are transferred to the related parties on a regular basis via the internet site, mail and telephone. In addition, in the activity period of the domestic shareholders, the information requests of the shares, the conversion of their existing shares and the share requests of the shares after the death are responded to in writing.

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

## 2.3 General Assembly Meetings

The General Assembly of our Company for the activity period of 2017 was held on 15.05.2018 at the company's headquarters with the participation of shareholders, Ministry of Customs and Trade Commissioner and 77.46% of the shareholders.

The Company held its Ordinary General Assembly Meeting in 2018 in accordance with the Regulation on General Assembly Meetings to be held in an Electronic Company in Joint Stock Companies Communiqué on the General Assembly System to be Applied in the General Assemblies of Joint Stock Companies .Thus, stakeholders had the opportunity to participate in the General Assembly meeting in electronic environment, made suggestions, expressed opinions and had the opportunity to vote.

In order to inform shareholders before the General Assembly meeting invitation for the General Assembly, agenda, proxy form and the relevant legislation other documents annexed to the Public Disclosure Platform, Turkey is announced to the public via the Trade official newspaper same time the Company is published documents mentioned on the website . General Assembly call is made in the CRA system at least 21 days prior to the meeting and call days except for meeting and call days for the e-General Assembly service which enables the Company to attend, make suggestions, express opinions and vote electronically.



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

In addition to these, the address information is also sent to our partners in the Company's records by mail.

Financial Statements and Footnotes for the 2017 financial year including the Company's Balance Sheet and Profit-Loss statements, 2017 Board of Directors' Annual Report, Independent External Audit Report, prepared for the General Assembly, and submitted to the information and review of the shareholders before the General Assembly. In addition to the CRA system, it is kept ready for the information of our shareholders at the Company General Directorate. In addition, upon the request of stakeholders, invitation, agenda and proxy samples can be obtained from the General Assembly. The shareholders who have the right to attend the General Assembly and who have fulfilled the necessary procedures to participate have attended the Ordinary General Assembly Meeting in 2018.

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

- Date, time and place of the meeting,
- The meeting agenda,
- Which department was made by the Association (Board of Directors),
- The addresses to be submitted to the examination of the shareholders by the Annual Report and the balance sheet, profit and loss statements in the actual meeting announcements (Head Office),
- Examples of power of attorney for shareholders who cannot attend the meeting are announced to the shareholders.

In the Activity Report; Information on the Company's operations, top management, Company balance sheets, balance sheet footnotes, Independent Audit Report, Corporate Governance Compliance Report, etc. information is included. The Investor Relations Department shall provide the shareholders requesting the Annual Report before and after the General Assembly Meeting.

At all Ordinary General Assemblies of the Company, all shareholders have the right to speak, express their opinions and ask questions regarding the agenda regardless of their share rates. At the Ordinary General Assembly Meeting held on May 15, 2018, the questions asked by the shareholders attending both the physical environment and the electronic environment, the wishes and opinions they declare, the answers given by the Meeting Chairman and the Board of the Council are given in detail in the general assembly minutes. . General Assembly minutes and attachments in accordance with General Assembly following relevant legislation, the Public Disclosure Platform, Turkey Trade official newspaper, e-Enterprise Information Portal and E-General Meeting is announced to the public and share with Electronic General Assembly System is also published on the Company's website.

In 2018, due to the fact that the majority of the independent members of the Board of Directors did not have a positive vote, there were no transactions left to the General Assembly.

There are no significant transactions that may lead to a conflict of interest between the shareholders holding the management control, the members of the board of directors, the executives with administrative responsibilities and their spouses and relatives up to the second degree. In addition, it has been understood that the persons in question do not carry out a transaction on their own or other account of the business type of the Company or its subsidiaries or they do not have any responsibility as an unlimited partner in another partnership dealing with the same kind of business.

Pursuant to the last article of the agenda, the shareholders and other guests have exercised their right to ask questions, and in return, they expressed their wishes to be beneficial after receiving sufficient answers from the company executives.

### 2.4 Voting and Minority Rights

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

At the General Assembly meetings, each one having one or ten shares or one representative representing this amount has one vote. Those who have more than ten shares have the right to vote without being subject to a certain number of restrictions in accordance with the above proportions.

There is no cross shareholding relationship in the Company's capital. The exercise of minority rights is subject to the Turkish Commercial Code, the Capital Markets Law, the relevant legislation and the communiqués and resolutions of the CMB.

Our company does not include cumulative voting method.

### 2.5 Profit Share Right

There is no privilege to participate in the profit of the Company.

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



VAKIF FINANCIAL LEASING INC.  
CORPORATE GOVERNANCE PRACTICES

According to this;

- The Board of Directors decides on profit distribution; The CMB legislation provides recommendations to the General Assembly taking into consideration the market conditions and the Company's objectives. In the event that there is no negativity in the economic conditions of the world and country as a dividend distribution policy, and if the Company's financial structure and capital adequacy ratios are at the foreseen levels, it is foreseen that at least 10% of the distributable profit shall be distributed as cash and / or registered shares.

- The decision of distribution shall come into force if it is approved by the General Assembly and the decisions taken shall be announced to the public on the same day through the Public Disclosure Platform.

- Shares per share of the shares to be issued by the Company are distributed equally to all shareholders. The Company may evaluate dividend advances in accordance with the provisions of the current legislation.

- Cash dividend payments are made until the end of the second month following the date of the General Assembly meeting, where the decision for dividend distribution is made at the latest. The dividend distribution in the form of bonus shares is carried out after obtaining the legal permissions.

- There are no privileged shares in terms of taking shares from the profit.

- If there is no profit distribution, the Board of Directors informs the shareholders about why they are not distributed and where the undistributed profit is used.

- Dividend distribution is complied with the articles of association of the company, the Capital Market Law, the provisions of the Capital Market Board and the Turkish Commercial Code.

The Board of Directors submits its proposal for dividend distribution to the General Assembly every year, and before the General Assembly, through the activity report. The Board of Directors' proposal on profit distribution is discussed and resolved at the General Assembly. In 2018, the decision on dividend distribution in 2017 has been implemented and necessary notifications have been made to official authorities. In addition, the related decision was announced to the public on the same day through the Public Disclosure Platform.

## 2.6 Assignment of Shares

The Company's Articles of Association contain no provisions restricting the transfer of shares. Pursuant to Article 7 of the Articles of Association, all shares of our Company are registered and are possible by observing the provisions of the related legislation.

## PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 Corporate Website and Content

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

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

### 3.2 Activity Report

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

## STAKEHOLDERS

### 4.1 Informing of Stakeholders

Stakeholders of Vakif Leasing are regularly informed through activity reports, news and explanations on the website.

In order to provide accurate and reliable information flow, information about the financial statements disclosed quarterly is shared with investors via the website and announced on KAP. All questions and requests directed by investors are answered by telephone and e-mail.





## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

### 4.2 Participation Stakeholders' in Management

Two different models have been formed in our company regarding the participation of stakeholders in management.

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

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

In addition, "Weekly General Evaluation Meetings" are held for informing the employees about the Company's general activities and course, and the financial structure and performance data of the company are evaluated together with the employees.

### 4.3 Human Resources Policy

Our company's human resources policy is carried out within the framework of Human Resources Regulation '. We are also working on career planning. Our company plays an important role in the success and development of the sector. Vakif Leasing pays special attention to providing and improving the equipment necessary for efficient work, especially for education, and sees its employees as the most important capital. The researcher employs employees who have visionary, creative, problem-solving qualities. All of our employees at our company have a working spirit with team spirit and innovation is at the highest level.

In Vakif Leasing, recruitments and promotions are carried out by a Board of Directors' resolution within the framework of the Human Resources Regulation. There is no discrimination between our Company employees. Our employees are in complete equality in all matters.

### 4.4 Ethics and Social Responsibility

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

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

VAKIF FINANCIAL LEASING INC.  
CORPORATE GOVERNANCE PRACTICES

## BOARD OF DIRECTORS

## 5.1 Structure and Formation of the Board of Directors

The structure of the Board of Directors is defined as follows according to Article 8 of the Articles of Association.

The Company's affairs and management shall be carried out by a board of directors consisting of at least 5 members including the general manager. Each year, the Board of Directors elects a chairman and a vice chairman to represent the chairman in his absence. The duties of the general directorate and the chairman of the board of directors cannot be combined in the same person. The members other than the general manager are elected by the general assembly by the shareholders in accordance with the provisions of the Turkish Commercial Code. The majority of the members of the Board of Directors consists of non-executive members. Members of the Board of Directors who do not have any executive duty shall have independent members who have the qualifications to perform their duties without being influenced under any circumstances, whose number and qualifications are determined in accordance with the regulations of the Capital Markets Board regarding Corporate Governance and the relevant legislation provisions. The General Manager of the Company and, in his absence, his deputy are natural members of the Board of Directors. The general manager and his or her attorney must have at least seven years of professional knowledge and experience in the field of finance or business administration.

NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Serdar TUNÇBİLEK	Chairman of the Board	14/06/2017
Şeyh Mehmet BOZ	Deputy Chairman of the Board	14/06/2017
Alper ERSOY	Member of the Board	12/04/2016
	Member of Corporate Governance Committee	09/09/2016
	Early Identification of Risk Committee Member	09/09/2016
Hüseyin KEÇECİ	Independent Member of the Board	14/06/2017
	Member of the Audit Committee	14/06/2017
Emine UYUMAZ	Member of the Board	03/04/2018
İbrahim Halil ÇİFTÇİ	Independent Member of the Board	29/03/2012
	Member of Corporate Governance Committee - Chairman	11/04/2012
	Early Identification of Risk Committee - Chairman	30/04/2013
	Member of the Audit Committee - Chairman	11/04/2012
Şeref AKSAÇ	Member of the Board - General Manager	14/06/2017

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

The CVs of the Board Members are published in the Annual Report.

In accordance with the provisions of the Communiqué on the Determination and Implementation of Corporate Governance Principles, Serial: IV No: 56, the number of independent members is determined as two. The statements of independence of İbrahim Halil ÇİFTÇİ and Hüseyin KEÇECİ and the Corporate Governance Principles of the CMB under the criteria set forth in the legislation, articles of association and related communiqué are stated in the report dated 14.05.2018. The independent members were submitted to the Board of Directors on 14.05.2018.

There is no circumstance that the independent members of the Board of Directors are independent and that there is no circumstance in the relevant activity period. The term of office of Independent Member of the Board of Directors İbrahim Halil ÇİFTÇİ was extended by another year with the permission of the Capital Markets Board.



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE PRACTICES

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

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Serdar TUNÇBILEK	T.Vakıflar Bankası T.A.O.	Deputy Chairman of the Board
Şeyh Mehmet BOZ	T.Vakıflar Bankası T.A.O.	General Manager Assistant
Alper ERSOY	T.Vakıflar Bankası T.A.O.	Chairman Implementing Credit Policies and Processes
Emine UYUMAZ	T.Vakıflar Bankası T.A.O.	Head of Commercial Loans Allocation Management

### 5.2 Activity Principles of Board of Directors

The Board of Directors shall conduct the company affairs and operations where the Company's head office is located or where the majority of the Board members demand. However, it is obligatory to meet at least once a month. The fact that all of the members are present at the meeting place on a certain date and time, even if the meeting has not been done without prejudice the validity of the meeting. Those who have the right to participate in the Board of Directors meeting of the Company may participate in these meetings in electronic environment pursuant to Article 1527 of the Turkish Commercial Code. The Company may establish an electronic meeting system that will allow the right holders to participate and vote electronically in accordance with the provisions of the Communiqué on General Assembly Meetings to be made in Electronic Environment other than the general assembly meetings of the corporation in commercial companies as well as the services that are established for this purpose. In the meetings to be held, it is ensured that the rights holders of the rights specified in the related legislation can be used within the framework specified in the Communiqué via the system established in accordance with this provision of the Company's Articles of Association or through the system to be supported. The provisions of the Turkish Commercial Code shall apply to the quorum of the Board of Directors and the quorum for decision.

The agendas of the Board of Directors meetings are determined according to the matters and authorities specified in the articles of association. During the period of 01.01.2018 - 31.12.2018, 37 Board meetings were held. As required by the Company's operations and transactions, the Board of Directors shall be held at the place of the Company's headquarters or at the place requested by the majority of the Members of the Board of Directors. However, it is obligatory to meet at least once a month. The provisions of the Turkish Commercial Code shall apply to the quorum for the Board of Directors and the quorum for decision. He is the secretary of the General Manager. Decisions to be made to the public are disclosed to the public immediately after the end of the meeting.

- Approval of the business and finance plans with the determination of the subjects of the Company's activities,
- Issues related to the calling and organization of the Extraordinary General Assembly,
- Finalizing the annual report to be submitted to the General Assembly,
- Election of the Chairman of the Board of Directors and the appointment of a new member,
- Establishment or termination of administrative units,
- Appointment or dismissal of the Chief Executive Officer / General Manager,
- Creation of committees,
- Merger, Division, restructuring, selling of 10% of the entire company or fixed assets or investing in amounts exceeding 10%, expenses exceeding 10% of the total assets,
- Determining the dividend policy of the company, the profit to be distributed,
- All members participate in meetings held on matters such as raising or decreasing capital.

### 5.3 Number, Structure and Independence of Committees Formed Within Board of Directors

The Board of Directors consists of two members (President- İbrahim Halil ÇİFTÇİ, Member- Hüseyin KEÇECİ), consisting of three members (Chairman - İbrahim Halil ÇİFTÇİ, Member). - Alper ERSOY, Member - Mehmet İlkey COŞKUN) The Corporate Governance Committee and the Early Detection of Risk Committee (Chairman- İbrahim Halil ÇİFTÇİ, Member- Alper ERSOY) were formed.

The number of Board Members is 6 and the membership of the Board of Directors Since the number of members of the committees is higher than the number of the Board of Directors members according to the principles stated in the CMB Corporate Governance Principles and BRSA; members serve on more than one committee.

### 5.4 Risk Management and Internal Control Mechanism

#### - Internal Control

The internal control unit operating under the Audit Committee within the body of the Board of Directors is within the scope of the company-specific control points; - to determine the risks that may occur, to take preventive and mitigation measures and to report the results to the Audit Committee periodically (at least twice a year).

VAKIF FINANCIAL LEASING INC.  
CORPORATE GOVERNANCE PRACTICES

Company activities, systems and processes; whether it has been implemented in accordance with legal regulations, management strategies and policies, and leasing practices; There is a systematic and disciplined approach to directives, workflows and employee compliance and compliance, and recommendations are made to identify and prevent risks and take measures to mitigate them.

It is aimed to define, evaluate, monitor and manage the risk factors of the potential credit, market and operation, which may affect the Company's assets, in order to prevent the damages that may affect the Company's targets, and to create an internal control system for the use of the results in decision mechanisms.

The Internal Control Manager also carries out the duties of ensuring compliance with the legislation of the Financial Crimes Investigation Board as a Compliance Officer, taking necessary measures throughout the Company, carrying out training and control activities and ensuring communication with the Board.

**- Risk Management**

It operates in accordance with the Early Detection of Risk Committee within the Board of Directors. Periodically reports to the Early Detection of Risk Committee by identifying the principles, approaches and key elements to reveal the risks and strategies to be followed in line with the Company's general strategies and short- and long-term goals.

Risk management process; It is a cycle in which the risks that may or may not prevent the realization of the strategic objectives of the organization are identified, defined, classified, and their priorities are determined, evaluated and monitored as a result of the risk assessment.

**5.5 The Company's Strategic Goals**

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

**5.6 Financial Rights**

At the Ordinary General Assembly dated May 15, 2018, it was decided to pay TL 4,250 monthly to the members of the Board of Directors.

There are no other fees or rights granted to the members of the Board of Directors. The remunerations and benefits of the members of the Board of Directors are not determined according to their performance. The losses of the members of the Board of Directors due to their defects during their duties are not insured.

The Company has not provided any debts or credits to any Board Member, nor does it have any guarantees or warranties, such as indemnity, given by a third party through the personal lending of a third party.

In accordance with the Corporate Governance Principles, the remunerations and all other benefits provided to the senior management as well as the members of the Board of Directors are disclosed to the public through the annual report. However, the disclosure is not made on the basis of the person but on the basis of the distinction between the Board of Directors and senior management.

In 2018, the Company paid TRY 379 Thousand to the Members of the Board of Directors and TL 1.491 Thousand to the General Manager and Assistant General Managers.



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

### VAKIF LEASING INC. İSTANBUL

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

I hereby declare, acknowledge and undertake that

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

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

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

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

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

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

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

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

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

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

In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.  
12.04.2018

İbrahim Halil ÇİFTÇİ  
Independent Member of  
Board of Directors



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

**VAKIF LEASING INC.  
İSTANBUL**

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

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

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

14.05.2018

Hüseyin KEÇECİ

Independent Member of  
Board of Directors



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

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which entered into force on July 1, 2012, Vakıf Finansal Kiralama A.Ş., the controlling shareholder of its parent, T.Vakıflar Bankası T.A.O. and the report on the relationship of the controlling shareholder with the affiliated partners. Within the framework of the information presented to the Board of Directors, Vakıf Finansal Kiralama A.Ş. In all transactions carried out in 2018 with the controlling partner and the controlling partner of the controlling shareholder, the transaction is performed or any action is taken or avoided in accordance with the known circumstances in which the transaction is performed. And that there were no measures requiring equalization in this framework.



## ✓ BRIEFING ON OTHER ISSUES

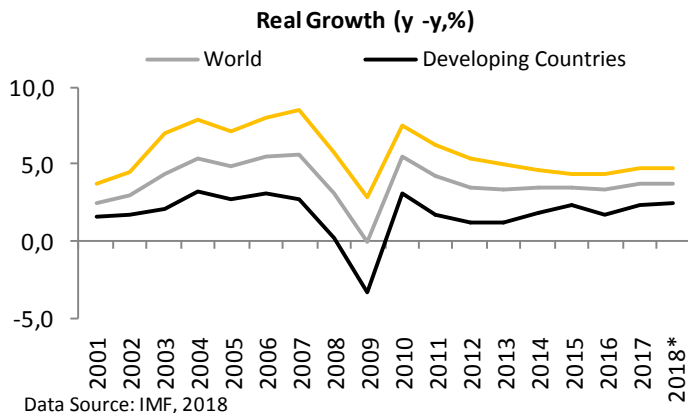
### EXPLANATIONS ON THE CORPORATE GOVERNANCE COMMITTEE

- ✓ In 2018, the Company increased its paid-in capital from TRY 109,000 Thousand to TRY 140,000 Thousand. The increased amount was covered by 2017 profit. There has been no change in the shareholding structure in 2018. There has been no change in the organizational chart.
- ✓ There is no research and development activity in 2018.
- ✓ During the 2018 fiscal year, PwC Independent Audit and Independent Accountant and Financial Consultant A.Ş. was audited by independent auditors on 30.06.2018 and independent audits were performed on 31.12.2018. In addition, the Company's financial statements are subject to full taxation of the corporation tax NSR Yeminli Mali Müşavirlik A.Ş. has been subject to tax inspection on a quarterly basis.
- ✓ There are no ongoing lawsuits or legal proceedings against the Company that may have a negative impact on the Company's financial position or results.
- ✓ There are no administrative and judicial sanctions imposed on the members of the company and the governing body due to the practices contrary to the provisions of the legislation.
- ✓ No extraordinary general meeting was held during the year.
- ✓ The Company does not have any own shares acquired by the Company.
- ✓ Vakıf Leasing's turnover increased by 4,07% in 2018 from USD 258,874 Thousand to USD 269,415 Thousand. The number of transactions, which were 669 in 2017, was 506 in 2018.
- ✓ In 2018, Vakıf Leasing's contract value increased by 31.96% compared to the previous year and reached USD 268,663 Thousand from USD 203,589 Thousand. In 2018, the number of active contracts, which were 536, was 639 in 2017.
- ✓ Aiming to achieve disciplined growth, the Company has been selective in growth in order to manage the profit margin pressure that has been increased as a result of competition in an effective and balanced manner, while not compromising its bottom line spread and quality portfolio creation strategy.
- ✓ As of the end of 2018, the Company's paid-in capital is TL 140 million, and there are no findings and opinions regarding the fact that the capital has remained undisturbed and the Company is in debt.

## ✓ 2018 GLOBAL ECONOMY IN THE WORLD AND TURKEY

### 2018 GLOBAL ECONOMY IN THE WORLD AND TURKEY

*In 2018, there were signs of slowing down in the global economy.*



Conservative policies and trade tensions and political uncertainties posed risks on global economic growth in 2018. Trade wars between the US and China formed the main agenda item of 2018. The trade tension between the two countries began in March when Trump introduced a customs duty on imported steel and aluminum. Afterwards, the tension has increased with reciprocal tariffs with China. During the G-20 Leader Summit held on 30 November - 1 December, US President Donald Trump and Chinese President Xi Jinping agreed that no new customs duty should be introduced for 90 days between the two countries and that the US and China could reach an agreement for 90 days. and the fact that it is in trade negotiations for Turkey has been welcomed. However, the markets, which take into consideration the previous developments between the US and China, are cautious about recent developments.

The European Union (EU) was adversely affected by protectionist policies and trade wars. Especially the slowing growth and political problems after the second half of the year constitute a risk factor on the EU. The protests by the Yellow Vests in November in response to the fuel surge and economic worsening of economic conditions against French President Emmanuel Macron, one of the most important defenders of the EU, created political instability. In the last months of 2018, concerns about Italy's 2019 draft budget have been a risk factor for the European Union. The fact that Italy, which had a heavy burden of debt, rejected the target for the budget deficit / GDP ratio of 2.4% in 2019, which was initially rejected by the EU Commission, caused concerns. A budget agreement could be reached between Italy and the EU Commission, which reduced the budget deficit / GDP target to 2.04%. The uncertainties regarding the UK's Brexit process continued in 2018. Prime Minister Theresa May has agreed on a draft Brexit agreement with EU countries, but the draft has not been ratified by the UK Parliament.

The trade wars with the US and the slowdown in global growth have had a negative impact on the Chinese economy. In 2017, the economy started to show signs of slowdown in 2018. The Chinese economy achieved the lowest growth rate since 1990 with 6.6% in 2018. After the hard capital outflows in 2015, the concerns that the Chinese economy may experience a new crisis continue in the markets. However, following the problems with the US, the weak monetary policy measures against the economic slowdown, the relatively low indebtedness ratio despite the high indebtedness ratio, the capital controls and the high dollar reserve are not expected to be similar to the situation in 2015. The course of trade disputes between the US and China will be important for the global economy and the Chinese economy.

#### *In 2018, the Fed increased its interest rates to 4.*

As expected in 2018, the US Federal Reserve (Fed) increased its interest rates by 25 basis points four times. Trade wars, the sharp decline in US stock markets in the last quarter of the year, concerns about the slowdown in global growth and the decline in oil prices have created the expectation that the Fed will slow down the rate hike in the markets. In addition, the fact that the yield curve, which is closely followed by market analysts and which is considered to be a recession indicator, reversed in 2-year and 5-year maturity bonds and hover in 10-year futures led the Fed to decrease the interest rate increase expectation for 2019 from 2 to 2 in December meeting. The Fed envisages an interest rate hike in 2020. The Fed stated that the interest rates to be made in 2019 will remain dependent on the data and stated that the interest rates are close to the natural interest rate. In October 2017, Fed started to decrease its balance sheet and continued its normalization process in 2018. Fed Chairman Powell stated that the Fed's process of reducing its balance sheet, which reaches \$ 4.5 trillion, will continue in 2019. Changes in the road map for the Fed's interest rate hikes in 2019 will be followed.

The European Central Bank (ECB) continued to normalize its monetary policy by ending asset purchases in December. It is not expected that the ECB will not increase interest rates until the second half of 2019 and in any case the inflation rate is close to 2%. It is expected that the first interest rate increase will be made in the last quarter of 2019 or in 2020.



## 2018 GLOBAL ECONOMY IN THE WORLD AND TURKEY

The Bank of England (BoE) raised its interest rates once again in August 2018, after an interest rate hike in 2017 for the first time after the global crisis. Unlike the US and European Central Banks, the Bank of Japan (BoJ), which failed to pull out of low inflation and low growth rates, has not continued to change its interest rates and incentive program.

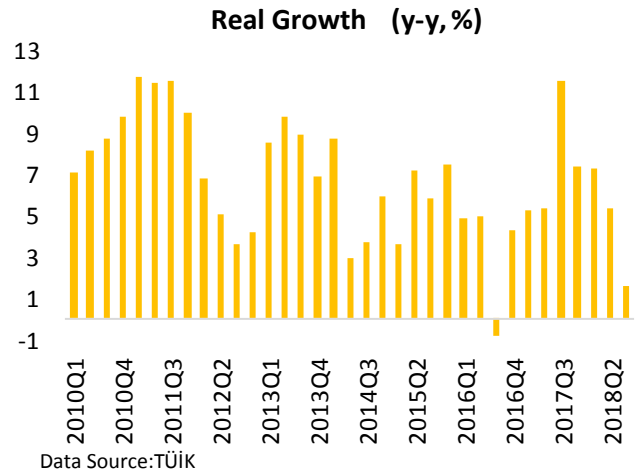
***A fluctuating course in oil prices prevailed.***

In early 2018, due to the pricing of the sanctions to be imposed on Iran in November, the oil prices have increased sharply, and the price of US crude oil has seen over \$ 76 / barrel. The US sanctions on Iran's oil and energy exports began to be implemented on November 5th. However, US President Donald Trump put pressure on OPEC (the Organization of Petroleum Exporting Countries) not to reduce oil production, especially Saudi Arabia, in order to prevent the oil embargo against Iran from causing an increase in oil prices. In addition, Trump has granted 180 days of exemption to 8 countries that import oil from Iran in order to prevent the embargo imposed on Iran from causing a short supply in the market. 6 months exemption from 8 countries, China, Greece, India, Italy, Japan, South Korea, Taiwan and Turkey. In order to prevent price hike, the US has given exemption to these countries and aimed to close the production limit with the production of Saudi Arabia which is the biggest producer of OPEC. In November, Saudi Arabia's oil production reached an historic high of about 11 million barrels per day.

At the OPEC meeting held in Vienna on December 6, 2018 in OPEC and non-OPEC member, OPEC reached an agreement for production for the first six months of 2019. OPEC manufacturers have agreed to reduce production by 800,000 barrels per day. Russia and other allies agreed to cut 400,000 barrels. 1.2 million barrels of production will come into force in January. On the other hand, the trade war between the US and China, the expectations for a slowdown in the global economy in the last quarter of the year, and hence a decrease in global oil demand, suppress the rise in oil prices. The price of US crude oil, which followed a volatile course in 2018, dropped below the \$ 50 / barrel level. In November 2018, the US embargoed 8 countries for a period of 6 months despite the embargo imposed on Iran. In addition, the US's shale gas production and becoming an important oil exporter have strengthened the expectation that oil prices will not rise in the upcoming period.

**TURKISH ECONOMY**

***Turkey's economy has made a modest economic growth in 2018.***



With 7.4% growth rate in 2017 among the G-20 countries are at the forefront of Turkey's economy in the first nine months of 2018 recorded a moderate growth rate of 4.7%. In the first quarter, 7.2% in the third quarter with the impact of the rapid rise in Turkey's economy grew 5.3% in the second quarter interest rate has recorded a sharp deceleration in growth of 1.6%. Despite the sharp slowdown in the third quarter, the positive impact of the sharp rise in exchange rates in August led to an increase in exports' contribution to growth. The said positive contribution is expected to continue in the last quarter. Although the government has taken a stabilization process in the last quarter in line with the measures taken by the government, it is expected that the economy will experience a lower growth rate in the last quarter compared to the third quarter and a growth of 3.8% in 2018.

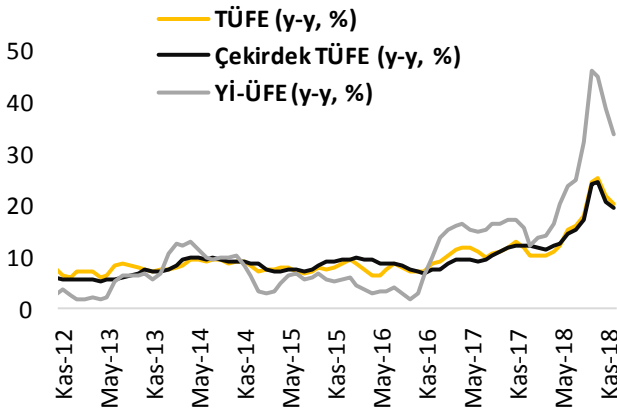


## ✓ 2018 GLOBAL ECONOMY IN THE WORLD AND TURKEY

### *The budget deficit continued to increase due to the expansionary fiscal policy.*

As a result of the expansionary fiscal policy steps, the rapidly growing budget deficit recovered in the first half of 2018. Budget expenditures increased by 24% year-on-year in the period in question, while budget revenues increased by 20% due to stagnation in domestic demand, SCT regulation in fuel oil and discounts on durable consumer goods and a more moderate increase compared to budget expenditures. However, despite the acceleration in the increase in budget expenditures, the increase in the increase in revenues compared to the previous year has been a positive development. Turkey is the most powerful pen in macro-economic indicators, the budget deficit / GDP ratio in the third quarter of 2018 continued to remain below the Maastricht Criteria realized at the level of 2.3% to 3%. The ratio is expected to be 1.9% next year.

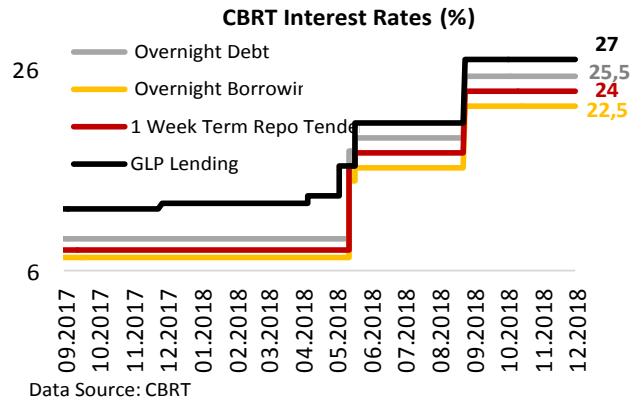
### *The increase in inflation accelerated.*



Data Source: TÜİK

The annual inflation rate, which ended 2017 with 11.9%, continued to increase in 2018 and rose to 25.2% in October due to the negative effect of the sharp increase in the foreign currency in August. After the calmness of the foreign exchange market, the government's measures (SCT cuts and other discounts), the monthly inflation in November was negative. Thus, the inflation ended the year at 20.30%. If there is no new exchange rate shock in the next year, it is expected that inflation will decrease after the first half of the year and inflation will close by 15-16%.

### *CBRT maintained its tight monetary policy stance.*



Data Source: CBRT

Central Bank of the Republic of Turkey (CBRT) sharp fluctuation in the foreign exchange market by 2018 its tight monetary policy stance to protect in 2017, trade war on a global scale, Brexit developments, the Fed's tightening monetary policy steps, has kept even intensifying the negative impact of geopolitical risks.

Taking into account the upside risks on inflation, the CBRT raised the extraordinary liquidity window lending rate by 300 basis points to 16.5% in May. In addition, CBRT completed the simplification process in May and set the one-week repo auction rate as the policy rate. As the exchange rate volatility increased and the risks on inflation increased, the CBRT raised the policy interest rate by 625 basis points in September meeting and made a strong monetary tightening. Thus, the one-week repo rate was increased to 24%, the overnight lending rate to 25.5%, the borrowing interest rate to 22.5% and the late liquidity window lending rate to 27%. In addition, steps have been taken to provide liquidity to banks, such as the reduction of required reserves, and measures to be taken against TL and foreign currency liquidity management. The CBRT stressed that it will maintain its tight stance until a lasting decline in inflation.



## 2018 GLOBAL ECONOMY IN THE WORLD AND TURKEY

***Unemployment rate increased.***

Unemployment rate regressed in the third quarter after the decrease in exchange rate and interest rates as well as the slowdown in economic activity became more pronounced in the first two quarters of the year. It was realized as 11.4% in October. Despite the balancing that started in the last quarter of the economy, while the weakening services sector in domestic demand was reflected more clearly in employment figures, the contraction in the construction sector with cost pressure had a negative impact on the sector employment. Considering that the slowdown in the economy will be reflected to the unemployment rate in the forthcoming period, the unemployment rate is expected to regress in the first quarter of next year after the 13-14% level.

***The central government gross debt stock increased in the leadership of foreign debts.***

As of the end of 2017, the central government gross debt stock, which was TL 876.5 billion at the end of 2017, stood at TL 1 trillion 66.8 billion. TL 586.1 billion of the debt stock is composed of TL and TL 480.6 billion is comprised of foreign currency denominated liabilities. Although the ratio of debt stock to GDP is below 60% within the framework of the Maastricht Criterion called EU Financial Rule%, the domestic borrowing of the Treasury has increased as a result of the increase in budget deficit due to the increasing economic incentives in 2018. Therefore, the ratio of debt stock to GDP may increase. However, the ratio will remain below the Maastricht criterion.

***The current account balance gave a surplus for the first time in 3 years.***

In May 2018, the annual current account deficit, which reached the highest level after April 2014 with USD 58.2 billion, decreased as a result of the economic stabilization process. The current account balance gave a surplus for the first time in August after a 3-year period and a 12-month decline in the current account deficit. The decrease in current account deficit is expected to continue in 2019 as well. Thus, the current account deficit / GDP ratio, which was 5.6% in 2017, is expected to decline to 3.5% in 2019, and the decline in 2019 is expected to continue.



## VAKIF LEASING IN 2018

**VAKIF LEASING IN 2018**

Vakif Leasing's turnover increased by 4,07% in 2018 from USD 258,874 Thousand to USD 269,415 Thousand. The number of transactions, which were 669 in 2017, was 506 in 2018.

In 2018, Vakif Leasing's contract value increased by 31.96% compared to the previous year and reached USD 268,663 Thousand from USD 203,589 Thousand. In 2018, the number of active contracts, which were 536, was 639 in 2017.

**One thousand USD-Vakif Leasing**

Period	2018	2017	Increase %
First 3-month period	81,416	46,699	74,34
Second 3-month period	87,098	33,578	159,39
Third 3-month period	70,515	56,178	25,52
Fourth 3-month period	29,634	68,239	-56,57
<b>TOTAL</b>	<b>268,663</b>	<b>203,589</b>	<b>31,96</b>
<b>Number of contracts</b>	<b>536</b>	<b>639</b>	<b>-16,12</b>



## ✓ GENERAL ASSESSMENT

### GENERAL ASSESSMENT

Vakif Leasing is one of the oldest players in the Turkish leasing sector. Since 1988, Vakif Leasing has maintained its pioneering role in the promotion and development of financial leasing. Vakif Leasing, which mediated a fixed asset investment of 269 Million USD in 2018, made significant contributions to the development of our country's economy as well as SMEs.

Vakif Leasing, which aims to provide financial intermediation to SMEs and commercial segment investors constituting a significant part of its customer portfolio, continues its path by increasing its market share in the sector.

In 2018, the Sell and Back Lease product contributed to Vakif Leasing's transaction volume in parallel with the sector. In line with its sustainable targets, Vakif Leasing aims to concentrate mainly on real estate, business and construction machinery in line with its sustainable targets and aims to increase its market share in 2019 by supporting investments without considering scale and sector differences.

With over 30 years of experience, industry knowledge and solution-oriented employees and alternative financing options, we have brought a great deal of activity to our company as well as the sector. The companies that are in need of capital and who aim to grow their business can strengthen their balance sheet and credibility by strengthening the equity with in Sell and Back Lease method.

In 2018, Vakif Leasing increased its assets by 47% to TL 3,086 Million with a transaction volume of 269 million USD, while its financial lease receivables were increased by 48% to TL 2,789 million and shareholders' equity was 20%. has increased to TL 247 million and continued its growth trend.

Our target for 2019, our transaction volume taking into account Turkey's domestic market growth and demand for commercial loans, which carry a healthy growth to come. Vakifbank will continue its efforts to reach its targets with its wide customer portfolio and service network in the whole country by taking the corporate power of nearly thousand branches of Vakifbank.

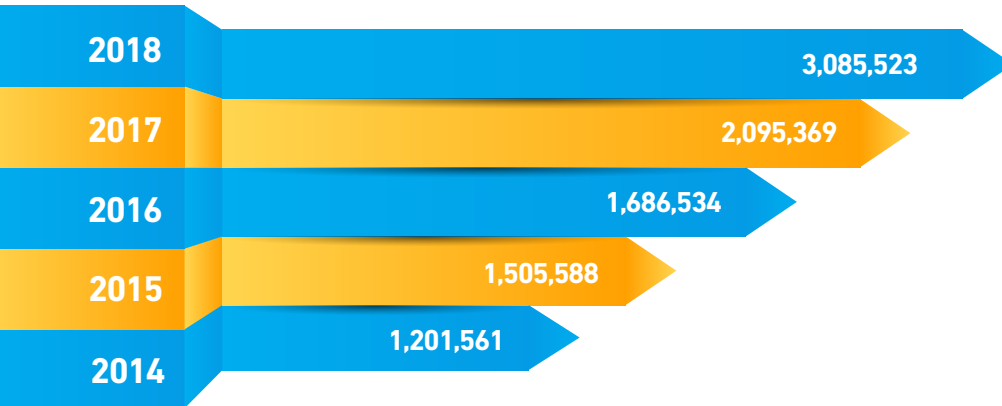
Foundations Leasing investors on-site service and quick response in order to give Ankara, Izmir, Adana, are represented in Bursa and Antalya in some branches across Turkey is planning to realizing its goal the development and support staff of the branch network.



## ✓ PRIMARY FINANCIAL INDICATORS AND RATIOS

### PRIMARY FINANCIAL INDICATORS

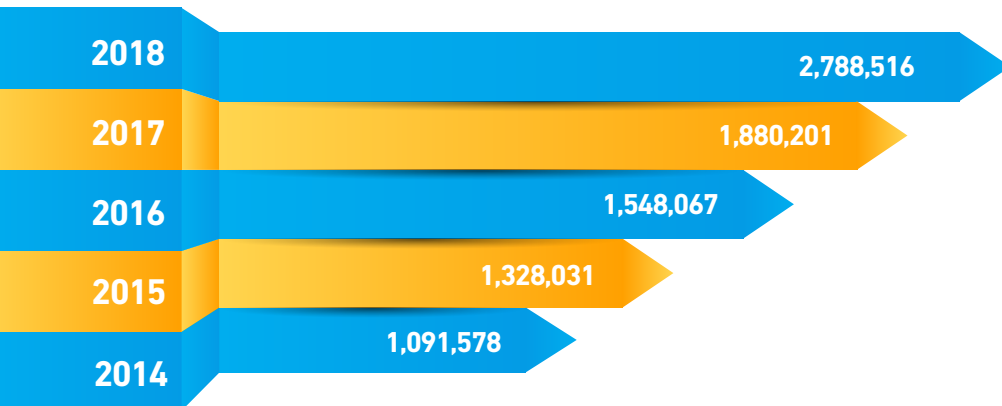
#### TOTAL ASSETS (THOUSAND TL)



**+%47.3**

Vakif Leasing's total assets increased by 47.3% compared to the previous year and reached TRY 3,085,523 thousand.

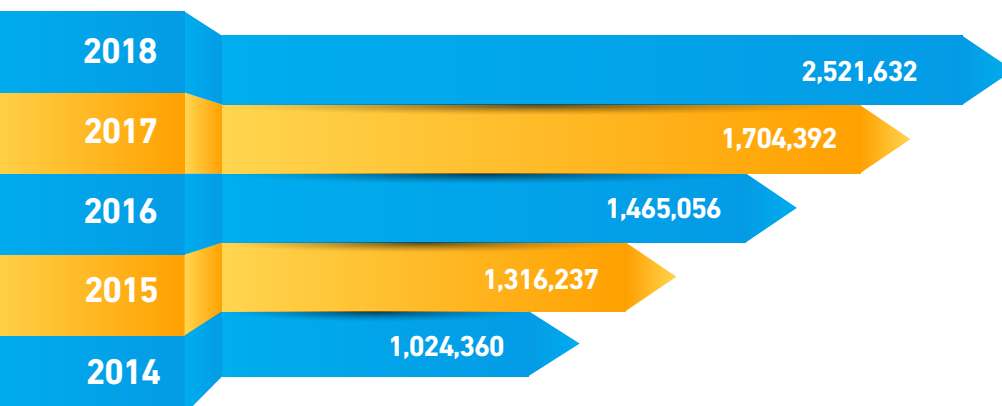
#### LEASING RECEIVABLES (THOUSAND TL)



**+%48.3**

Vakif Leasing's total leasing receivables increased by 48.3% to TRY 2,788,516 Thousand.

#### CREDITS OBTAINED



**+%47.9**

Vakif Leasing's total loans compared to the previous year It increased by 47.9% to TRY 2,521,632 Thousand.

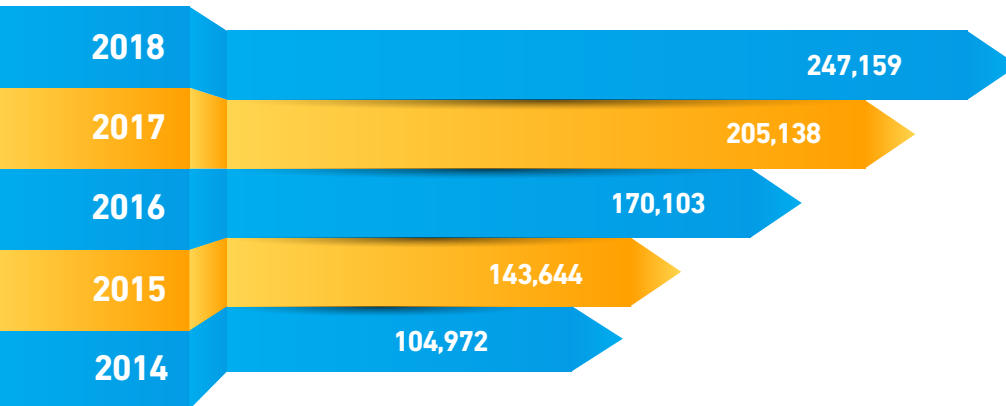




## PRIMARY FINANCIAL INDICATORS AND RATIOS

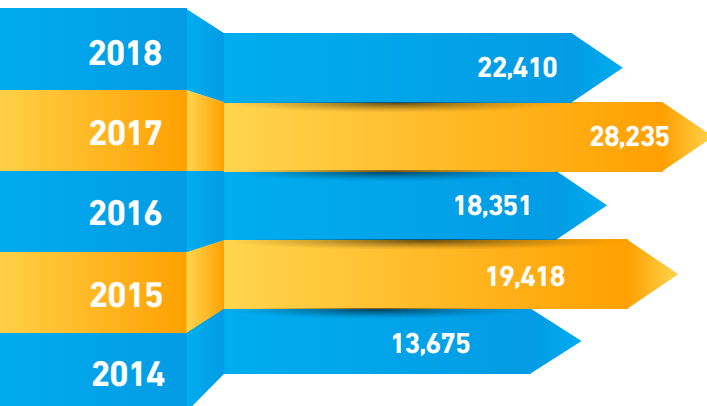
## PRIMARY FINANCIAL INDICATORS

## SHAREHOLDERS' EQUITY (THOUSAND TRY)

**+%20.5**

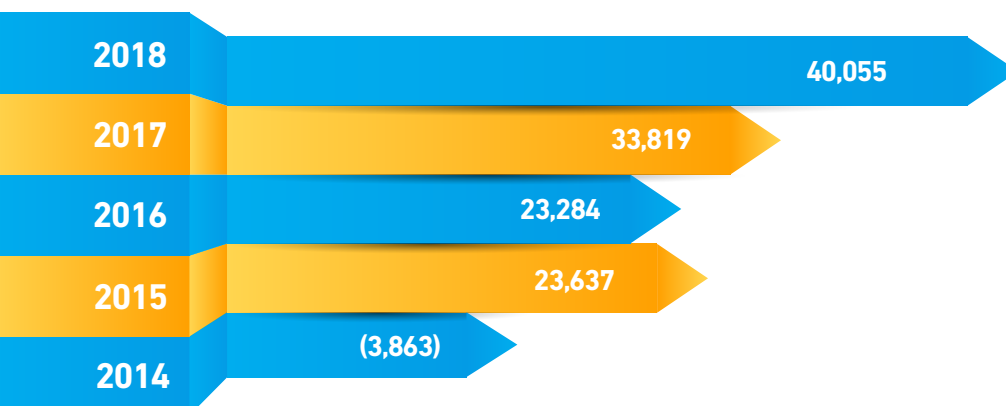
*Vakif Leasing's total shareholders equity increased 20.5% to TRY 247,159 Thousand.*

## GROSS PROFIT/LOSS (THOUSAND TL)

**-%20.6**

*Vakif Leasing's gross operating profit decreased by 20.6% to TRY 22,410 Thousand.*

## NET PROFIT (THOUSAND TRY)

**+%18.4**

*Vakif Leasing's net profit increased by 18.4 percent year on year to TRY 40,055 Thousand*



## ✓ PRIMARY FINANCIAL INDICATORS AND RATIOS

### PRIMARY RATIOS

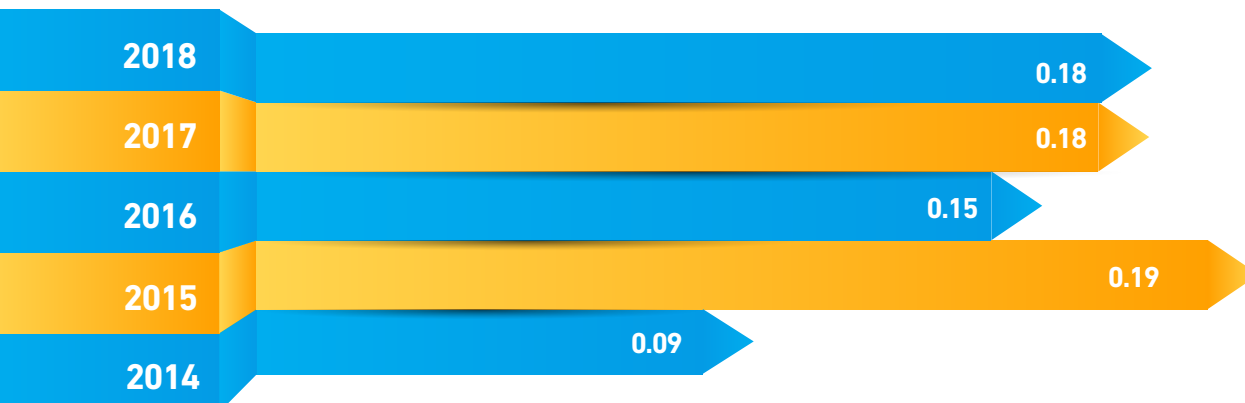
**Active Profitability Ratio (ROA) - (Period Profit - Loss / Average Active)**



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



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





## “ JCR Eurasia Rating,

has reviewed and affirmed  
the credit rating of  
**Vakıf Finansal  
Kiralama A.Ş. and its  
subsidiary's  
consolidated structure**

as **'A- (Trk)'** on the Long  
Term National Scale,

as **'A-1 (Trk)'** on the Long  
Term National Scale and

as **'BBB-'** on the Long  
Term International Scale.

Assigned **'Stable'** outlooks  
for national grades.

”

### RATINGS

	Long Term	Short Term
Foreign	BBB-	A-3
Local Currency	BBB-	A-3
Outlook	FC Neg.	Neg.
Issue Rating	LC Neg.	Neg.
Issue Rating	n.a	n.a
Local Rating	A (Trk)	A-1(Trk)
Outlook	Stable	Stable
Issue Rating	A (Trk)	A-1(Trk)
Sponsor Support	1	-
Stand-Alone	AB	-

Sector: Leasing

Report Date: 21/03/2019

Analyst(s)

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## Press Release

Istanbul – March 21, 2019

JCR Eurasia Rating has affirmed the investment grade credit ratings of “the consolidated financials of Vakıf Finansal Kiralama A.Ş. and its subsidiary” as ‘A- (Trk)’ and ‘A-1 (Trk)’ on the Long and Short Term National Scales, respectively, and assigned a ‘Stable’ outlook for the stated grades in its periodical review process. On the other hand, the Long Term International Foreign and Local Currency ratings were also affirmed at the country ceiling level of ‘BBB-’. Other notes and details of the ratings are given in the left-hand column.

The oligopolistic structure dominated by the bank-related companies resulting with more associative activities with banking sector compared to other countries, the high level of sensitivity to changes in tax legislation, the relatively low penetration rate, the maturity mismatch resulting from medium- and long-term investment financing services offered mostly through short-term resources, the high level of sensitivity to developments in the external value of TRY due to transaction volume mostly composed of foreign currencies are the most basic characteristics of the Turkish Leasing Sector. With the recent regulations, the development of the institutional structure of the sector, the quality, standardization and transparency of financial reporting and the level of competition equality have significantly changed, and additional leasing issues and operational conveniences have been introduced that could contribute significantly to the transaction volume of the sector. However, the issues, starting in the second half of 2018 and foreseen to continue in an important part of 2019, such as the contraction in the investment environment, the deceleration in the household consumption expenditures and the deterioration in the consumer and real sector confidence adversely effected the leasing sector. The declining private sector machinery investments especially in construction, plastic and textile sectors, which have a significant share in leasing transactions, did not contribute positively to the development of the sector. However, tax advantages, facilitation of collateral systems, and reduction of reserve ratios continue to support the development of the sector. Factors such as the increase in sell and lease back transactions through significant tax exemptions, leasing sector activities of participation banks and commissioning of operational leasing will continue to contribute positively to the rise in the penetration rate of the sector with the balancing of the existing economic conjuncture. While the USD-based trading volume of the sector shranked significantly in the completed fiscal year, the TRY-based asset growth continued due to the foreign currency weighted assets structure and the depreciation in TRY. Macro level investments in replacement and capacity increasing, use of leasing in public investment and access to long-term financing facilities will continue to be important criteria regarding the growth of the leasing sector in 2019 and following periods.

Vakıf Finansal Kiralama A.Ş., having a high compliance level with corporate governance practices within the scope of its publicly listed shareholding structure, carries out its operations mainly focused on SMEs and investors in the commercial segment through its headquarters, five branches, 948 branches of its parent company, Vakıfbank, and its consolidated subsidiary, Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi (Vakıf Sigorta). The Company increased its market efficiency and share by significantly increasing its USD-based transaction volume despite the contraction in the overall sector, increased its paid-in capital with internal resources over the last three years and continued to improve the quality of its relatively low equity level that is the common characteristics of the bank-related companies stemming from their strong shareholding structures and ability to access to funding sources, relieved its liquidity management and contributed to its exposure level to market risks through funding sources diversified by the debt instrument and lease certificate issuances and almost equal and foreign currency weighted distribution of its borrowing structure unlike the short-term weighted borrowing composition that dominates the sector, improved its asset quality by decreasing its continuously above sector NPL to below averages via write-off of its doubtful receivables that has lost their collectability and preserved positive contribution potential on future profitability ratios through maintaining high collateral and collectability levels of doubtful receivables.

Increased volatility potential on future profitability ratios due to higher contribution of other operating income mostly composed of FX gains to total income; profitability ratios suppressed by the increased provisions and above average standing of financing expenses; and the increase in debt restructurings, based on maturity extension with if possible updated interest rates, both in the Company and the overall sector aiming to support the real sector firms with weakened debt-service capability due to the slowing down economic activities and the depreciating TRY; have been effective in affirmation of the Company's Short and Long-Term National ratings and formed the key issues to be followed in the upcoming period. No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

In addition to the recent legal arrangements aiming to support the sector and our consideration that the major controlling shareholder, Vakıfbank T.A.Ş., has the willingness and experience to ensure long term liquidity and equity within their financial capability and to provide efficient operational support to Vakıf Finansal Kiralama A.Ş. when required, the Company initiated efforts to increase intra-group synergy and Vakıfbank branches supported transaction volume in the last year. In this regard, the Company's Support Rating Grade has been upgraded to (1) in JCR Eurasia Rating notation.

On the other hand, taking into account the Company's organizational structure, asset size, market efficiency, corporate governance practices and track record, we, as JCR Eurasia Rating, are of the opinion that Vakıf Finansal Kiralama A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it maintains the efficiency in the market. Within this context, the Stand Alone Grade of the Company has been determined as (AB) in the JCR Eurasia Rating notation system.

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

**JCR EURASIA RATING**  
Administrative Board



**VAKIF FİNANSAL KİRALAMA A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2018**



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

VAKIF FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

CONTENTS	PAGE
CONSOLIDATED FINANCIAL POSITION STATEMENT (BALANCE SHEET).....	1-4
CONSOLIDATED OFF-BALANCE SHEET ITEMS .....	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	6-7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER	
COMPREHENSIVE INCOME .....	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	9-10
CONSOLIDATED STATEMENT OF CASH FLOWS .....	11-12
STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD .....	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	14-61
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP .....	14-15
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	15-34
NOTE 3 SEGMENT REPORTING.....	35
NOTE 4 FINANCIAL ASSETS .....	35
NOTE 5 LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES .....	36-38
NOTE 6 TANGIBLE ASSETS.....	38-39
NOTE 7 INTANGIBLE ASSETS .....	39-40
NOTE 8 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....	40
NOTE 9 TAX ASSETS AND LIABILITIES .....	40-42
NOTE 10 OTHER ASSETS .....	42
NOTE 11 BORROWINGS .....	43-44
NOTE 12 SECURITIES ISSUED .....	44
NOTE 13 OTHER LIABILITIES .....	45
NOTE 14 PROVISIONS .....	45
NOTE 15 EQUITY .....	46
NOTE 16 OPERATING EXPENSES.....	47
NOTE 17 OTHER OPERATING INCOME/EXPENSE .....	48
NOTE 18 EARNINGS PER SHARE .....	48
NOTE 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	49
NOTE 20 CONTINGENT ASSETS AND LIABILITIES.....	50
NOTE 21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	51-59
NOTE 22 FINANCIAL INSTRUMENTS.....	59-61
NOTE 23 OTHER ISSUES .....	61
NOTE 24 SUBSEQUENT EVENTS.....	61



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED FINANCIAL POSITION STATEMENT AT 31 DECEMBER 2018 (BALANCE SHEET) (Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Note	Audited Current Period 31 December 2018		
		TL	FC	Total
<b>I. Financial Assets (Net)</b>	<b>4</b>	<b>13,222</b>	<b>160,400</b>	<b>173,622</b>
1.1 Cash And Cash Equivalents		2,705	160,400	163,105
1.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income		10,517	-	10,517
1.4 Financial Assets Measured At Amortized Cost		-	-	-
1.5 Derivative Financial Assets		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Specific Provisions / Expected Loss Provisions (-)		-	-	-
<b>II. LOANS (Net)</b>		<b>549,317</b>	<b>2,314,368</b>	<b>2,863,685</b>
<b>2.1 Factoring Receivables</b>		-	-	-
2.1.1 Discounted Factoring Receivables (Net)		-	-	-
2.1.2 Other Factoring Receivables		-	-	-
<b>2.2 FINANCE LOANS</b>		-	-	-
2.2.1 Consumer Loans		-	-	-
2.2.2 Credit Cards		-	-	-
2.2.3 Commercial Instalment Loans		-	-	-
<b>2.3 Leasing Transactions</b>	<b>5</b>	<b>534,308</b>	<b>2,254,208</b>	<b>2,788,516</b>
2.3.1 Receivables from Leasing Transactions (Net)		491,995	2,021,677	2,513,672
2.3.1.1 Financial Lease Receivables		655,248	2,281,106	2,936,354
2.3.1.2 Operational Lease Receivables		-	-	-
2.3.1.3 Unearned Income (-)		(163,253)	(259,429)	(422,682)
2.3.2 Investments Under Construction		11,101	110,135	121,236
2.3.3 Advances Given for Leasing Transactions		25,842	120,852	146,694
2.3.4 Other Receivables Related to Leasing Transactions		5,370	1,544	6,914
<b>2.4 DOUBTFUL RECEIVABLES (Net)</b>	<b>5</b>	<b>15,009</b>	<b>60,160</b>	<b>75,169</b>
2.4.1 Doubtful Factoring Receivables		-	-	-
2.4.2 Doubtful Finance Loans		-	-	-
2.4.3 Doubtful Lease Receivables		27,004	129,143	156,147
2.4.4 Specific Provisions (-)		(11,995)	(68,983)	(80,978)
<b>2.5 Expected Loss Provisions (-)</b>		-	-	-
<b>III. SHAREHOLDING INVESTMENTS</b>		-	-	-
<b>3.1 Associates (Net)</b>		-	-	-
3.1.1 Valuation by Equity Method		-	-	-
3.1.2 Unconsolidated		-	-	-
<b>3.2 Subsidiaries (Net)</b>		-	-	-
3.2.1 Unconsolidated Financial Partnerships		-	-	-
3.2.2 Non-Consolidated Non-Financial Partnerships		-	-	-
<b>3.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>		-	-	-
3.3.1 Valuation by Equity Method		-	-	-
3.3.2 Unconsolidated		-	-	-
<b>IV. TANGIBLE ASSETS (Net)</b>	<b>6</b>	<b>20,543</b>	-	<b>20,543</b>
<b>V. INTANGIBLE ASSETS (Net)</b>	<b>7</b>	<b>523</b>	-	<b>523</b>
<b>VI. INVESTMENT PROPERTIES (Net)</b>		-	-	-
<b>VII. CURRENT PERIOD TAX ASSET</b>		-	-	-
<b>VIII. DEFERRED TAX ASSETS</b>	<b>9</b>	<b>12,346</b>	-	<b>12,346</b>
<b>IX. OTHER ASSETS</b>	<b>10</b>	<b>4,720</b>	<b>9,854</b>	<b>14,574</b>
<b>SUBTOTAL</b>		<b>600,671</b>	<b>2,484,622</b>	<b>3,085,293</b>
<b>X. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>8</b>	<b>230</b>	-	<b>230</b>
10.1 Held for resale		230	-	230
10.2 Discontinued Operations		-	-	-
<b>TOTAL ASSETS</b>		<b>600,901</b>	<b>2,484,622</b>	<b>3,085,523</b>

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED FINANCIAL POSITION STATEMENT AT 31 DECEMBER 2018 (BALANCE SHEET)

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

ASSETS	Note	Audited		
		Prior period 31 December 2017		
		TL	FC	Total
<b>I. CASH AND CASH EQUIVALENTS and CENTRAL BANK</b>		-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		-	-	-
2.1 Financial Assets Held for Trading		-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-
<b>III. BANKS</b>	<b>4</b>	<b>2,072</b>	<b>109,990</b>	<b>112,062</b>
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>4</b>	<b>8,064</b>	-	<b>8,064</b>
<b>VI. FACTORING RECEIVABLES</b>		-	-	-
6.1 Discounted Factoring Receivables		-	-	-
6.1.1 Domestic		-	-	-
6.1.2 Foreign		-	-	-
6.1.3 Unearned Income (-)		-	-	-
6.2 Other Factoring Receivables		-	-	-
6.2.1 Domestic		-	-	-
6.2.2 Foreign		-	-	-
<b>VII. FINANCE LOANS</b>		-	-	-
7.1 Consumer Loans		-	-	-
7.2 Credit Cards		-	-	-
7.3 Commercial Instalment Loans		-	-	-
<b>VIII. LEASE RECEIVABLES</b>	<b>5</b>	<b>474,045</b>	<b>1,406,156</b>	<b>1,880,201</b>
8.1 Receivables from Leasing Transactions		464,541	1,296,317	1,760,858
8.1.1 Financial Lease Receivables		602,478	1,455,943	2,058,421
8.1.2 Operational Lease Receivables		-	-	-
8.1.3 Unearned Income (-)		(137,937)	(159,626)	(297,563)
8.2 Assets to Be Leased		6,776	48,748	55,524
8.3 Advances Given for Leasing Transactions		2,728	61,091	63,819
<b>IX. OTHER RECEIVABLES</b>		<b>4,916</b>	<b>286</b>	<b>5,202</b>
<b>X. DOUBTFUL RECEIVABLES</b>	<b>5</b>	<b>31,215</b>	<b>22,850</b>	<b>54,065</b>
10.1 Doubtful Factoring Receivables		-	-	-
10.2 Doubtful Finance Loans		-	-	-
10.3 Doubtful Lease Receivables		62,084	111,470	173,554
10.4 Specific Provisions (-)		(30,869)	(88,620)	(119,489)
<b>XI. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		-	-	-
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		-	-	-
11.3 Foreign Net Investment Hedge		-	-	-
<b>XII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>		-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-
<b>XIV. INVESTMENTS IN ASSOCIATES (Net)</b>		-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>	<b>6</b>	<b>20,900</b>	-	<b>20,900</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>7</b>	<b>483</b>	-	<b>483</b>
17.1 Goodwill		-	-	-
17.2 Other		483	-	483
<b>XVIII. PREPAID EXPENSES</b>	<b>10</b>	<b>750</b>	<b>2,891</b>	<b>3,641</b>
<b>XIX. CURRENT PERIOD TAX ASSET</b>		-	-	-
<b>XX. DEFERRED TAX ASSETS</b>	<b>9</b>	<b>10,302</b>	-	<b>10,302</b>
<b>XXI. OTHER ASSETS</b>	<b>10</b>	<b>241</b>	-	<b>241</b>
<b>SUBTOTAL</b>		<b>552,988</b>	<b>1,542,173</b>	<b>2,095,161</b>
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>8</b>	<b>208</b>	-	<b>208</b>
22.1 Held for resale		208	-	208
22.2 Discontinued Operations		-	-	-
<b>TOTAL ASSETS</b>		<b>553,196</b>	<b>1,542,173</b>	<b>2,095,369</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED FINANCIAL POSITION STATEMENT AT 31 DECEMBER 2018 (BALANCE SHEET)

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

LIABILITIES		Note	Audited		
			Current Period 31 December 2018		TOTAL
			TP	YP	
<b>I.</b>	<b>FUNDS BORROWED</b>	<b>11</b>	<b>261,581</b>	<b>2,260,051</b>	<b>2,521,632</b>
<b>II.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>III.</b>	<b>LEASE OBLIGATIONS</b>		-	-	-
3.1	Finance Lease Obligations		-	-	-
3.2	Operational Lease Obligations		-	-	-
3.3	Other		-	-	-
3.4	Deferred Finance Lease Expenses (-)		-	-	-
<b>IV.</b>	<b>DEBT SECURITIES ISSUED</b>	<b>12</b>	<b>168,682</b>	-	<b>168,682</b>
4.1	Bills		98,856	-	98,856
4.2	Asset-Backed Securities		69,826	-	69,826
4.3	Bonds		-	-	-
<b>V.</b>	<b>FINANCIAL LIABILITIES FOR WHICH THE FAIR VALUE DIFFERENCE IS RECOGNISED THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		-	-	-
<b>VII.</b>	<b>PROVISIONS</b>	<b>13</b>	<b>4,747</b>	-	<b>4,747</b>
7.1	Restructuring Provision		-	-	-
7.2	Provision for Employee Rights Liability		4,747	-	4,747
7.3	General Provisions		-	-	-
7.4	Other Provisions		-	-	-
<b>VIII.</b>	<b>CURRENT PERIOD TAX LIABILITY</b>	<b>9</b>	<b>13,771</b>	-	<b>13,771</b>
<b>IX.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-
<b>X.</b>	<b>DEBT INSTRUMENTS SIMILAR TO CAPITAL</b>		-	-	-
<b>XI.</b>	<b>OTHER LIABILITIES</b>		<b>31,359</b>	<b>98,173</b>	<b>129,532</b>
	<b>SUBTOTAL</b>		<b>480,140</b>	<b>2,358,224</b>	<b>2,838,364</b>
<b>XII.</b>	<b>PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS(Net)</b>		-	-	-
12.1	Held For Sale		-	-	-
12.2	Discontinued Operations		-	-	-
<b>XIII.</b>	<b>EQUITY</b>	<b>15</b>	<b>247,159</b>	-	<b>247,159</b>
13.1	Paid-in Capital		140,000	-	140,000
13.2	Capital Reserves		353	-	353
13.2.1	Share Premiums		-	-	-
13.2.2	Share Cancellation Profits		-	-	-
13.2.3	Other Capital Reserves		353	-	353
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		16,153	-	16,153
13.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		7,958	-	7,958
13.5	Profit Reserves		42,610	-	42,610
13.5.1	Legal Reserves		7,984	-	7,984
13.5.2	Statutory Reserves		-	-	-
13.5.3	Extraordinary Reserves		34,626	-	34,626
13.5.4	Other Profit Reserves		-	-	-
13.6	Profit or Loss		40,055	-	40,055
13.6.1	Prior Periods Profit/Loss		-	-	-
13.6.2	Current Period Profit/Loss		40,055	-	40,055
13.7	Non-Controlling Interests		30	-	30
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>727,299</b>	<b>2,358,224</b>	<b>3,085,523</b>

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS AT 31 DECEMBER 2017 (BALANCE SHEET)

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

LIABILITIES	Note	Audited		
		Prior period 31 December 2017		
		TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>		-	-	-
<b>II. FUNDS BORROWED</b>	<b>11</b>	<b>305,409</b>	<b>1,398,983</b>	<b>1,704,392</b>
<b>III. FACTORING PAYABLES</b>		-	-	-
<b>IV. LEASE OBLIGATIONS</b>		-	-	-
4.1 Finance Lease Obligations		-	-	-
4.2 Operational Lease Obligations		-	-	-
4.3 Other		-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>V. DEBT SECURITIES ISSUED (Net)</b>	<b>12</b>	<b>94,921</b>	-	<b>94,921</b>
5.1 Bills		94,921	-	94,921
5.2 Asset-Backed Securities		-	-	-
5.3 Bonds		-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	<b>13</b>	<b>5,718</b>	<b>18,421</b>	<b>24,139</b>
<b>VII. OTHER LIABILITIES</b>	<b>13</b>	<b>10,440</b>	<b>44,109</b>	<b>54,549</b>
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-
8.1 Fair Value Hedges		-	-	-
8.2 Cash Flow Hedges		-	-	-
8.3 Net Foreign Investment Hedges		-	-	-
<b>IX. TAXES AND DUTIES PAYABLE</b>	<b>9</b>	<b>1,287</b>	-	<b>1,287</b>
<b>X. PROVISIONS</b>	<b>14</b>	<b>3,779</b>	-	<b>3,779</b>
10.1 Restructuring Reserves		-	-	-
10.2 Reserves For Employee Benefits		3,779	-	3,779
10.3 Other Provisions		-	-	-
<b>XI. DEFERRED INCOME</b>		<b>1,351</b>	<b>1,957</b>	<b>3,308</b>
<b>XII. CURRENT PERIOD TAX LIABILITY</b>	<b>9</b>	<b>3,856</b>	-	<b>3,856</b>
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-
<b>SUBTOTAL</b>		<b>426,761</b>	<b>1,463,470</b>	<b>1,890,231</b>
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-
15.1 Held For Sale		-	-	-
15.2 Discontinued Operations		-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>15</b>	<b>205,138</b>	-	<b>205,138</b>
16.1 Paid-in Capital		109,000	-	109,000
16.2 Capital Reserves		353	-	353
16.2.1 Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		353	-	353
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		16,449	-	16,449
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		5,628	-	5,628
16.5 Profit Reserves		39,791	-	39,791
16.5.1 Legal Reserves		6,286	-	6,286
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		33,505	-	33,505
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or Loss		33,819	-	33,819
16.6.1 Prior Periods Profit/Loss		-	-	-
16.6.2 Current Period Profit/Loss		33,819	-	33,819
16.7 Non-Controlling Interests		98	-	98
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>631,899</b>	<b>1,463,470</b>	<b>2,095,369</b>

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The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.

# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS AT 31 DECEMBER 2018 (BALANCE SHEET)

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

OFF-BALANCE SHEET ITEMS		Audited		
		Current Period 31 December 2018		
	Note	TL	FC	Total
<b>I. IRREVOCABLE FACTORING TRANSACTIONS</b>		-	-	-
<b>II. REVOCABLE FACTORING TRANSACTIONS</b>		-	-	-
<b>III. COLLATERALS RECEIVED</b>	20	5,446,023	18,294,684	23,740,707
<b>IV. COLLATERALS GIVEN</b>		-	-	-
<b>V. COMMITMENTS</b>	20	403,112	509,874	912,986
5.1 Irrevocable Commitments		352,393	135,445	487,838
5.2 Revocable Commitments		50,719	374,429	425,148
5.2.1 Lease Commitments		50,719	374,429	425,148
5.2.1.1 Finance Lease Commitments		50,719	374,429	425,148
5.2.1.2 Operational Lease Commitments		-	-	-
5.2.2 Other Revocable Commitments		-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-
6.1 Derivative Financial Instruments for Risk Management		-	-	-
6.1.1 Fair Value Hedges		-	-	-
6.1.2 Cash Flow Hedges		-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-
6.2 Derivative Financial Instruments Held For Trading		-	-	-
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2 Swap Purchases/Sales		-	-	-
6.2.3 Put/call options		-	-	-
6.2.4 Futures purchases/sales		-	-	-
6.2.5 Others		-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>		895,951	2,934,630	3,830,581
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		6,745,086	21,739,188	28,484,274

OFF-BALANCE SHEET ITEMS		Audited		
		Prior period 31 December 2017		
	Note	TL	FC	Total
<b>I. IRREVOCABLE FACTORING TRANSACTIONS</b>		-	-	-
<b>II. REVOCABLE FACTORING TRANSACTIONS</b>		-	-	-
<b>III. COLLATERALS RECEIVED</b>	20	5,044,557	12,190,606	17,235,163
<b>IV. COLLATERALS GIVEN</b>		-	-	-
<b>V. COMMITMENTS</b>	20	286,288	430,901	717,189
5.1 Irrevocable Commitments		239,968	67,719	307,687
5.2 Revocable Commitments		46,320	363,182	409,502
5.2.1 Lease Commitments		46,320	363,182	409,502
5.2.1.1 Finance Lease Commitments		46,320	363,182	409,502
5.2.1.2 Operational Lease Commitments		-	-	-
5.2.2 Other Revocable Commitments		-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-
6.1 Derivative Financial Instruments for Risk Management		-	-	-
6.1.1 Fair Value Hedges		-	-	-
6.1.2 Cash Flow Hedges		-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-
6.2 Derivative Financial Instruments Held For Trading		-	-	-
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-
6.2.2 Swap Purchases/Sales		-	-	-
6.2.3 Put/call options		-	-	-
6.2.4 Futures purchases/sales		-	-	-
6.2.5 Others		-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>		565,019	645,065	1,210,084
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		5,895,864	13,266,572	19,162,436

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# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED PROFIT OR LOSS STATEMENT AT 1 JANUARY - 31 DECEMBER 2018

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

INCOME STATEMENT		Note	1 January - 31 December 2018	Audited Current Period
<b>I.</b>	<b>OPERATING INCOME</b>			<b>204,429</b>
	<b>FACTORING INCOME</b>			-
1.1	Factoring Interest Income			-
1.1.1	Discounted			-
1.1.2	Other			-
1.2	Factoring Commission Income			-
1.2.1	Discounted			-
1.2.2	Other			-
	<b>INCOME FROM FINANCING LOANS</b>			-
1.3	Interest income from financing loans			-
1.4	Fees and commissions received from financing loans			-
	<b>LEASE INCOME</b>			<b>204,429</b>
1.5	Finance Lease Income			200,059
1.6	Operational Lease Income			-
1.7	Fees and Commissions Received from Lease Operations			4,370
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>			<b>(159,861)</b>
2.1	Interest Expense on Funds Borrowed			(122,899)
2.2	Interest Expense on Factoring Payables			-
2.3	Interest Expense of Finance Leasing Expenses			-
2.4	Interest Expense on Securities Issued			(30,680)
2.5	Other Interest Expenses			-
2.6	Fees and Commissions Paid			(6,282)
<b>III.</b>	<b>GROSS PROFIT / LOSS (I+II)</b>			<b>44,568</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>16</b>		<b>(22,158)</b>
4.1	Personnel Expenses			(14,470)
4.2	Reserve for employee termination benefits			(423)
4.3	Development and Research Expenses			-
4.4	General administrative expenses			(7,265)
4.5	Others			-
<b>V.</b>	<b>GROSS OPERATING INCOME/LOSS (III+IV)</b>			<b>22,410</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>17</b>		<b>65,127</b>
6.1	Interest Income on Bank Deposits			1,859
6.2	Interest Income on Reverse Repurchase Agreements			-
6.3	Interest Income on Financial Assets Held for Trading			-
6.3.1	Interest Income on Financial Assets at Fair Value Through Profit or Loss			-
6.3.2	Interest Income on Financial Assets Available For Sale			-
6.3.4	Interest Income on Financial Assets Held to Maturity			-
6.4	Dividend Income			109
6.5	Trading Account Income			-
6.6	Income From Derivative Financial Instruments			-
6.7	Foreign Exchange Gains			38,639
6.8	Other			24,520
<b>VII.</b>	<b>PROVISIONS</b>	<b>5</b>		<b>(35,665)</b>
7.1	Specific Provisions			(35,665)
7.2	Expected Loss Provisions			-
7.3	General Provisions			-
7.4	Other			-
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>17</b>		<b>(1,494)</b>
8.1	Impairment Losses on Securities Portfolio			-
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss			-
8.1.2	Impairment Losses on Financial Assets Available For Sale			-
8.2	Impairment Losses on Financial Assets Held to Maturity			-
8.2.1	Impairment Losses on Tangible Assets			-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations			-
8.2.3	Impairment Losses on Other Intangible Assets			-
8.2.4	Impairment Losses on Subsidiaries, Associates and Joint Ventures			-
8.3	Losses From Derivative Financial Instruments			(1,023)
8.4	Foreign Exchange Losses			-
8.5	Other			(471)
<b>IX.</b>	<b>NET OPERATING PROFIT / LOSS (V+...+VIII)</b>			<b>50,378</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>			-
<b>XI.</b>	<b>SHARES FROM THE PROFITS/LOSSES OF INVESTMENTS WHICH ARE VALUED USING THE EQUITY METHOD</b>			-
<b>XII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>			-
<b>XIII.</b>	<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>			<b>50,378</b>
<b>XIV.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	<b>9</b>		<b>(10,363)</b>
14.1	Current Tax Charge			(12,456)
14.2	Deferred Tax Charge (-)			-
14.3	Deferred Tax Benefit (+)			2,093
<b>XV.</b>	<b>NET PROFIT FROM CONTINUING OPERATIONS (XIII+XIII)</b>			<b>40,015</b>
<b>XVI.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>			-
16.1	Income from Assets Held for Sale			-
16.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities			-
16.3	Other Income from Discontinued Operations			-
<b>XVII.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			-
17.1	Expense on Assets Held for Sale			-
17.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities			-
17.3	Other Expenses from Discontinued Operations			-
<b>XVIII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>			-
<b>XIX.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>			-
19.1	Current Tax Charge			-
19.2	Deferred Tax Charge (-)			-
19.3	Deferred Tax Benefit (+)			-
<b>XX.</b>	<b>NET PROFIT FROM DISCONTINUED OPERATIONS (XVIII+XVIII)</b>			-
<b>XXI.</b>	<b>NET PROFIT/LOSS FOR THE PERIOD (XV+XVIII)</b>			<b>40,015</b>
	<b>UNCONTROLLABLE PROFIT OR LOSS</b>	<b>18</b>		<b>(40)</b>
	<b>EARNINGS PER SHARE</b>			<b>0.2858</b>
	Earnings Per Share from Continuing Operations			0.2858
	Earnings Per Share from Discontinued Operations			-

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.

# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018



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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED PROFIT OR LOSS STATEMENT AT 1 JANUARY - 31 DECEMBER 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT 31 DECEMBER 2018

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Note	Audited 1 January - 31 December 2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>		<b>40,015</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>		<b>2,034</b>
<b>2.1</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>		<b>(296)</b>
2.1.1	Tangible Assets Revaluation Increases/Decreases		-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-
2.1.3	Employee Benefits Re-Measuring Loss/Income	14	(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		74
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>		<b>2,330</b>
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		-
2.2.3	Valuation and/or Classification Income/Expenses of Financial Assets		2,453
2.2.4	Cash Flow Hedge Income/Losses		-
2.2.5	Investment Risk Hedge Income/Expenses Related to the Overseas Company		-
2.2.6	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		(123)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>		<b>42,049</b>
		Note	Audited Prior Period 31 December 2017
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>		<b>33,847</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>		<b>1,191</b>
<b>2.1</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>		<b>(969)</b>
2.1.1	Tangible Assets Revaluation Increases/Decreases		-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-
2.1.3	Employee Benefits Re-Measuring Loss/Income	14	(59)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss		-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(910)
2.1.5.1	Current Tax Income/Expense		-
2.1.5.2	Deferred Tax Income/Expense		(910)
<b>2.2</b>	<b>Items that may be Reclassified subsequently to Profit or Loss</b>		<b>2,160</b>
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions		-
2.2.2	Value Increases or Decreases on Assets Held for Sales		2,274
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		(114)
2.2.6.1	Current Tax Income/Expense		-
2.2.6.2	Deferred Tax Income/Expense		(114)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>		<b>35,038</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018



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

### VAKIF FİNANSAL KİRALAMA A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

STATEMENT OF CHANGES IN EQUITY	Audited	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				Profit Reserves	Previous Period's Profit/(Loss)	Net Period Profit/(Loss)	Uncontrollable Profit/ Loss	Total Equity
						1	2	3	4	5	6			
I. Prior Period														
II. Prior Beginning Balance (31 December 2017)		109,000	-	-	353	16,595	(146)	-	-	5,628	-	39,791	33,819	205,138
III. Changes in Accounting Policies according to IAS		-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (I+II)		109,000	-	-	353	16,595	(146)	-	-	5,628	-	39,791	33,819	205,138
V. Total Comprehensive Income		-	-	-	-	-	(296)	-	-	2,430	-	-	-	2,430
VI. Increase in Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Increase From Internal Resources		31,000	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Current Period Income or Loss		-	-	-	-	-	-	-	-	-	-	40,055	(40)	40,015
12.1 Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,819	(28)	(28)
12.2 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-
12.3 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,819	(28)	(28)
Other		-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+XI+XII)		140,000	-	-	353	16,595	(442)	-	-	7,958	-	42,610	30	247,159

- h The accumulated revaluation increases/losses on property and equipment,  
1. The accumulated revaluation gains/losses on defined benefit plans,  
2. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement),  
3. Foreign currency translation differences,  
4. The accumulated revaluation increases/losses on available for sale asset,  
5. The accumulated revaluation increases/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement),  
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 14 to 61 from an integral part of these financial statements



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 (Tutarlar aksi belirtilmedikçe bin Türk Lirası ("TL") olarak ifade edilmiştir.)

STATEMENT OF CHANGES IN EQUITY	Paid-in Capital	Share Premium	Share Cancellation Premium	Share on Profits	Other Reserves	Accumulated other comprehensive income or losses k not to be reclassified under profit or loss statement						Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserve	Other Reserves	Prior Period Net Income (Loss) x Profit/Loss	Total Equity
						1	2	3	4	5	6							
<b>Audited</b>																		
I. Prior Beginning Balance (1/1/2017)	87,000	353	-	-	353	17,517	(99)	-	-	3,468	-	38,510	5,110	-	33,400	-	23,281	170,100
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. Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (1-III)	87,000	353	-	-	353	17,517	(99)	-	-	3,468	-	38,510	5,110	-	33,400	-	23,281	170,100
V. Total Comprehensive Income	-	-	-	-	-	(922)	(47)	-	-	2,160	-	-	-	-	-	-	-	1,191
VI. Increase in Paid-in Capital	22,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Increase From Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,000)	-
VIII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Current Period Income or Loss	-	-	-	-	-	-	-	-	-	-	-	1,281	1,176	-	105	-	(1,281)	33,847
XII.1 Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	1,281	1,176	-	105	-	(1,281)	-
12.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+XI+XII)</b>	<b>109,000</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>16,595</b>	<b>(146)</b>	<b>-</b>	<b>-</b>	<b>5,628</b>	<b>-</b>	<b>39,791</b>	<b>6,286</b>	<b>-</b>	<b>33,505</b>	<b>-</b>	<b>33,819</b>	<b>205,138</b>

1. The accumulated revaluation increases/decreases on property and equipment.
2. The accumulated revaluation 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/decreases on available for sale asset.
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement).

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.



✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

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

	Note	Audited Current Period 1 January - 31 December 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1.1 Operating Profit before Changes in Operating Assets and Liabilities		(12,212)
1.1.1 Interests Received/ Leasing Income		192,786
1.1.2 Interest Paid/Leasing Expense		-
1.1.3 Leasing Expenses		(164,537)
1.1.4 Dividend Received		109
1.1.5 Fees and Commissions Received		4,369
1.1.6 Other Revenue Gained		37,840
1.1.7 Collections from Previously Written-off Doubtful Receivables		12,907
1.1.8 Payments to Personnel and Service Suppliers		(14,470)
1.1.9 Taxes Paid		-
1.1.10 Other		(81,216)
1.2 Changes in Operating Assets and Liabilities		(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		(894,684)
1.2.2 Net (Increase)/Decrease in Other Assets		(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		815,051
1.2.5 Net Increase/(Decrease) in Liabilities Due		-
1.2.6 Net Increase/(Decrease) in Other Liabilities		42,154
<b>I. Net Cash Provided from Operating Activities</b>		<b>(53,111)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Acquisition of Investments, Associates and Subsidiaries		-
2.2 Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment	6,7,8	(833)
2.4 Disposals of Property and Equipment		67
2.5 Purchase of Investments Available-for-sale		-
2.6 Sale of Investments Available-for-sale		-
2.7 Purchase of Investment Securities Held to Maturity		-
2.8 Sale of Investment Securities Held to Maturity		-
2.9 Other		-
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>(766)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1 Cash Obtained from Funds Borrowed and Securities Issued		207,900
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(127,274)
3.3 Issued Capital Instruments		-
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>III. Net Cash Provided from Financing Activities</b>		<b>80,626</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>24,296</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>51,045</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>4</b>	<b>112,060</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>4</b>	<b>163,105</b>

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

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

	Note	Audited Prior Period 1 January - 31 December 2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1.1 Operating Profit before Changes in Operating Assets and Liabilities		30,202
1.1.1 Interests Received/ Leasing Income		132,912
1.1.2 Interest Paid/Leasing Expense		-
1.1.3 Leasing Expenses		-
1.1.4 Dividend Received		6
1.1.5 Fees and Commissions Received		2,987
1.1.6 Other Income		10,804
1.1.7 Collections from Previously Written-off Doubtful Receivables		5,564
1.1.8 Payments to Personnel and Service Suppliers		(11,215)
1.1.9 Taxes Paid		-
1.1.10 Other		(110,856)
1.2 Changes in Operating Assets and Liabilities		(43,412)
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-
1.2.2 Net (Increase)/Decrease in Finance Loans		-
1.2.3 Net (Increase)/Decrease in Lease Receivables		(325,543)
1.2.4 Net (Increase)/Decrease in Other Assets		2,938
1.2.5 Net Increase/(Decrease) in Factoring Payables		-
1.2.6 Net Increase/(Decrease) in Lease Payables		-
1.2.7 Net Increase/(Decrease) in Funds Borrowed		244,292
1.2.8 Net Increase/(Decrease) in Liabilities Due		-
1.2.9 Net Increase/(Decrease) in Other Liabilities		34,901
<b>I. Net Cash Provided from Operating Activities</b>		<b>(13,210)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1 Acquisition of Investments, Associates and Subsidiaries		-
2.2 Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment	7,8,9	975
2.4 Disposals of Property and Equipment		(131)
2.5 Purchase of Investments Available-for-sale		-
2.6 Sale of Investments Available-for-sale		-
2.7 Purchase of Investment Securities Held to Maturity		-
2.8 Sale of Investment Securities Held to Maturity		-
2.9 Other		-
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>844</b>
<b>C. NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>		
3.1 Cash Obtained from Funds Borrowed and Securities Issued		93,091
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		-
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>III. Net Cash Provided from Financing Activities</b>		<b>93,091</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>14,655</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>95,380</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>4</b>	<b>16,680</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>4</b>	<b>112,060</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.

# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018



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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### CONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2018

(Tutarlar aksi belirtilmedikçe bin Türk Lirası ("TL") olarak ifade edilmiştir.)

	Audited Current period (31 December 2018)(*)	Audited Prior period (31 December 2017)
<b>I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)</b>		
1.1 CURRENT PERIOD PROFIT	50,378	42,393
1.2 TAXES AND DUES PAYABLE (-)	(10,363)	(8,546)
1.2.1 Corporate Tax (Income Tax)	(12,546)	(3,917)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	2,093	(4,629)
<b>A. NET PERIOD PROFIT (1.1 - 1.2)</b>	<b>40,015</b>	<b>33,819</b>
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>B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)</b>	<b>37,922</b>	<b>33,819</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit /loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit /loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	-	-
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the profit /loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>	-	-
3.1 TO OWNERS OF STOCKS (TRY)	-	-
3.2 TO OWNERS OF STOCKS ( % )	-	-
3.3 TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 TO OWNERS OF STOCKS (TRY)	-	-
4.2 TO OWNERS OF STOCKS ( % )	-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
4.4 TO OWNERS OF PREFERRED STOCKS ( % )	-	-

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

(\*\*) According to the Banking Regulation and Supervision Agency (BRSA), income related to deferred tax assets cannot be considered cash or internal resources, and therefore the portion of the period profit resulting from these assets should not be included in dividends and capital contributions. As of 31 December 2018 the Company has TRY 2,093 of deferred tax income resulting from deferred tax assets (31 December 2017: None).

The accompanying notes set out on pages 14 to 61 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

Vakıf Finansal Kiralama Anonim Şirketi ("the Company") was established on 15 September 1988 and operates in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The Company is a subsidiary of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank") and the 22.54% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

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

As at 31 December 2018, the Group has 75 employees; 74 at the Company, 1 at Vakıf Sigorta (31 December 2017: 58 at the Company, 74 at Vakıf Sigorta, in total 75).

The registered address of the Company is as follows:

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

**Ownership Structure**

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank Group. As at 31 December 2018 and 2017, the share capital and ownership structure of the Company are as follows:

Shareholder	31 December 2018	
	Share Amount (TL)	Share Percentage (%)
Vakıfbank	82,197	58.71
Güneş Sigorta Anonim Şirketi	21,909	15.65
Public Shares(*)	31,553	22.54
Other	4,341	3.10
<b>Paid-in capital</b>	<b>140,000</b>	<b>100</b>

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



# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

#### 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

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

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

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis Of Presentation

##### 2.1.1 Accounting standards

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

The 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 02 May 2018 requires the format and contents of financial statements be changed effective 30 September 2018 so that they are prepared in line with IFRS 9. Financial statements and footnotes of previous periods were not restated, as per the IFRS 9 provisions related to the transition, and thus the previous period's figures are represented in prior format. Details related to first time adoption to IFRS 9 are provided in Note 2.2.4. Accounting policies and valuation bases used in the 2018 and 2017 periods are provided in the footnotes below.

The consolidated financial statements as at and for the year ended 31 December 2018 are approved by the Board of Directors of the Company and authorized for issue as at 14 February 2019. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

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





## CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

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

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

##### 2.1.4 Offsetting

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

##### 2.1.5 Going concern

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

##### 2.1.6 Currency used

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

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

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

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

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

## ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### 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.

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

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

##### 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

According to section 15 of paragraph 2 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is not compulsory to restate previous period information and if the previous period information is not restated, the difference between the book value of 1 January 2018 at the date of initial application should be reflected in the opening balance of equity. The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately..

##### 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.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2.3 Change In Accounting Estimates And Errors**

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

**2.2.4 Amendments In Standards And Interpretations**

The accounting policies accepted to be the bases when the financial statements related to the accounting period ending 31 December 2018 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 previous year, except for the TFRYK interpretations. The effects of these standards and interpretations on the financial position and performance of the Group have been explained in the related paragraphs.

**a) Standards, amendments and interpretations applicable as at 31 December 2018**

Information on the effects of the new TAS/TFRS on financial statements:

- a) title of TAS/TFRS,
  - b) changing the accounting policy in line with the relevant transition provisions, if any,
  - c) information on the accounting policy change,
  - d) information on transition provisions, if any,
  - e) effects of transition provisions on future periods, if any,
  - f) if possible, the relevant adjustment amounts of the current and each previous period:
    - i. should be provided for each affected financial statement item and
    - ii. basic earnings per share and diluted earnings per share should be recalculated if the Company falls under the "TAS 33, Earnings Per Share" standard,
  - g) if possible, adjustment amounts of the periods prior to the periods not provided, and
  - h) information should be provided on the events that caused this situation if retrospective application is not possible for any period(s), and information should be provided regarding the starting date and method of application of the accounting policy change.
- **TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

**Information on TFRS 9 Financial Instruments Standard**

The TFRS 9 Financial Instruments standard regarding the classification and measurement of financial assets, published by the Public Oversight Accounting and Auditing Standards Authority in Official Gazette No. 29953 dated 19 December 2017, replaced the TAS 39 Financial Instruments: Recognition and Measurement standard as of 01 January 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.



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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

## 2 - PRINCIPLES ON THE PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### a. Classification and measurement of financial assets

According to IFRS 9, each financial asset will be classified as either amortized cost, fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI") in accordance with the business model and the contractual cash flow characteristics. The business model is determined by the Company in terms of the manner in which assets are managed and their performance is reported.

	Prior to TFRS 9		Within the scope of TFRS 9	
	Measurement bases	Book value 31 December 2017	Measurement bases	Book value 01 January 2018
<b>Financial assets</b>				
Cash and Cash Equivalents and Banks	Amortised cost	112,062	Amortised cost	112,062
Available-for-sale Financial Assets	Financial assets for which the fair value difference is recognised through other comprehensive income	8,064	Financial assets for which the fair value difference is recognised through other comprehensive income	8,064
Financial leasing receivables	Amortised cost	1,880,201	Amortised cost	1,880,201

The Company reclassified the financial assets in new categories as per TFRS 9 without making any changes in measurement bases since the previous categories based on TAS 39 were discontinued, and the reclassification does not have any impact on equities.

### b. Statement of financial situation assessment of financial assets during the transition to TFRS 9

	Book value prior to TFRS 9 31 December 2017	Reclassifications	Remeasure- ments	TFRS 9 book value 01 January 2018
<b>Financial Assets</b>				
<b>Cash and Cash Equivalents</b>				
Book value within the scope of TAS 39	112,062	-	-	-
Book value within the scope of TFRS 9	-	-	-	112,062
<b>Financial assets for which the fair value difference is recognised through other comprehensive income</b>				
Book value within the scope of TAS 39 (Available-for-sale Securities)	8,064	-	-	-
Book value within the scope of TFRS 9	-	-	-	8,064
<b>Financial leasing receivables</b>				
Book value within the scope of TAS 39	1,880,201	-	-	-
Book value within the scope of TFRS 9	-	-	-	1,880,201

### c. Impairment Provisions

With 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 02 May 2018, companies are granted the right to allocate an expected loan loss provision as per TFRS 9 provided they notify the BRSA, and the regulation shall become effective on 30 September 2018. Accordingly, the Group did not choose to implement the expected loan loss provision calculation model for receivables from lease transactions as per TFRS 9 and as stated in Article 6/A of the relevant regulation, and as they did in previous periods, they allocated a provision as per Article 6 of the Regulation on Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies published by the BRSA in Official Gazette No. 28861 dated 24 December 2013 for receivables from leasing transactions as of 31 December 2018.

### d. Equity impact of transition to TFRS 9

According to section 15 of paragraph 2 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is not compulsory to restate previous period information and if the previous period information is not restated, the difference between the book value of 1 January 2018 at the date of initial application should be reflected in the opening balance of equity. The explanations about the initial application effects of TFRS 9 on equity presented below.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.****NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

The Group reclassified the financial assets in new categories as per TFRS 9 without making any changes in measurement bases since the previous categories based on TAS 39 were discontinued, and the reclassification does not have any impact on equities.

The Group continues to allocate impairment provisions as per Article 6 of the Regulation on Amending the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies published by the BRSA in Official Gazette No. 28861 dated 24 December 2013.

- **TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- **Amendment to TAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.



✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority..
- **IFRS 1, 'First time adoption of TFRS'**, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10.
- **TAS 28, 'Investments in associates and joint venture'** regarding measuring an associate or joint venture at fair value.
- **TFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

**Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:**

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 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 TFRS 9.

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,

VAKIF FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

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

- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 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 TASB 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 TASB 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 TFRS 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.

The Group started work to comply with TFRS 16 Leasing Standards, which will become effective on 1 January 2019, and the work was still in process as of 31 December 2018. As of 1 January 2019, transition to TFRS 16 was not expected to have a major impact on financial statements.

- **TFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 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. TFRIC 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.
- **TFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 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 2018. Considering the financial statement items of the Company, it is deemed that the prospective changes except adoption of TFRS 9 would have no significant effect to over the financial position and performance of the Company.

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018



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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

**2.3 Summary of significant accounting policies**

**Consolidation principals applied**

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

*Subsidiaries*

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

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

**Non-controlling interest**

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

**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 2018 and 31 December 2017 are as follows

	31 December 2018	31 December 2017
USD	5.2609	3.7719
EUR	6.0280	3.5155
CNY	0.7620	
GBP	6.6528	5.0803
CHF	5.3352	
YEN	4.7547	3.3421



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****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.

**Allowances for impairment of lease receivables**

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

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

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

## ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

##### (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 Group 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.



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Property and equipment**

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

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment". As a result of the valuation performed by an independent appraisal company, revaluation difference of TRY16,596 (31 December 2017: 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 2018, 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 2018	31 December 2017
Fair Value	21,629	21,629
Net book value calculated on cost value	3,190	3,190
<b>Before tax revaluation differences</b>	<b>18,439</b>	<b>18,439</b>
Calculated deferred tax liability (-)	1,844	1,844
<b>Revaluation differences - net</b>	<b>16,595</b>	<b>16,595</b>

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

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

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.

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

**Tangible assets (Continued)**

The estimated useful lives of tangible assets are as follows:

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

**Intangible assets**

The Group's intangible assets consist of software.

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

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

**Assets held for resale**

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

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



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### Non-financial assets

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

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

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

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

##### Employee benefits

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2018 is TRY 6,017.60 full TRY (31 December 2017: 5,001.76 Full TRY) The Group provided reserve for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS.

As at 31 December 2018 and 2017, the actuarial assumptions are as follows:

	31 December 2018	31 December 2017
Discount rate	4.24%	4.00%
Expected rate of salary/ceiling increase	15.99%	12.32%
Estimated employee turnover rate	1.92%	1.89%

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

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

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



## ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### Employee benefits(Continued)

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

##### Provisions, contingent assets and liabilities

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

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

##### Income and expense recognition

##### Finance lease income

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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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 consolidated statement of income when the related service is rendered or received.

**Dividend**

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

**Other income and expenses**

*Other income and expenses are recognized on an accrual basis.*

**Taxation***Corporate taxes*

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

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

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



# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### Taxes (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 2018, the Group has no deductible tax losses (31 December 2017: no deductible tax losses).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the end of the 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 consolidated financial statements only if the Group has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

##### *Transfer pricing*

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

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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Taxes (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;

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

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

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

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

## ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

##### Taxes (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 consolidated financial statements, shareholders of the Company the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties..

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



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Statement of cash flows**

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

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

As at 31 December 2018 and 2017, for the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented below:

	31 December 2018	31 December 2017
Banks	163,200	112,062
Interest accruals on bank deposits(-)	(95)	(2)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>163,105</b>	<b>112,060</b>

**Information on previous period accounting policies that are not in effect during the current period  
Financial instruments**

The Group classifies and recognises its securities under available-for-sale securities and subsidiaries.

Financial assets are classified on the date they are acquired in line with "market risk policies" determined by Company management and considering their purchase purposes.

All financial assets are shown at cost, including the fair value and purchasing costs concerning the investment.

**(i) Available-for-sale securities**

Available-for-sale securities are recognised in financial statements at their fair value, calculated using the reduced cash flow method or the stock exchange value as of the balance sheet date. Impact on change in fair values are recognised in "revaluation surplus of financial assets" under equities. If a permanent impairment is detected in the fair value of such assets, the impact of the impairment is reflected on the income statement. When these securities are sold, accumulated fair value adjustments are transferred to the income statement. These securities include investments in securities of which the Group does not have controlling power or significant activity and which represent a share of capital, and those traded in organised markets and for which fair value can be determined in a reliable manner and which are recognised in non-consolidated financial statements at their fair value, and those which are not traded in organised markets and for which fair value cannot be determined in a reliable manner and which are recognised at their cost after the impairment provision (if any) is set aside.



✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

A business segment is a part of an area where the Group 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 Group consist of financial leasing and are performed in a single region, Turkey, there is no segment reporting.

**4 - FINANCIAL ASSETS****Cash and cash equivalents**

As at 31 December 2018 and 31 December 2017, details of bank balances are as follow

	31 December 2018	31 December 2017
Banks	163,105	112,062
Demand deposit	115,313	110,555
Time deposit	47,611	1,507
Liquid fund	181	-
<b>Total</b>	<b>163,105</b>	<b>112,062</b>

As at 31 December 2018, time deposits consist of bank placements with maturity less than three months and with interest rates average 21% for foreign currency. Group do not have TRY time deposits (31 December 2017: %12.50).

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

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

	31 December 2018		31 December 2017	
	Carrying value (*)	Share (%)	Carrying value	Pay (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	8,238	3.79	5,981	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,617	3.27	1,616	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	662	0.25	467	0.25
<b>Financial assets for which fair value difference is recognised through other comprehensive income</b>	<b>10,517</b>		<b>8,064</b>	

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



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 5 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

As at 31 December 2018 and 31 December 2017, available for sale financial assets are as follow:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Lease receivables	608,068	2,166,944	590,349	1,423,805
Invoiced lease receivables	47,180	114,162	12,129	32,138
<b>Subtotal</b>	<b>655,248</b>	<b>2,281,106</b>	<b>602,478</b>	<b>1,455,943</b>
Unearned interest income	(163,253)	(259,429)	(137,937)	(159,626)
Leasing contracts in progress	11,101	110,135	6,776	48,748
Advances given for lease transactions	25,842	120,852	2,728	61,091
Other receivables related to leasing transactions (*)	5,370	1,544	-	-
<b>Finance lease receivables, net of unearned income</b>	<b>534,308</b>	<b>2,254,208</b>	<b>474,045</b>	<b>1,406,156</b>
Impaired lease receivables	27,004	129,143	62,084	111,470
Specific provision	(11,995)	(68,983)	(30,869)	(88,620)
<b>Impaired lease receivables, net</b>	<b>15,009</b>	<b>60,160</b>	<b>31,215</b>	<b>22,850</b>
<b>Finance lease receivables, net</b>	<b>549,317</b>	<b>2,314,368</b>	<b>505,260</b>	<b>1,429,006</b>

(\*) Other receivables amounting TRY 5,202 recorded in the statement of financial position on 31 December 2017 are not included.

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

31 December 2018	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	1,372,877	796,279	557,418	321,921	162,703	3,211,198
Unearned interest income	(183,509)	(115,245)	(56,578)	(22,900)	(44,450)	(422,682)
<b>Finance lease receivables, Net</b>	<b>1,189,368</b>	<b>681,034</b>	<b>500,840</b>	<b>299,021</b>	<b>118,253</b>	<b>2,788,516</b>
31 December 2017	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	890,250	525,905	387,455	237,945	136,209	2,177,764
Unearned interest income	(130,345)	(90,640)	(47,645)	(20,915)	(8,018)	(297,563)
<b>Finance lease receivables, Net</b>	<b>759,905</b>	<b>435,265</b>	<b>339,810</b>	<b>217,030</b>	<b>128,191</b>	<b>1,880,201</b>

As of 31 December 2018, the average compounded interest rates for finance lease receivables are %17.74 for TL, %8.36 for USD and %6.04 for EUR (31 December 2017: %14.32 for TL, %8.41 for USD and %5.86 for EUR).

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018



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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

As at 31 December 2018 and 2017, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2018	31 December 2017
Neither past due nor impaired	2,345,416	1,696,991
Past due but not impaired	168,256	63,867
Impairment	156,147	173,554
Allowances for impairment	(80,978)	(119,489)
<b>Finance lease receivables, net</b>	<b>2,588,841</b>	<b>1,814,923</b>

	31 December 2018	31 December 2017
151-240 days	4,138	4,837
241-1 year	49,901	3,470
1 year and over	102,108	165,247
<b>Impaired lease receivables, net</b>	<b>156,147</b>	<b>173,554</b>

As at 31 December 2018 and 2017, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Impaired lease receivables	27,004	129,143	62,084	111,470
Specific provisions	(11,995)	(68,983)	(30,869)	(88,620)
<b>Impaired lease receivables, net</b>	<b>15,009</b>	<b>60,160</b>	<b>31,215</b>	<b>22,850</b>

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

	31 December 2018	31 December 2017
<b>Specific provisions at the beginning of the year</b>	<b>119,489</b>	<b>117,003</b>
Provision for the year	35,665	11,376
Collections during the year	(12,907)	(5,564)
Finance lease receivables written off during the year <sup>(*)</sup>	(61,269)	(3,326)
<b>Specific provisions at the end of the year</b>	<b>80,978</b>	<b>119,489</b>

With the decision of the Board of Directors on 29 June 2018, receivables amounting TRY 61,269 (31 December 2017: None) which have low/no possibility of collection and are followed under accounts which are for non-performing loans shall be followed at their token value.



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

#### 5 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

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

	31 December 2018	31 December 2017
Mortgage	20,125	47,164
Cash blockages	33,021	15,278
Other	1,043	1,808
<b>Total collateral</b>	<b>54,189</b>	<b>64,250</b>

The group reviews any change in credit quality related to receivables from the date it is created to the balance sheet date in order to decide whether the receivable can be collected or not. Since the Group has many customers, credit risk concentration of the Group is not at a significant level. Sectoral distribution of the finance lease receivables is presented in Note 21.

#### 6 - TANGIBLE ASSETS

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

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

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



✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**6 - TANGIBLE ASSETS (Continued)**

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

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

As 31 December 2018 and 31 December 2017, there is no mortgage on the tangible assets of the Group.

As of 31 December 2018 total insurance coverage for tangible assets of the Group is TRY19,062 (31 December 2017: 13,151 TL).

**7 - INTANGIBLE ASSETS**

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
<b>Cost:</b>				
Software	2,101	417	-	2,518
	<b>2,101</b>	<b>417</b>	<b>-</b>	<b>2,518</b>
<b>Accumulated amortization:</b>				
Software	(1,618)	(377)	-	(1,995)
	<b>(1,618)</b>	<b>(377)</b>	<b>-</b>	<b>(1,995)</b>
<b>Net book value</b>	<b>483</b>			<b>523</b>

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## 7 - INTANGIBLE ASSETS (Continued)

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

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

## 8 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2018 and 31 December 2017, the Group's assets held for resale are composed of movables and immovable that are added to assets as a result of legal proceedings with regard to impaired lease receivables are detailed below:

	31 December 2018	31 December 2017
Real estate held for sale	230	208
<b>Total</b>	<b>230</b>	<b>208</b>

## 9 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
VAT payable	1,148	728
Social Security Premiums	270	409
Income tax	199	139
Stamp tax	7	6
Other	-	5
	<b>1,624</b>	<b>1,287</b>

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**9 - TAX ASSETS AND LIABILITIES (Continued)**

	31 December 2018	31 December 2017
Tax provision	14,080	3,856
Less: Prepaid taxes	309	-
<b>Current income tax liabilities, net</b>	<b>13,771</b>	<b>3,856</b>

	31 December 2018	31 December 2017
<b>Tax expense</b>		
Corporate tax expense for the period	(12,456)	(3,917)
Deferred tax expense effect	-	(4,629)
Deferred tax income effect	2,093	-
	<b>(10,363)</b>	<b>(8,546)</b>

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

	31 December 2018	31 December 2017
Profit before taxes	50,378	42,393
Theoretical tax expense with 22% tax rate (*)	(11,083)	(8,479)
Other(**)	720	(67)
<b>Current year tax expense</b>	<b>(10,363)</b>	<b>(8,546)</b>

(\*) The tax rate used for the theoretical tax expense calculated on 31 December 2017 was 20%.

(\*\*) Investment tax credits used by the Group 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 2018, the Company's management recorded deferred tax asset amounting to TRY168,116 from unused investment according to constitutional court decision.  
(31 December 2017: TRY186,717)

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



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 9 - 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 2018	31 December 2017	31 December 2018	31 December 2017
Lease Asset Receivable Impairment	72,527	74,504	15,956	14,901
Unused investment incentives- without stoppage	168,116	186,717	3,699	373
Provision for employee termination benefit	2,451	1,926	490	385
Provision for unused vacations	1,282	1,135	282	227
Other short term employee benefits	1,014	718	223	145
<b>Deferred tax assets</b>			<b>20,650</b>	<b>16,031</b>
Finance lease income accruals	(25,772)	(16,625)	(5,670)	(3,325)
Tangible and intangible assets revaluation difference	(18,439)	(18,439)	(1,844)	(1,844)
Subsidiary revaluation fund	(8,377)	(5,924)	(419)	(296)
Others	(1,685)	(1,316)	(371)	(264)
<b>Deferred tax liabilities</b>			<b>(8,304)</b>	<b>(5,729)</b>
<b>Deferred tax assets, (net)</b>			<b>12,346</b>	<b>10,302</b>

The movement for deferred tax assets is as follows:

	31 December 2018	31 December 2017
<b>1 January</b>	<b>10,302</b>	<b>15,955</b>
Current year deferred tax income/expense	2,093	(4,629)
Deferred tax in Equity income/expense	(49)	(1,024)
<b>31 December</b>	<b>12,346</b>	<b>10,302</b>

#### 10 - OTHER ASSETS

As at 31 December 2018 and 31 December 2017, details of other assets are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Checks Received	3,378	6,573	250	133
Prepaid expenses	1,076	2,895	750	2,891
Other	266	386	248	-
<b>Total other assets</b>	<b>4,720</b>	<b>9,854</b>	<b>1,248</b>	<b>3,024</b>



# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 11 - BORROWINGS

As at 31 December 2018 and 31 December 2017, details of the borrowings are as follows:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Domestic banks	261,581	1,276,831	305,409	655,155
Foreign banks	-	983,220	-	743,828
<b>Total Borrowings</b>	<b>261,581</b>	<b>2,260,051</b>	<b>305,409</b>	<b>1,398,983</b>

31 December 2018	Amount in original currencies	Average interest rates(%)	Carrying value			Total
			Up to 3 months	3 months to 1 year	Over 1 year	
<b>Borrowings from domestic banks:</b>						
<i>Fixed rate borrowings:</i>						
TRY	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
<b>Total borrowing from domestic banks</b>			<b>438,472</b>	<b>494,168</b>	<b>605,772</b>	<b>1,538,412</b>
<b>Borrowings from foreign banks:</b>						
<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
<b>Total borrowings from foreign banks</b>			<b>114,284</b>	<b>376,183</b>	<b>492,753</b>	<b>983,220</b>
<b>Total borrowings</b>			<b>552,756</b>	<b>870,351</b>	<b>1,098,525</b>	<b>2,521,632</b>

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## 11 - BORROWINGS (Continued)

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

## 12 - SECURITIES ISSUED

As at 31 December 2018 details of securities issued are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Bill (*)	98,856	-	94,921	-
Lease certificate (**)	69,826	-	-	-
<b>Total securities issued</b>	<b>168,682</b>	<b>-</b>	<b>94,921</b>	<b>-</b>

(\*) The Group has realized 90 days maturity financing bonus issue with a nominal value of TRY100,000 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 Group, the Group completed the sale of lease certificates backed by a management agreement, and having a maturity period of 364 days, and which amounted to TRY 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 29 March 2019. The annual simple interest rate on this asset-backed security is 14.50%.

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018



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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**13 - OTHER LIABILITIES**

As at 31 December 2018 details of other liabilities are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Advances received <sup>(*)</sup>	17,289	79,434	10,440	44,109
Other trade payables	12,844	15,761	5,718	18,421
Deffered income	1,226	2,978	1,351	1,957
<b>Total other liabilities</b>	<b>31,359</b>	<b>98,173</b>	<b>17,509</b>	<b>64,487</b>

<sup>(\*)</sup> 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

**14 - PROVISIONS**

As at 31 December 2018 details of provisions for liabilities and charges are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Reserve for employee benefits	4,747	-	3,779	-
Reserve for employee termination benefit	2,451	-	1,926	-
Provision for unused vacations	1,282	-	1,135	-
Reserve for bonuses	527	-	417	-
Provisions for other employee rights	487	-	301	-
<b>Total provisions</b>	<b>4,747</b>		<b>3,379</b>	<b>-</b>

	31 December 2018	31 December 2017
At the beginning of the year	1,926	1,740
Interest rate cost	238	237
Service cost	185	185
Payments during the year	(268)	(295)
Actuarial difference <sup>(*)</sup>	370	59
<b>At the end of the year</b>	<b>2,451</b>	<b>1,926</b>

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



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

#### 15 - EQUITY

##### Share capital

As at 31 December 2018, the share in capital of the Company amounts to TRY140,000 and composed of 14,000,000,000 shares with a face value of TRY0.01 each (31 December 2017: capital shares TRY109,000, nominal value: 10,900,000,000).

As at 31 December 2018 and 31 December 2017, the share capital and ownership structure of the Company is as follows:

	31 December 2018		31 December 2017	
	Amount of Share(TL)	Share Percentage (%)	Amount of Share(TL)	Share Percentage (%)
Vakıfbank	82,197	58.71	63,996	%58.71
Güneş Sigorta A.Ş.	21,909	15.65	17,057	%15.65
Publicly traded (*)	31,553	22.54	24,566	%22.54
Other	4,341	3.10	3,381	3.10
<b>Paid-in capital</b>	<b>140,000</b>	<b>100</b>	<b>109,000</b>	<b>%100</b>

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

##### Capital reserves

As at 31 December 2018 and 31 December 2017, capital reserves amounted to TRY244 consists of inflation adjustment differences of paid-in capital of the Company.

As at 31 December 2018, revaluation difference on tangible assets amounting to TRY16,595 (31 December 2017: TRY16,595) is accounted directly in equity. As at 31 December 2018 the marketable securities valuation differences amounts to TRY7,958 (31 December 2017: TRY5,628).

##### Profit reserves

As at 31 December 2018, profit reserves of the Group consists of first legal reserves amounting to TRY7,984 (31 December 2017: TRY6,034) and extraordinary reserves amounting to TRY34,626 (31 December 2017: TRY33,505).

##### 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 15 May 2018, due to the 2018 year end consolidated gain amounting TRY33,847, it has been decided to allocate TRY1,683 of first legal reserves, to be added to the capital TRY31,000 to give bonus shares and to reserve extraordinary reserve TRY981.



✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**16 - OPERATING EXPENSES**

For the years ended 31 December 2018, general administrative expenses included in the operating expenses are as follow:

	31 December 2018	31 December 2017
General administration expenses	1,996	1,614
Court expenses	1,270	711
Depreciation and amortization expenses	1,138	1,204
Consultancy expenses	713	810
Transportation expenses	446	379
Notary expenses	349	351
Marketing expenses	151	165
Printing, stationary and office expenses	148	95
Taxes, duties and charges expenses	109	110
Non-deductible expenses	77	62
Registration expenses	46	50
Other operating expenses	822	558
<b>Total general administrative expenses</b>	<b>7,265</b>	<b>6,109</b>

For the years ended 31 December 2018 and 31 December 2017, personnel expenses included in the operating expenses are as follows:

	31 December 2018	31 December 2017
Salaries	11,309	8,653
Social security premiums and other contributions	1,592	1,255
Personnel insurance expenses	879	739
Other personnel expenses	690	568
<b>Total personnel expenses</b>	<b>14,470</b>	<b>11,215</b>



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 17 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2018 and 31 December 2017, personnel expenses included in the operating expenses are as follows:

	31 December 2018	31 December 2017
Foreign exchange gains	38,639	9,438
Provisions reversed during the year	13,175	5,870
Interest income from non-performing loans	5,793	2,858
Default interest income	3,313	4,049
Interest income from bank deposits	1,859	109
Income from sales of assets held for sale	271	628
Interest income from bank deposits	109	6
Rent income	48	43
Other income	1,920	2,572
<b>Total other operating income</b>	<b>65,127</b>	<b>25,573</b>

#### Other operating expenses:

	31 December 2018	31 December 2017
Loss on derivative financial transactions	1,023	-
Other expense	472	39
<b>Total other operating expenses</b>	<b>1,495</b>	<b>39</b>

#### 18 - EARNINGS PER SHARE

	31 December 2018	31 December 2017 <sup>(*)</sup>
At the beginning of the year		
Total number of outstanding shares	14,000,000,000	14,000,000,000
At the beginning of the year		
<b>Total number of outstanding shares</b>	<b>14,000,000,000</b>	<b>14,000,000,000</b>
	31 December 2018	31 December 2017 <sup>(*)</sup>
Net income for the period	40,015	33,847
Number of outstanding shares with a nominal value of TL 0.01	14,000,000,000	14,000,000,000
<b>Earnings per share (TL)</b>	<b>0.2858</b>	<b>0.2418</b>

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

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

As at 31 December 2018 and 2017, details of related party balances are as follows:

	31 December 2018	31 December 2017
Güneş Sigorta A.Ş.	-	81
<b>Finance lease interest income</b>	<b>-</b>	<b>81</b>
Türkiye Vakıflar Bankası T.A.O.	1,235	82
<b>Interest income from related parties</b>	<b>1,235</b>	<b>82</b>
Türkiye Vakıflar Bankası T.A.O. - interest expense	6,476	9,243
Vakıfbank International AG- interest expense	4,343	3,523
<b>Finance expenses of related parties</b>	<b>10,819</b>	<b>12,766</b>
Güneş Sigorta A.Ş.	2,060	1,463
Vakıf Emeklilik ve Hayat A.Ş.	50	44
Vakıf Faktoring A.Ş.	20	14
<b>Other incomes of related parties</b>	<b>2,130</b>	<b>1,521</b>
Türkiye Vakıflar Bankası T.A.O.	1,246	94
Güneş Sigorta A.Ş.	666	562
Vakıf Yatırım Menkul Değerler A.Ş.	674	348
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	276	327
Vakıf Faktoring A.Ş.	28	-
Vakıf Emeklilik ve Hayat A.Ş.	8	8
<b>Other expenses of related parties</b>	<b>2,898</b>	<b>1,339</b>
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	67	-
Vakıf Yatırım Menkul Değerler A.Ş.	42	6
<b>Dividend income of relates parties</b>	<b>109</b>	<b>6</b>

**Executive management compensations**

As at 31 December 2018 and 2017, Group's executive management compensations are as follows:

	31 December 2018	31 December 2017
Compensation to the executive management	1,870	1,024
<b>Total</b>	<b>1,870</b>	<b>1,024</b>

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



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 20 - CONTINGENT ASSETS AND LIABILITIES

##### Collaterals received

As at 31 December 2018 and 2017, the collaterals obtained by the Group against finance lease receivables are as follows:

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Received guarantees	4,754,497	16,818,043	4,512,967	11,378,688
Mortgages	272,776	1,040,031	265,539	650,218
Letters of guarantee	4,498	-	17,830	6,673
Cash blockage	303	469	195	3,489
Others	413,949	436,141	248,026	151,538
<b>Total</b>	<b>5,446,023</b>	<b>18,294,684</b>	<b>5,044,557</b>	<b>12,190,606</b>

##### Commitments

As at 31 December 2018, the Group has irrevocable commitments amounted to TRY487,838 (31 December 2017 TRY307,687) 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 2018	31 December 2017
TRY	352,393	239,968
EUR	112,363	33,245
JPY	13,721	-
USD	9,361	32,112
GBP	-	2,362
<b>Total</b>	<b>487,838</b>	<b>307,687</b>

##### Revocable Commitments

As at 31 December 2018, Group's financial lease commitments amounts to TRY425,148 (31 December 2017: TRY477,221).

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Financial lease commitments	50,719	374,429	46,320	430,902
<b>Total</b>	<b>50,719</b>	<b>374,429</b>	<b>46,320</b>	<b>430,902</b>

##### Derivative financial instruments

There are no derivative financial instruments as of 31 December 2018.



## ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

#### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

#### Credit Risk

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

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

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

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



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018

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

VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2018 and 31 December 2017, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2018	Receivables					Other	Financial Investment	Total
	Finance Lease Receivables	Other Receivables	Banks Deposits	Financial Investment	Other			
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>2,588,841</b>	<b>6,914</b>	<b>163,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,758,860</b>
- 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 overdue 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	-	-	-	-	-	-	-	-

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

VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018	Receivables				Financial Investment	Other	Total
	Finance Lease Receivables	Other Receivables	Banks Deposits				
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,814,923	5,202	112,062	-	-	-	1,932,187
- The portion of maximum risk covered by guarantees	357,144	-	-	-	-	-	357,144
A. Net carrying value of financial assets which are neither impaired nor overdue	1,696,991	5,202	112,062	-	-	-	1,814,255
The portion covered by guarantees	283,095	-	-	-	-	-	283,095
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	63,867	-	-	-	-	-	63,867
- The portion covered by guarantees	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	54,065	-	-	-	-	-	54,065
- Overdue (gross)	173,554	-	-	-	-	-	173,554
- Impairment (-)	(119,489)	-	-	-	-	-	(119,489)
- Net book value covered by guarantees	64,250	-	-	-	-	-	64,250
- - Not past due (gross)	-	-	-	-	-	-	-
- Impairment (-)-	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2018 and 31 December 2017, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2018		31 December 2017	
	Amount	(%)	Amount	(%)
Manufacturing	1,122,889	44.67	793,050	45.04
Construction	634,052	25.22	359,439	20.41
Wholesale, retail and trading	206,924	8.23	178,305	10.13
Real estate	161,512	6.43	65,906	3.74
Hotels and restaurants	102,211	4.07	83,730	4.76
Education	99,349	3.95	81,520	4.63
Mining	57,712	2.30	43,790	2.49
Agriculture	44,911	1.79	43,963	2.50
Transportation, warehousing and communication	34,796	1.38	52,765	3.00
Health and social services	29,447	1.17	44,431	2.52
Other social and individual services	10,248	0.41	6,014	0.34
Financial intermediary services	3,327	0.13	2,905	0.16
Others	6,294	0.25	5,040	0.29
<b>Total</b>	<b>2,513,672</b>	<b>100</b>	<b>1,760,858</b>	<b>100</b>

#### Liquidity risk

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

#### Management of liquidity risk

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

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

31 December 2018	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	2,521,632	2,627,397	1,043,088	437,106	583,215	563,988	-
Securities issued	168,682	168,682	168,682	-	-	-	-
Miscellaneous payables and other liabilities	129,533	129,533	129,533	-	-	-	-
<b>Total</b>	<b>2,819,847</b>	<b>2,925,612</b>	<b>1,341,303</b>	<b>437,106</b>	<b>583,215</b>	<b>563,988</b>	



# ✓ CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018



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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

#### Market risk

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

#### Currency risk

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

As at 31 December 2018 and 31 December 2017, the Group's foreign currency assets and liabilities with their TRY equivalents are as follows:

31 December 2018	US Dollar	Euro	JPY	GBP	CNY	Total
Banks	28,069	132,331	-	-	-	160,400
Finance lease receivables, net <sup>(1)</sup>	354,218	1,899,713	-	39	238	2,254,208
Other Assets	6,629	3,225	-	-	-	9,854
<b>Total assets</b>	<b>388,916</b>	<b>2,035,269</b>	<b>-</b>	<b>39</b>	<b>238</b>	<b>2,424,462</b>
Borrowing	309,769	1,950,282	-	-	-	2,260,051
Other liabilities	15,403	79,641	3,131	(2)	-	98,173
<b>Total liabilities</b>	<b>325,172</b>	<b>2,029,923</b>	<b>3,131</b>	<b>(2)</b>	<b>-</b>	<b>2,358,224</b>
<b>Net financial statement position</b>	<b>63,744</b>	<b>5,346</b>	<b>(3,131)</b>	<b>41</b>	<b>238</b>	<b>66,238</b>
<b>Net off-balance sheet items position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>63,744</b>	<b>5,346</b>	<b>(3,131)</b>	<b>41</b>	<b>238</b>	<b>66,238</b>



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

#### 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017	US Dollar	Euro	JPY	GBP	CNY	Total
Banks	9,802	100,188	-	-	-	109,990
Finance lease receivables, net (1)	261,190	1,144,886	-	80	-	1,406,156
Other assets	-	286	-	-	-	286
Prepaid expenses	20	2,871	-	-	-	2,891
<b>Total Assets</b>	<b>271,012</b>	<b>1,248,231</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>1,519,323</b>
Borrowing	234,745	1,164,238	-	-	-	1,398,983
Miscellaneous payables	5,425	12,996	-	-	-	18,421
Other liabilities	8,137	35,708	-	264	-	44,109
Deferred Income	345	1,612	-	-	-	1,957
<b>Total liabilities</b>	<b>248,652</b>	<b>1,214,554</b>	<b>-</b>	<b>264</b>	<b>-</b>	<b>1,463,470</b>
<b>Net financial statement position</b>	<b>22,360</b>	<b>33,677</b>	<b>-</b>	<b>(184)</b>	<b>-</b>	<b>55,853</b>
<b>Net off-balance sheet items position (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>22,360</b>	<b>33,677</b>	<b>-</b>	<b>(184)</b>	<b>-</b>	<b>55,853</b>

(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 TRY against the following currencies on the consolidated statement of income and consolidated equity for the years ended 31 December 2018 and 31 December 2017 are shown below.

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

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

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

**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2017</b>				
<b>10% change of the US Dollar against TRY</b>				
1-Net USD asset/liability	2,236	(2,236)	2,236	(2,236)
2-Hedged portion of TRY against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>2,236</b>	<b>(2,236)</b>	<b>2,236</b>	<b>(2,236)</b>
<b>10% change of the Euro against TRY</b>				
4-Net Euro asset/liability	3,368	(3,368)	3,368	(3,368)
5-Hedged portion of TRY against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>3,368</b>	<b>(3,368)</b>	<b>3,368</b>	<b>(3,368)</b>
<b>10% change of the JPY against TRY</b>				
7-Net JPY asset/liability	-	-	-	-
8-Hedged portion of TRY against JPY (-)	-	-	-	-
<b>9-Net effect of JPY (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10% change of the GBP against TRY</b>				
10-Net GBP asset/liability	(18)	18	(18)	18
11-Hedged portion of TRY against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>(18)</b>	<b>18</b>	<b>(18)</b>	<b>18</b>
<b>10% change of the CNY against TRY</b>				
13- Net CNY asset/liability	-	-	-	-
Hedged portion against CNY (-)	-	-	-	-
<b>15- Net effect of CNY (13+14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9+12+15)</b>	<b>5,586</b>	<b>(5,586)</b>	<b>5,586</b>	<b>(5,586)</b>

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

As at 31 December 2018 and 2017, the interest bearing financial assets and liabilities of the Group are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b><i>Financial assets and liabilities with fixed interest rate</i></b>		
Time deposits	47,611	1,507
Finance lease receivables, net	2,513,672	1,760,858
Borrowing	1,663,851	1,379,985
Securities issued	168,682	94,921
<b><i>Financial assets and liabilities with floating rate</i></b>		
Funds borrowed	857,781	324,407



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 21 - 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 2018 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2018</b>				
Floating rate financial liabilities	(86)	86	(86)	86
<b>Total, net</b>	<b>(86)</b>	<b>86</b>	<b>(86)</b>	<b>86</b>
	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2017</b>				
Floating rate financial liabilities	(32)	32	(32)	32
<b>Total, net</b>	<b>(32)</b>	<b>32</b>	<b>(32)</b>	<b>32</b>

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

##### Capital management

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

Along with no change in the strategy of the Group in 2018, the ratio of the equities to the debts is 9% (31 December 2017: 11%). As of 31 December 2018 and 31 December 2017, the debt to equity ratio is as follows:

	31 December 2018
Borrowing	2,521,632
Miscellaneous payables	168,682
Other liabilities	129,533
<b>Total Liabilities</b>	<b>2,819,847</b>
<b>Total Equity</b>	<b>247,159</b>
Equity/Debt ratio	9%





**CONVENIENCE TRANSLATION INTO ENGLISH  
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**VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

	31 December 2017
Borrowing	1,704,392
Miscellaneous payables	94,921
Securities issued	24,137
Other liabilities	54,549
<b>Total Liabilities</b>	<b>1,877,999</b>
<b>Total Equity</b>	<b>205,138</b>
Equity/Debt ratio	11%

**22 - FINANCIAL INSTRUMENTS**

**Fair values of financial instruments**

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

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

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Finance lease receivables, net	2,513,672	1,956,110	1,760,858	1,073,879
Banks	163,105	163,105	112,062	112,062
<b>Financial liabilities</b>				
Borrowing	2,797,758	2,522,862	1,704,392	1,688,681
Securities issued	168,682	168,682	94,921	94,921
Miscellaneous payables and liabilities	129,533	129,533	78,688	78,688



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2018

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

### VAKIF FİNANSAL KİRALAMA A.Ş. NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### 22 - FINANCIAL INSTRUMENTS (Continued)

##### *Classification of Fair Value Measurement*

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

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

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

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

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2018 and 31 December 2017:

31 December 2018	1. Level	2. Level	3. Level	Total
Available for sale financial assets:				
Investments in equity participations (*)	-	-	10,517	10,517
Financial assets at fair value through profit or loss:				
Financial derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>	<b>-</b>	<b>-</b>	<b>10,517</b>	<b>10,517</b>

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

✓ CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2018**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**22 - FINANCIAL INSTRUMENTS (Continued)**

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

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Balance at the beginning of the period	8,064	5,793
Total gains for the period recognized under equity	2,453	2,271
Dividend received during the period	-	-
<b>Balance at the end of the period</b>	<b>10,517</b>	<b>8,064</b>

**23 - OTHER ISSUES**

None.

**24 - SUBSEQUENT EVENTS**

None.

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