Annual Report 2017

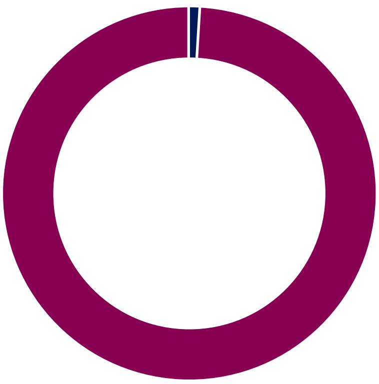
Contents

Corporate Profile

- Finans Leasing was established in 1990 as the 5th leasing company in Turkey.
- In 1993, Finans Leasing's shares were offered to the public through an IPO.
- In 2002, the Company merged with Finans Deniz Leasing.
- In 2006, Finansbank sold its 46% stake in the Company to National Bank of Greece SA (NBG) and Finans Leasing became a member of the NBG Group.
- As of 21 December 2015, NBG signed a share sale agreement for the sale of its 99.81% shares in Finansbank to the Qatar National Bank (QNB) for EUR 2,750 million.
- On 8 February 2016, the shares held by NBG corresponding to 29.87% of the Company's paid-in capital were purchased by Finansbank.
- The shares of the Company were transferred to the QNB Group on 15 June 2016.
- QNB Finansleasing commands strong geographical coverage with 14 branches throughout Turkey.
- The Company is a member of the Association of Financial Leasing, Factoring and Financing Companies (AFI).
- QNB Finansleasing provides flexible options, meeting the expectations of its clients.
- The Company's shares are traded on the Borsa İstanbul (BIST) under the QNBFL ticker.
- As of 31 December 2017 QNB Finansleasing;
  - had total assets of TL 4.7 million.
  - commanded a 12% market share in the Turkish leasing market.

Shareholding Structure

(as of 31 December 2017)



QNB Finansbank A.Ş.	99.40%
Others	0.60%

"On 8 February 2016, the shares held by NBG corresponding to 29.87% of the Company's paid-in capital were purchased by Finansbank."

Financial Highlights

In 2017, QNB Finansleasing continued to achieve strong financial results.

> “In 2017, QNB Finansleasing’s total assets grew by 66.6% while its income before tax was up by 54.1%.”

Balance Sheet (TL thousand)	2015	2016	2017
Leasing Receivables, net	1,947,904	2,706,599	4,479,667
Total Assets	2,216,340	2,801,188	4,665,678
Funds Borrowed	1,353,994	1,414,105	2,509,242
Debt Securities Issued	168,978	565,195	1,001,118
Shareholders' Equity	614,683	672,824	761,858

Income Statement (TL thousand)	2015	2016	2017
Net Interest Income	111,051	120,652	155,401
Income Before Tax	67,362	74,588	101,397
Net Income for the Year	53,212	58,164	89,613

Leasing Receivables, Net

TL 4,479,667 +65.5%

Total Assets

TL 4,665,678 +66.6%

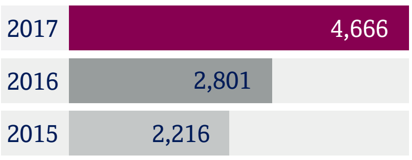
Shareholders’ Equity

TL 761,858 +13.2%

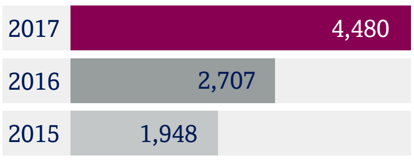
Net Interest Income

155,401 +28.8%

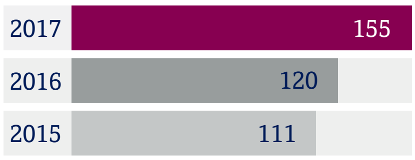
Total Assets
(TL million)



Leasing Receivables, net
(TL million)



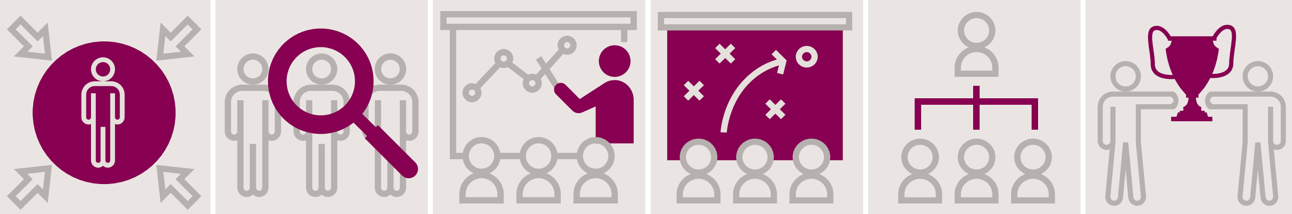
Net Interest Income
(TL million)



QNB Finansleasing's Strategy

To achieve long-term, sustainable growth and a strong market share in the leasing industry by continuously creating value for all of its stakeholders.

The Foundations of Finans Leasing's Strategy



Customer focus
- Product and service quality and innovation
- Competency, experience and skill

A focus on human resources
- Continuous development of HR competencies

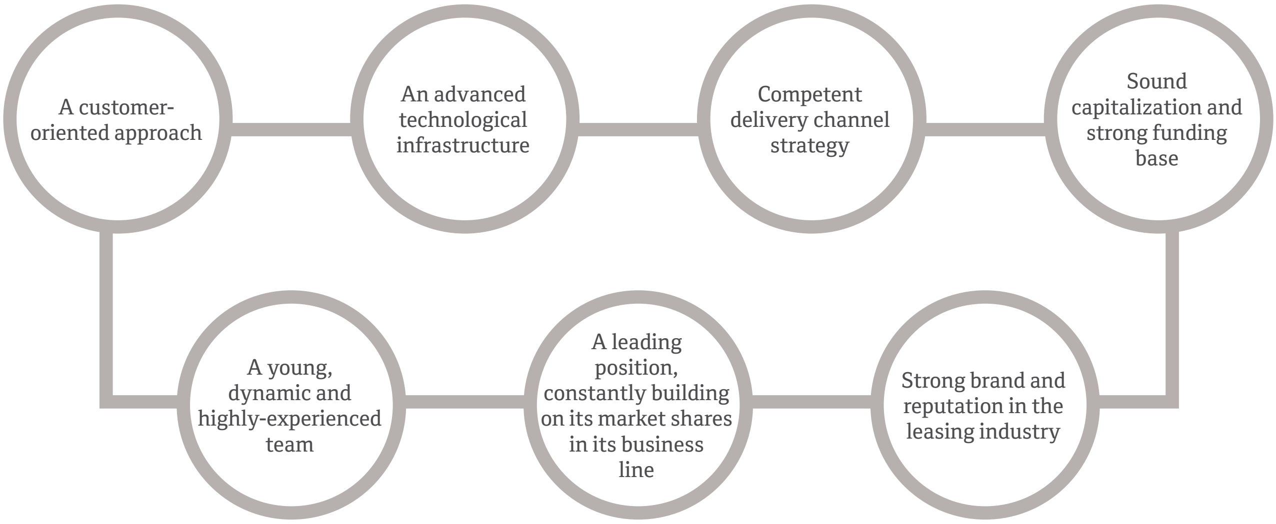
A focus on disciplined growth
- Sustainable and profitable balance sheet growth
- Improved asset quality
- Portfolio diversification

A focus on risk management and control
- Risk measurement at international standards
- Proactive risk control systems

A focus on corporate governance
- Commitment to corporate governance, ethical conduct and core values

Group synergy
- A multi-layered and efficiency oriented group synergy

Key Competitive Advantages of QNB Finansleasing



Message from the Management

Having played a leading role in investment financing since the day it was founded, QNB Finansleasing wrote USD 757 million worth of business in 2017, thereby involving itself in a significant number of the country's investment projects last year.

Sinan Şahinbaş
Chairman

Metin Karabiber
General Manager,
Member of the Board of Directors

" World growth strengthened in 2017 to 3.8% as compared with the 2016 figure of 3.2% and was the highest rate recorded since 2013. "

Improvements in the global economy and international trade in 2017 exceeded expectations.

With the global economy achieving growth that surpassed forecasts in 2017, the improvement appeared to be worldwide in general. There was a noticeable acceleration in growth among the advanced economies while growth in emerging markets and developing countries gained upward momentum.

According to the IMF's World Economic Outlook report based on April 2018 figures, world growth strengthened in 2017 to 3.8% as compared with the 2016 figure of 3.2% and was the highest rate recorded since 2013.

Closely tied as it is to international investment flows, global trade registered strong real growth on the order of 4.9% in 2017 after having previously performed weakly for two years in a row.

Monetary policies aimed at stimulating economic activity that had been put into effect by the world's leading monetary authorities– most notably the US Federal Reserve Bank, the European Central Bank, and the Bank of Japan–appear to have worked and were significant contributors to the improvements seen in 2017.

7.4%

The Turkish economy performed strongly in 2017 and racked up a noteworthy growth rate of 7.4%

globally

2017 was a year that suffered from geopolitical and political anxieties.

the leasing industry

A sluggish investment climate similar to that which prevailed in 2016 prevented the Turkish leasing industry from achieving the performance desired of it in 2017.

On the other hand however, 2017 was also a year that suffered from geopolitical and political anxieties nourished by uncertainties over the policies of the US, the UK's "Brexit" process, and ongoing developments in the Middle East and elsewhere around the world.

What with developed countries' interest rates remaining low, developing countries' supportive liquidity policies and investors' appetites for higher returns continued to divert fund flows towards emerging markets.

The Turkish economy once again delivered a surprising performance.

The Turkish economy performed strongly in 2017 and racked up a noteworthy growth rate of 7.4% thanks primarily to incentives aimed at supporting economic activity such as Credit Guarantee Fund-backed lending and reductions in provisional tax rates but also to low base effects.

Turning now to 2018, it is likely to be a challenging year for the Turkish economy, which will have to contend with such problems as a weak Turkish lira, inflation, a current account deficit, unemployment, and foreign debt as well as with uncertainties over global economic policies and geopolitical risks.

A sluggish investment climate similar to that which prevailed in 2016 prevented the Turkish leasing industry from achieving the performance desired of it in 2017 as well. The sector's total transaction volume last year was worth USD 6.2 billion, a year-on rise of just 1%.

Looking at a sectoral breakdown of the industry's business we see that while a few one-off and large-scale projects involving airports and highways helped keep the business and construction machinery sector vigorous, "sale & leaseback" contracts continued to generate significant business in their capacity as the real estate sector's foremost financing model. Two sectors that failed to keep pace on the other hand were tourism and (to a lesser degree) health, the latter consisting principally of medical equipment for hospitals.

Turning now to penetration rates, leases financed 5.6% of overall investment financed in 2017, half a percentage point higher than 2016's figure of 5.0%.

Continuing to enjoy the support of favorable laws and regulations, we remain optimistic that our industry's growth will gain greater momentum in the period ahead.

Having played a leading role in investment financing since the day it was founded, QNB Finansleasing wrote USD 757 million worth of business in 2017.

10%

QNB Finansleasing contributed to 10% of all construction projects that were financed by leasing in 2017 in Turkey.

high growth rates

Our company enjoys high growth rates in terms of new business and market share.

> “Our company continued to provide fast, solution-focused service to a customer base consisting mostly of commercial, SME, and microbusiness clients.”

QNB Finansleasing performed especially well in 2017.

Having played a leading role in investment financing since the day it was founded, QNB Finansleasing wrote USD 757 million worth of business in 2017, thereby involving itself in a significant number of the country's investment projects last year.

Backed by 27 years of leasing industry experience, a knowledgeable and expert team, advanced technological infrastructure, and effective delivery channels, our company continued to provide fast, solution-focused service to a customer base consisting mostly of commercial, SME, and microbusiness clients who have the benefit of our investment and growth-strategy consultancy support as well as of our superior-quality and customized service. Our primary sales channel consists of fourteen branches, one of which is based in a free zone, but our access to customers around the country is also made possible and strengthened by a service network made up of nearly 600 QNB Finansbank branches.

With customer-focused marketing models that enable it to constantly increase its competitive strength, our company enjoys high growth rates in terms of new business and market share while simultaneously drawing attention because of its effectiveness and also reinforcing its stature among the Turkish leasing industry's leading players.

Last year we increased the total volume of business that we wrote by 54%. That performance boosted our industry market share of new business volume from 8% in 2016 to 12.2% in 2017. Our leasing receivables also grew by 66% last year and reached TL 4,480 million in value.

As one of the industry's leading players in the financing of business and construction machinery investments, QNB Finansleasing contributed to 10% of all construction projects that were financed by leasing in 2017 in Turkey. In the textile industry, 15% of investments involved the participation of our company last year.

The sectors on which we focused mainly in 2017 were construction, textiles, manufacturing, and energy: these four business lines contributed 19%, 16%, 12%, and 10% shares of total leasing receivables respectively last year.

66%

Our leasing receivables also grew by 66% last year and reached TL 4,480 million in value.

sukuk issuance

QNB Finansleasing is also the first leasing company in Turkey to be authorized to issue up to TL 1 billion worth of Sharia-compliant bonds (sukuk).

World Bank financing

In 2017 QNB Finansleasing authored a first in the Turkish leasing industry by spearheading a project along with a few other leasing companies to provide World Bank financing through Turk Eximbank.

Energy-sector projects–150 MW solar power plant–for which we supplied financing in 2017 fueled a significant rise in our transaction volume

In 2017 QNB Finansleasing authored a first in the Turkish leasing industry by spearheading a project along with a few other leasing companies to provide World Bank financing through Turk Eximbank, the Export Credit Bank of Turkey. We are currently working on making arrangements for new tranches of this credit, which can only be used to finance exporting firms' investments.

In yet another QNB Finansleasing industry first, our company negotiated leasing deals that were covered by Credit Guarantee Fund (KGF) guarantees. All of the TL 100 million KGF limit assigned to our company was used to finance a number of projects. We intend to continue provide KGF support to meet the leasing needs of small- and medium-sized companies that would otherwise have difficulty putting up collateral to cover their investments.

We are constantly developing our service model by making our business processes more effective.

We continue to increase our business effectiveness in line with market requirements by developing appropriate quick-response financing models, undertaking campaigns jointly with vendors and distributors, and in similar ways. We are also undertaking many system and process-related improvements in order to provide better service by means of innovative, rapid-response, and/or automated decision-making models and processes which keep pace with the fast-changing conditions of today's digital world.

We likewise intend to further strengthen our financing effectiveness and to boost our market share through greater diversification and expansion of our funding resources.

QNB Finansleasing is also the first leasing company in Turkey to be authorized to issue up to TL 1 billion worth of Sharia-compliant bonds (sukuk). Through the issuance of these instruments, which are also known as "sukuk certificates", our aim is to provide suitable alternatives to investors wishing to take advantage of the variety of investment products that are available in the market while similarly enabling customers wishing to finance their investments through leasing to do so more economically.

Message from the Management
continued

Since its inception our company has worked diligently to foster and constantly improve customers' perception of it as a service provider whose constant hallmarks are innovation, trustworthiness, and solution-focus.

vast experience

We are determined to continue making use of our vast experience and broad vision in order to take our industry forward into the future as well.

energy projects

We plan to play a role in financing such investments as well as in trade-related investments associated with energy projects that were completed in recent years.

"We will continue to finance major investments by giving our customers the benefit of our experienced team's advice and guidance."

We will continue to finance major investments by giving our customers the benefit of our experienced team's advice and guidance.

When it originally commenced operations in 1990, QNB Finansleasing was one of the first players in Turkey's leasing industry. Since then our company has worked diligently to foster and constantly improve customers' perception of it as a service provider whose constant hallmarks are innovation, trustworthiness, and solution-focus. With a financial structure and international recognizability and reputation made even stronger by the advent of QNB, we are determined to continue making use of our vast experience and broad vision in order to take our industry forward into the future as well.

In the period immediately ahead, we intend to remain strong in the financing of business and construction machinery since that sector is one of the most important sources of our growth momentum; however we also will be increasing our focus on renewable energy projects. Given certain regulatory changes due to take place in 2018, we anticipate that large-scale projects will give way to investments being undertaken by SME and agri-industrial concerns seeking to create their own sources of energy.

We plan to play a role in financing such investments as well as in trade-related investments associated with energy projects that were completed in recent years. That means that we will also be supporting such customers in our capacity as investment consultants. We also expect that energy-sector biomass investment projects will be making some progress next year.

In closing we take this opportunity to thank each and every one of our customers, employees, and shareholders for the support that makes it possible for us to create value.

Sinan Şahinbaş
Chairman

Metin Karabiber
General Manager,
Member of the Board of Directors

Milestones of QNB Finansleasing

Finans Leasing was one of the very first companies to be established in the sector. Since its inception, the Company has earned a well-deserved reputation for strength and stability.

1990
- Finans Leasing was established, as the 5th leasing company in Turkey.

1992
- Ankara Branch (1st) was opened.

1993
- Finans Leasing went through an IPO, where 20% of its shares were offered to public.

1996
- İzmir Branch was opened.

1998
- Four new branches were opened in Adana, Bursa, İstanbul free trade zone and Gaziantep.

2001
- SME focused strategy was adopted.

2002
- Finans Leasing merged with Finans Deniz Leasing.

2003
- Customer Credit Scoring System was applied for the first time.

2005
- Antalya, İkitelli and DES branches were opened.
- Internal Audit Department was set up.
- Finans Leasing was rated by Moody's Rating.

2006
- İzmit Branch was opened.
- Finansbank merged with NBG.

2007
- A new leasing software application was launched.

2008
- Risk Follow-up Department was set up.

2009
- Asset Management Department was established.
- Moody's credit rating system was implemented.

2010
- Risk Management Unit was set up.

2013
- Internal control function was implemented.

2014
- Diyarbakır and Gebze branches were opened.

2015
- Finans Leasing is rated by Fitch Ratings. F/C & L/C rating is positive watch. BBB(-), stable.

2016
- The shares of the Company were transferred to the QNB Group on 15 June 2016.
- QNB Finansleasing was included in the European Federation of Leasing Company Associations' list of Europe's top 50 leasing companies for the first time.

2017
- Brand name was changed to QNB Finansleasing.
- Konya and Levent branches were established.

Board of Directors and Management

Board of Directors

Sinan Şahinbaş	Chairman of the Board - Executive
Adnan Menderes Yayla	Vice Chairman of the Board - Non-executive
Metin Karabiber	Board Member & General Manager - Executive
Osman Ömür Tan	Board Member - Non-executive
A. Murat Alacakaptan	Board Member - Non-executive
Turhan Cemal Beriker	Independent Board Member - Non-executive
Osman Necdet Türkay	Independent Board Member - Non-executive

Management

Metin Karabiber
General Manager and
Member of the Board of Directors

Semra Karsu
Assistant General Manager, CFO

M. Fatih Kızıltan
Assistant General Manager

Ateş Yenen
Assistant General Manager

Metin Karabiber
General Manager and
Member of the Board of Directors

Born in 1961 in Adana. He is a graduate of Çukurova University, Industrial Engineering Department. He began his banking career at Interbank in 1985 as a Marketing Specialist. He worked as a Branch Manager at Iktisat Bankası from 1990 to 1995, at Demirbank from 1995 to 1997, at Finansbank between 1997 and 1998 and at Sümerbank as an Executive Vice President between the years 1998 and 1999. In 1999 he joined Dışbank as Karaköy Branch Manager and he took role in Haliç Region as a Regional Manager between 2000 and 2004. In January 2004, he has been appointed to the position of Executive Vice President of SME Group. He served as the Executive Vice President responsible for Retail Banking Sales Management between April 2007 and September 2010. Having joined Finansbank A.Ş. in 2010 as Vice General Manager responsible for Commercial Banking, Karabiber was appointed in October 2013 as Vice General Manager for SME and Agricultural Banking.

Semra Karsu
Assistant General Manager, CFO

Born in 1967, Mrs. Karsu graduated from Notre Dame de Sion High School and holds a BA in Business Administration and MBA from Istanbul University. Mrs. Karsu started her business career in 1990 in Garanti Leasing and joined Finans Leasing in 1996 as Manager responsible for Budget, Financial Control and Accounting. In 1999, she became Financial Control and Operation Group Manager and in 2002, she was appointed as Assistant General Manager responsible for Operations, Financial Control, Accounting, Finance, Credit Follow-up and Legal Departments. She held Audit Committee member position in FİDER between 2011-2013.

M. Fatih Kızıltan
Assistant General Manager

Born in 1957, Mr. Kızıltan holds a BA in Business Administration from Marmara University. Following his position in Yapı Kredi Bank as Credit Risk Control Specialist, he joined Finans Leasing in 1990 as Credit Manager. He became Group Manager in Credit Department in 2000 and in March 2008 he was promoted as the Assistant General Manager responsible from the Credit Department.

Ateş Yenen
Assistant General Manager

Born in 1969, Mr. Yenen graduated from TED Ankara College and then from the Department of Economics at Hacettepe University. Mr. Yenen started his career in 2000 at Finansbank, where he first served as Ankara Corporate Branch Manager and then as the Corporate Banking Group Manager in 2008. Worked as the Group Manager of Large Commercial Banking Sales at Finansbank since 2010, Mr. Ateş Yenen was appointed as the Assistant General Manager responsible for sales at Finans Leasing in 2012.

Sectoral Developments in 2017

The Turkish leasing industry entered upon a period of new growth while digitalization of its infrastructure has been enabling leasing companies to provide faster, more reliable, and more effective service.

1%

The business volume of the industry was as a mere 1% more than was the case in 2016.

-2%

The total number of contracts written in 2017 was 23,382, or 2% fewer than in 2016.

"Looking at a sectoral breakdown of the industry's business in 2017 we see that construction topped the list with a 27.0% share."

In response to changes in the legal and regulatory framework in recent years, the Turkish leasing industry entered upon a period of new growth while digitalization of its infrastructure has been enabling leasing companies to provide faster, more reliable, and more effective service.

Having once again had to contend with a sluggish investment climate in 2017, the industry was unable to achieve the desired level of new business creation performance.

Turkey's leasing companies wrote a total of USD 6.2 billion worth of business in 2017. That was a mere 1% more than was the case in 2016. On a Turkish-lira basis, this performance corresponds to TL 22.6 billion and a 21% rate of year-on growth. On the same measure, the industry's leasing receivables grew by 18% year-on and reached TL 53.4 billion in value.

The total number of contracts written in 2017 was 23,382, or 2% fewer than in 2016. Last year the industry served 57,605 registered customers, whose average contract value amounted to USD 265,000.

The 25 firms that were active in the Turkish leasing industry in 2017 continued to grow their balance sheets. The industry's total assets were up by 20% year-on and reached TL 58.1 billion in value while its net equity grew by 10% and was worth TL 8.6 billion. Net profit weighed in at TL 952 million, 3% higher than it was in 2016.

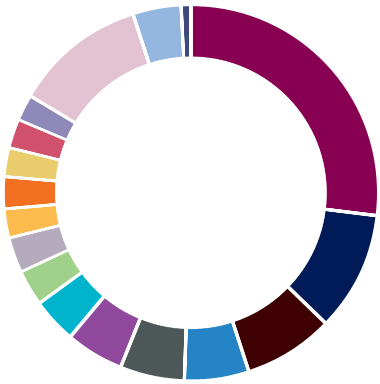
Looking at a sectoral breakdown of the industry's business in 2017 we see that construction topped the list with a 27.0% share that was followed by textile and textile products (10.3%), and electricity, gas and water resources (7.6%).

The sectoral composition of the industry's business remained virtually unchanged year-on, with manufacturing and services commanding shares of 48.6% and 44.9% respectively, and consumer housing finance (3.2%) and agriculture (2.7%)trailing far behind.

The industry's penetration rate (the percentage of total investment financed by leasing) rose modestly from 4.97% in 2016 to 5.47% in 2017.

Strong growth in the Turkish economy and rising capacity utilization rates in industry support expectations that investment may continue to rise in the period ahead. The continuation of Credit Guarantee Fund support for leasing contracts is also seen as a favorable development for the industry.

Breakdown of Leasing Volume by Type of Sector
(%)



Sector	%
Construction	27.0%
Textile and textile products	10.3%
Electricity, gas and water resources	7.6%
Metal industry and processed goods	5.7%
Wholesale and retail commercial vehicles services	5.4%
Transportation, storage and communications	5.1%
Real estate	3.7%
Consumer housing finance	3.2%
Health & social activities	2.9%
Agriculture, hunting, forestry and fishery	2.7%
Rubber and plastic goods	2.6%
Machinery and equipment	2.5%
Food, beverages and tobacco	2.4%
Transportation vehicles	2.4%
Other manufacturing	11.4%
Other services	4.4%
Others	0.6%

Total Assets
(TL billion)

2017	58.1
2016	48.5
2015	40.7

Receivables
(TL billion)

2017	52.0
2016	44.0
2015	36.7

Transaction Volume
(TL billion)

2017	22.6
2016	18.6
2015	17.3

Net Profit
(TL billion)

2017	940
2016	922
2015	809

Return on Equity
(TL billion)

2017	11.3
2016	12.3
2015	12.3

Return on Assets
(TL billion)

2017	1.7
2016	2.1
2015	2.1

Activities in 2017

QNB Finansleasing successfully outperformed the Turkish leasing industry as a whole by increasing its leasing receivables by 66%.

USD 757 million

The USD 757 million worth of business which QNB Finansleasing handled in 2017 corresponded to a 53.5% year-on rise.

“QNB Finansleasing is providing increasingly more investment financing to a wide range of customers of various sizes.”

QNB Finansleasing drew attention with its strong performance in 2017.

QNB Finansleasing successfully outperformed the Turkish leasing industry as a whole by increasing its leasing receivables by 66% and boosting its transaction volume market share by four points to around 12% despite there being no increase in the propensity to invest or any change in overall business volume. The USD 757 million worth of business which the company handled in 2017 corresponded to a 53.5% year-on rise.

Combining experience and vision with robust capitalization and funding opportunities, QNB Finansleasing is providing increasingly more investment financing to a wide range of customers of various sizes, with a particular focus on the microbusiness and SME segments. In 2017 the company wrote 2,202 new contracts, 3.8% more by number than it did the year before, while the average contract size (USD 344,000) increased by 47.6%.

As of end-2017, the SMEs and microbusinesses that are the lifeblood of the Turkish economy accounted for 33% and 33% respectively of the company's leasing receivables. A look at QNB Finansleasing's portfolio shows that commercial customers made up a 29% share and corporate customers a 5% share.

As of end-2017, the company's net leasing receivables amounted to TL 4,480 million in value. An analysis of the company's portfolio shows that it remains robustly balanced with the top three sectors (construction, textiles, manufacturing) accounting for 19.3%, 15.6%, and 11.6% shares respectively.

Our asset quality reflects the effectiveness of our risk management.

QNB Finansleasing employs an effective risk management structure that combines market knowledge and acumen with a technology-supported operational and risk-monitoring infrastructure.

Drawing attention by virtue of its high level of asset quality, the company's low exposure to non-performing loans continues to decline: its 5.8% NPL ratio in 2016 was down to 3.3% as of end-2017.

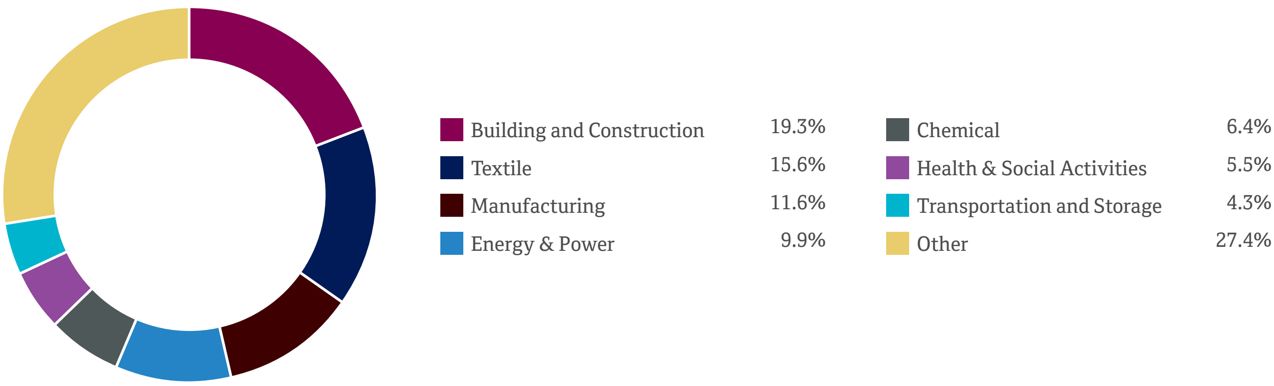
QNB Finansleasing's healthy portfolio structure is the product of the company's commitment to the principle of carefully protecting itself by broadly dispersing locality and customer risk so as to avoid any risk concentration. An analysis of the Company's risk exposure over the years shows that its top 10, 20, and 50 clients accounted for lower shares of its overall risk in 2017 than ever before.

	2014	2015	2016	2017	2016-2017 (%)
Business volume (in USD million)	471.16	320.60	493.00	757.00	53.55%
Number of new contracts	2,011	1,992	2,121	2,202	3.82%
Market share	6.17%	5.04%	8.04%	12.22%	4.18%
Total leasing industry volume (in USD million)	7,637	6,365	6,130	6,194	1.04%
Average contract size (in USD)	234,291	160,944	232,438	343,778	47.54%

Risk Breakdown	2013	2014	2015	2016	2017
Top-10 customers in the portfolio					
Exposure (TL million)	112.1	146.7	205.9	225.9	315.8
Share in total	9%	9%	11%	8%	7%
Top-20 customers in the portfolio					
Exposure (TL million)	186.8	237.7	320.4	372.2	538.3
Share in total	14%	15%	16%	14%	12%
Top-50 customers in the portfolio					
Exposure (TL million)	331.2	405.9	549.2	685.3	1,007
Share in total	25%	26%	28%	25%	22%

Geographical Breakdown	2013	2014	2015	2016	2017
Marmara	13%	13%	12%	11%	10%
Aegean and Mediterranean	19%	18%	18%	17%	16%
Eastern and Southeastern Anatolia	15%	17%	16%	14%	16%
Central Anatolia and Black Sea	14%	13%	11%	11%	11%
İstanbul	32%	32%	36%	40%	39%
Çukurova	7%	7%	7%	7%	7%

Distribution of Leasing Receivables According to Industry
(%)



Activities in 2017
continued

QNB Finansleasing's strong financial structure and market credibility enable it to tap funding resources easily.

"Besides obtaining loans from a variety of agencies and organizations, QNB Finansleasing also diversified its funding resources through bond, bill, and sukuk issuances."

synergistic

QNB Finansleasing's highly synergistic collaboration with QNB Finansbank enables it to benefit from a financial institution customer base that is a natural target audience for the company itself.

63%

63% of QNB Finansleasing's sales are made through the QNB Finansbank's network of 580 branches.

A successful year in funding

QNB Finansleasing's strong financial structure and market credibility enable it to tap funding resources easily. In 2017 the company had a successful year in procuring funds from both its home market and abroad. Besides obtaining loans from a variety of agencies and organizations, QNB Finansleasing also diversified its funding resources through bond, bill, and sukuk issuances.

From the International Finance Corporation (a member of the World Bank Group), PROPARCO (the French Development Finance Institution), and FMO (the Netherlands Development Finance Company), QNB Finansleasing has received a five-year loan corresponding to USD 100 million in Turkish liras and euros. This credit is to be used to finance investments in renewable energy and energy efficiency. QNB Finansleasing will be lending it to SMEs in order to finance their eco-friendly/sustainable-energy and energy-efficiency investments.

A long-term, EUR 100 million loan was received from the European Investment Bank.

This eight-year loan, which comes with a two-year grace period, is being used to help pay for investments that SMEs and other commercial enterprises finance through leasing agreements.

A USD 40 million "Long-Term Export Financing" loan was received from Turk Eximbank (the Export Credit Bank of Turkey) and the International Bank for Reconstruction and Development in order to finance exporters' projects that involve leasing agreements.

The entire TL 100 million line of credit that was received from Turkey's Credit Guarantee Fund was lent to customers.

QNB Finansleasing is also the first leasing company in Turkey to be authorized to issue up to TL 1 billion worth of "lease certificates" (sukuk). The first issue, which took place in February 2018, secured TL 200 million worth of two-year funding for the company.

Last year QNB Finansleasing was authorized (for the fifth time) by the Capital Markets Board to issue up to TL 2 billion worth of domestic bonds and bills. Within the framework of that authorization, instruments with a nominal value of TL 320.8 million were issued as of the end of the year.

Our delivery-channel collaboration with QNB Finansbank represents our most important competitive edge.

QNB Finansleasing's delivery channel structure is one of the company's most important competitive advantages. A network of fourteen QNB Finansleasing branches (one of which is located in a free zone) has a balanced and extensive reach that embraces much of the country's economic activity. Direct sales made through this network account for a 32% share of the company's total sales.

QNB Finansleasing's highly synergistic collaboration with QNB Finansbank enables it to benefit from a financial institution customer base that is a natural target audience for the company itself. QNB Finansleasing uses its association with QNB Finansbank in order to generate cross-sale opportunities in the most effective

Credit Ratings

As of 31 December 2017, Fitch Ratings assigned the Company "BBB-" long-term foreign and local credit ratings with stable outlooks in both cases.

way possible. This bank's network of 580 branches gives it a truly national reach and serves as an efficient way for QNB Finansleasing to deliver its products and services to customers. 63% of QNB Finansleasing's sales are made through this channel.

QNB Finansleasing's third delivery channel consists of the vendors who sell the goods that are financed through leasing. Based on strong and sustainable relationships with dealers and on attractive pricing campaigns for customers, this channel generates 5% of QNB Finansleasing's sales.

We seek to create more value for our human resources.

As of 31 December 2017, QNB Finansleasing had a workforce of 122 people, 51% of whom were women. Noted for employing human resources that are distinguished by their experience, competencies, and knowhow, QNB Finansleasing is one of the leading names in its sector.

During 2017, much significant progress was made at the company to enhance employee satisfaction and motivation and also to increase employees' career-development and advancement opportunities.

The average instance of training per employee increased from 3.39 programs in 2016 to 4.37 in 2017.

With the Employee Suggestion System of QNB Finansleasing, the employees who submitted ideas which were put into effect and which improved business efficiency and enhance profitability were rewarded.

As a result of changes in employee performance evaluation processes, preference is given to open communication in the provision of guidance.

Employee satisfaction increased by 5% between 2016 and 2017.

Being aware of our social responsibility

During 2017, attention was given to such social responsibility projects as providing clothing assistance to needy children at a school in the eastern part of the country, conducting a toys workshop, and making donations to the TÜRKÖK bone marrow bank in partnership with KIZILAY (Turkish Red Crescent) and TÜRKÖK (Turkish Stem Cell Coordination Center).

Advancing confidently into the future...

In the period immediately ahead, QNB Finansleasing expects to be increasing its funding of industrial, infrastructure, and construction project investments while also maintaining its stature as an important center of attraction for domestic and international investment owing to its extensive geographical reach and high potential in Turkey. Backed by its vast experience and extensive service platform and drawing also on the support of its parent QNB Finansbank, the company is committed to increasing its sectoral effectiveness and market share and to remaining an important player in the provision of financing for such investments. At the same time, leasing products will remain a very important option for financing "sale & leaseback" contracts in the real estate sector and for financing renewable energy projects.

In 2018 QNB Finansleasing plans to carry out most of the major in-house infrastructure and process-development investments that will enable it to keep pace with the speed, customer satisfaction, and digitalization requirements that are essential to doing business in today's world.

The company is also working without letup in its efforts to tap international resources for the long-term funding that it needs to finance its customers' investments.

Because it considers marketing and informational efforts focusing on encouraging the increasingly greater use of leasing as an investment financing tool to be one of its corporate responsibilities, QNB Finansleasing will also continue to marshal its customer focus, expert team, and advanced technological infrastructure in order to come up with fast, correct, and complete solutions to its customers' needs in line with its mission as the Turkish leasing industry's productivity and profitability leader.

In the period ahead

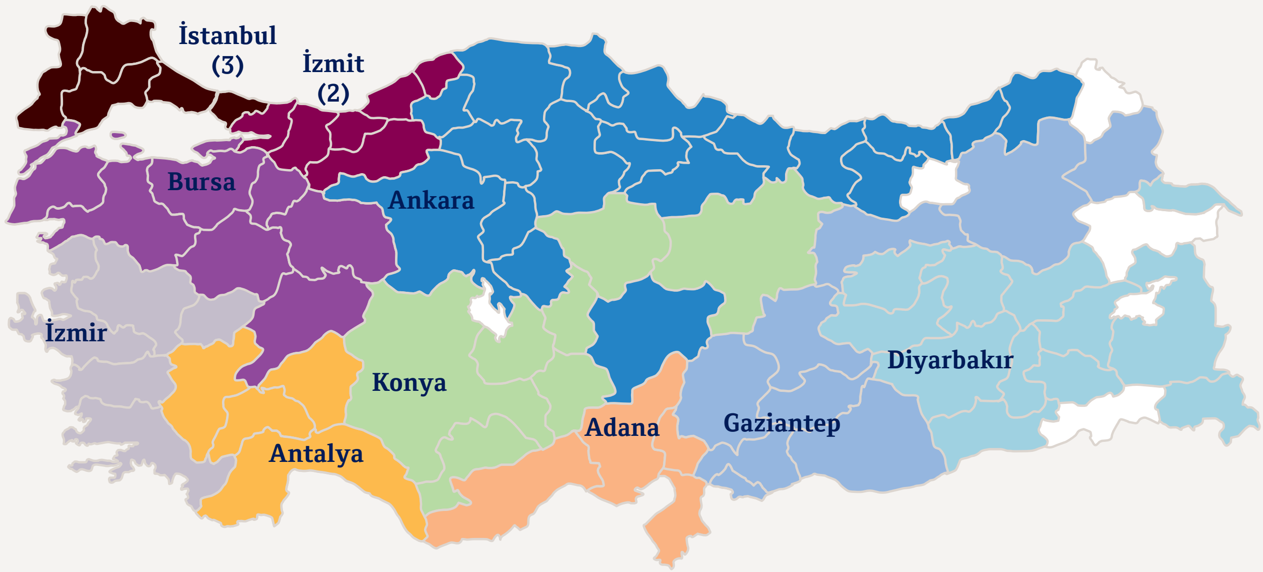
QNB Finansleasing will also continue to marshal its customer focus, expert team, and advanced technological infrastructure in order to come up with fast, correct, and complete solutions.

Sales & Marketing Branch Network

QNB Finansleasing's branch network consists of 14 nodes geographically located in parts of the country where economic activity is concentrated.

"Direct sales made through its branch network account for a 32% share of the company's total sales."

- **İstanbul**
  - İstanbul Atatürk Airport Free Zone
  - İstanbul 1 (Avrupa - İkitelli, Tekirdağ, Kırklareli, Edirne)
  - İstanbul 2 (Anadolu - İMES)
  - Levent
- **İzmit**
  - İzmit, Adapazarı, Zonguldak, Düzce, Bolu, Karabük, Bartın
  - Gebze
- **Ankara**
  Ankara, Çorum, Kırıkkale, Çankırı, Samsun, Ordu, Rize, Amasya, Tokat, Sinop, Karabük, Kastamonu, Giresun, Trabzon, Gümüşhane, Konya, Kırşehir, Artvin
- **Bursa**
  Bursa, Yalova, Çanakkale, Eskişehir, Bilecik, Kütahya, Afyon, Balıkesir
- **İzmir**
  İzmir, Aydın, Muğla, Manisa, Uşak
- **Antalya**
  Antalya, Burdur, Isparta, Alanya, Denizli
- **Adana**
  Adana, Mersin, Hatay, Tarsus, İskenderun, Osmaniye
- **Konya**
  Konya, Karaman, Aksaray
- **Gaziantep**
  Gaziantep, Şanlıurfa, Adıyaman, Kilis, Maraş, Malatya, Erzurum, Erzincan
- **Diyarbakır**
  Diyarbakır, Batman, Siirt, Van, Bingöl, Mardin, Hakkari, Muş, Bitlis, Kars, Iğdır, Elazığ, Tunceli



About Qatar National Bank (QNB Group)

QNB Group has steadily grown to be the biggest bank in Qatar and leading financial institution in the Middle East and North Africa Region with a market share around 45% of banking sector assets.

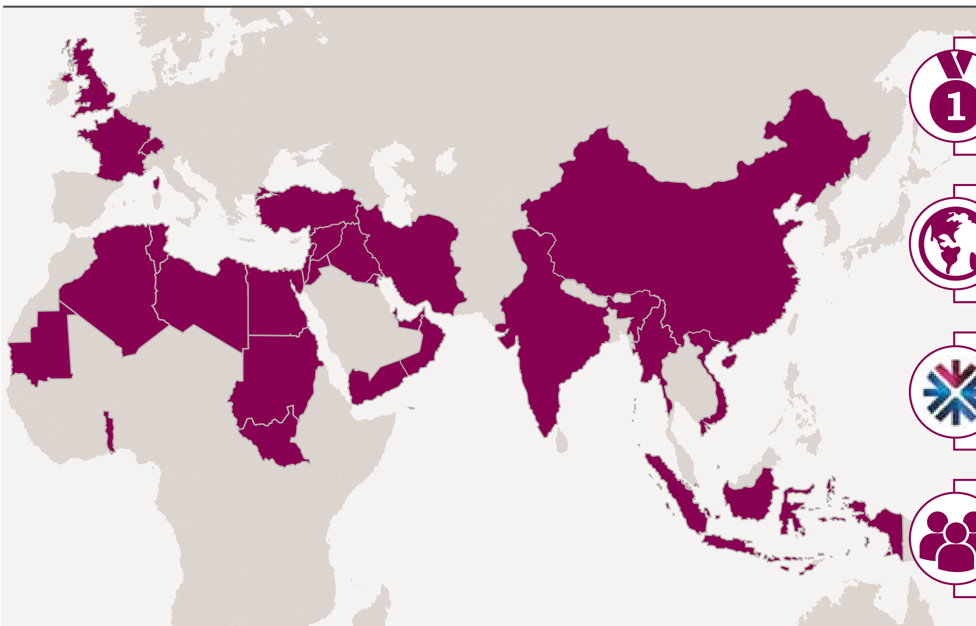
> "Besides being the biggest financial institution in Qatar, QNB also has an international network with presence in more than 31 countries."

QNB Group has steadily grown to be the biggest bank in Qatar and leading financial institution in the Middle East and North Africa Region with a market share around 45% of banking sector assets.

Besides being the biggest financial institution in Qatar, QNB also has an international network with presence in more than 31 countries.

Founded in 1964 as Qatar's first domestically-owned commercial bank, QNB shares have been traded on the Qatar Stock Exchange since 1997. Half of the bank's shares are owned by the Qatar Investment Authority while the remainder are publicly held. Besides being the biggest financial institution in Qatar, QNB also has an international network with presence in more than 31 countries, primarily throughout the Middle East and North Africa. QNB is also the MENA region's biggest bank from the standpoints of its total assets, total credits, and total deposits.

QNB is a strong highly rated bank with a growing international footprint



- #1 bank in the Middle East and Africa across all financial metrics
- International network with presence in more than 31 countries
- Most valuable banking brand in the Middle East and Africa worth USD 4.2 billon
- Over 28,000 employees serving 22 million customers

Solid financial strength

USD 3.2 billion	USD 3.6 billion
Market Cap.	Net profit
USD 222.8 billion	**18.7%**
Assets	RoAE

Top-tier credit ratings

A	Aa3
Standard & Poor's	Moody's
AA-	**A+**
Capital Intelligence	Fitch

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

The Company deems it extremely useful to implement Corporate Governance Principles with respect to the improvement of national and international capital markets, as well as to the Company's best interests. The Company drew up the Statement of Compliance with Corporate Governance Principles within the frame of Corporate Governance Principles published by the Capital Markets Board (CMB).

The Company aims to achieve maximum compliance with the said principles and spends its best efforts to this end:

Work is in progress to bring the Company into compliance with principles that are of exceptional nature and that are not being implemented by the Company as yet. Detailed information about the activities currently in progress and the corporate governance principles with which compliance have been achieved are presented below under the separate headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors".

Below are the steps taken between 2012-2014 to achieve compliance with the Communiqué on Corporate Governance.

- Independent Board members were elected and the structure of the Board of Directors was updated.
- Members of the Corporate Governance Committee and the Audit Committee were elected from among independent and non-executive members in accordance with the Communiqué.
- Necessary procedures were fulfilled for the members of the Corporate Governance Committee to fulfill the functions of the Early Detection of Risk Committee and the Nomination Committee.
- The Compensation Policy was devised and publicly disclosed on the company website.
- The Disclosure Policy and Dividend Policy were posted on the company website.
- The articles of incorporation were revised in keeping with the compulsory principles.
- The content of the company website was updated in line with the Communiqué.

It has been decided by the Board of Directors decision no. 962 dated 15 April 2013 to organize the Early Detection of Risk Committee as an individual committee pursuant to Article 6 of the Communiqué Serial: IV No. 63 amending the Communiqué Serial: IV No. 56 on the Determination and Implementation of Corporate Governance Principles, which went into force upon its publication in the Official Gazette issue 28567 dated 22 February 2013.

The Communiqué on Dividends numbered II-19.1 went into force on 1 February 2014, which was intended to achieve alignment with the arrangements set out in the Capital Market Law no. 6362 (the Law) that was enacted upon its publication in the Official Gazette issue 28513 dated December 31, 2012. In order to secure compliance with the said Communiqué, our Company's "Dividend Policy" was updated and approved at the General Assembly Meeting held on 31 March 2014. Furthermore, to achieve compliance with the Communiqué on Material Events Disclosure numbered II-15.1 published in the Official Gazette dated 23 January 2014 under the Law, the "Disclosure Policy" was also updated and posted on the corporate website.

The Investor Relations Unit structure was updated in accordance with the Communiqué no. II-17.1 on Corporate Governance that was revised on 3 January 2014.

SECTION I: SHAREHOLDERS

2. Investor Relations Unit

An Investor Relations Division has been set up under the Corporate Governance Committee, in order to facilitate exercising of shareholding rights and to provide communication between the Board of Directors and the shareholders.

In essence, the Investor Relations Division works to;

- ensure maintenance of the records about shareholders in a healthy, secure and up-to-date manner,
- respond to the shareholders' written information requests about the Company, apart from those that are not publicly disclosed, are of a confidential and/or trade secret nature,
- ensure that the general assembly meetings are convened in accordance with the applicable legislation, the articles of incorporation and other internal regulations,

- prepare the documents the shareholders could make use of in the general assembly meeting,
- ensure that the results of the voting are recorded and the reports thereon are sent to the shareholders,
- observe and comply with all considerations related to public disclosure, including the legislation and the Company's disclosure policy.

Contact information for the individuals assigned to these units for the period between 1 January - 31 December 2017 are given below:

Name	Tel	E-mail
Belgin Şen	+90 212 349 11 30	belgin.nakiplersen@qnbfl.com
Sunay Cambaz	+90 212 349 11 80	sunay.cambaz@qnbfl.com
Selim Murat	+90 212 349 13 30	selim.murat@qnbfl.com

The individuals whose contact information is provided above have responded to the queries received from the investors during the reporting period.

3. Shareholders' Exercise of Their Right to Obtain Information

It is certain that shareholders and stakeholders need to have regular access to reliable information about the Company's management and its financial and legal standing. In line with the principle of public disclosure and transparency, all information except for trade secrets is to be revealed to the public impartially. Such disclosure is made by means of audited annual and interim financial statements and footnotes and by means of public announcements. This information is also posted on the Company's corporate website.

There had been no requests from shareholders during the reporting period for the appointment of a special auditor. Based on the concern that the appointment of a special auditor might lead to problems in practice with respect to maintaining the confidentiality of trade secrets or undisclosed information, it is intended to consider in the future to provide for demanding the appointment of a special auditor as an individual right in our Company's articles of incorporation depending on the developments.

4. Information about General Assembly Meetings

The Ordinary General Assembly held on 31 March 2017:

FİNANS FİNANSAL KİRALAMA A.Ş. Ordinary General Assembly Meeting for 2016 was held on 31 March 2017 at 11:00 hours at the address Esentepe Mah. Büyükdere Cad. Kristal Kule Binası No: 215 Kat: 22 Şişli İstanbul under the supervision of the Ministry Representative Ayşin Yazgan Bilgin, who was appointed by the T.R. İstanbul Governor's Office Provincial Directorate of Trade letter dated 30 March 2017, no. 23841870.

In accordance with the provisions of the law and the articles of incorporation, invitation for the meeting that incorporated the agenda was published in the Turkish Trade Registry Gazette issue 9279 dated 8 March 2017 and Hürses newspaper issue 13907 dated 8 March 2017; posted on the company website at www.finansleasing.com.tr; announced on the Public Disclosure Platform and on the Electronic General Meeting System of the Central Registry Agency on 6 March 2017; it was also announced to shareholders who were on record in the book of shares, by way of notifying in written the meeting date and agenda within legally due time.

Having established by examining the List of Attendants that out of 11,500,000,000 shares corresponding to the Company's total capital of TL 115,000,000.00, 11,430,844,233 shares corresponding to TL 114,308,442.34 in capital was represented by proxy at the meeting, and the minimum quorum as stipulated by the law and the articles of incorporation was secured; the meeting was opened, simultaneously in the physical and electronic environments, by Adnan Menderes Yayla, Deputy Chairman of the Board and proceeded with the discussion of agenda items.

5. Voting Rights and Minority Rights

Our Company's articles of incorporation contain no provisions pertaining to privileged voting rights. Minority shares are not represented in the Company's management and the cumulative voting method is not employed. Companies with which there is a cross-shareholding relationship cast votes at the General Assembly.

6. Entitlement to Dividends

Our Company's profit distribution principles are determined in view of the relevant provisions of the articles of incorporation, Turkish Commercial Code (TCC), Capital Market Law and other applicable legislation. Profit distribution is approved and decided by the General Assembly of Shareholders based on the proposal of the Board of Directors.

The Company's financial results for the related year, current economic conditions, etc. have an effect on the determination of the dividend policy. In the event it is decided to distribute dividends, the rate of distribution is determined by the General Assembly of Shareholders in a manner that will not contradict with the provisions of applicable legislation and the Company's articles of incorporation. Dividends are distributed in cash and/or in the form of dematerialized shares.

The dividend policy may be altered based on a Board of Directors decision, on condition that the ground for such alteration is specified, and the revised policy is publicly disclosed in accordance with the Board of Directors guidelines regarding disclosure of material events.

No shares are privileged in terms of getting share from the profit.

Cash dividend payout is carried out until no later than the end of the third month following the date of the General Assembly Meeting in which profit distribution decision is passed. Dividend distribution in the form of bonus dematerialized shares, on the other hand, is carried out following the receipt of the permissions stipulated by the legislation.

Our Company does not pay advances on dividends, nor is there a provision governing the same in the Company's articles of incorporation.

7. Transfer of Shares

The Company's articles of incorporation contain no provisions restricting the transfer of shares.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company's disclosure policy is intended to make sure that the necessary information other than trade secrets are disclosed to shareholders, investors, employees, customers, creditors and other related parties on a timely manner and on the principles of completeness, accuracy, and intelligibility, and that they are conveniently accessible at low cost and equally available to all. The disclosure policy is posted on the corporate website.

Under the Disclosure Policy devised by Finans Finansal Kiralama A.Ş., information is made available to the public via the Public Disclosure Platform (in Turkish: KAP) in accordance with the CMB Communiqué No: II-15.1 on Material Events. The Company's independently audited financial statements are publicly disclosed at quarterly intervals.

Names and positions of the individuals in charge of executing the Disclosure Policy are given below:

Name	Position	E-mail
Belgin Şen	Financial Control and IT Group Manager	belgin.nakiplersen@qnbfl.com
Sunay Cambaz	Accounting Group Manager	sunay.cambaz@qnbfl.com
Selim Murat	Internal Audit Manager	selim.murat@qnbfl.com

9. Company Internet Site and its Content

The Company website is at the address www.qnbfl.com, and is also available in English. The corporate website is actively used for information provision and public disclosure purposes. The website contains the information and data as stipulated by the Corporate Governance Principles.

In addition, a section entitled "Information Society Services Finans Finansal Kiralama A.Ş." was created under the section "Investor Relations" on our corporate website pursuant to Article 1524 of the Turkish Commercial Code and to the Regulation on Websites to be Opened by Capital Companies. The section dedicated to information society services on the website is accessible by everyone.

10. Annual Report

All of the information listed in the Corporate Governance Principles is covered in the annual reports.

SECTION III: STAKEHOLDERS

11. Informing Stakeholders

A “stakeholder” is any private individual, corporate entity, or interest group that may be involved in the Company’s achieving its goals or have interest in its activities. Stakeholders include shareholders, employees, creditors, customers, suppliers, various non-governmental organizations, the government, and even potential investors.

Our Company conducts its activities honestly, trustworthily, and transparently within the framework of its public disclosure principles in order to keep its stakeholders aware of the same. The Company’s independently audited financial statements are publicly disclosed quarterly. Similarly, important developments concerning the Company’s activities are publicly announced by means of material event disclosure forms in line with the Company’s public disclosure principles. In addition, in-house meetings are conducted to ensure that the Company’s employees are kept informed about developments that take place and may be of concern to them.

A “Reporting Sheet” application was created on the www.qnbfl.com website for conveyance of the Company’s illegitimate or unethical transactions by stakeholders to the Audit Committee and the Internal Audit Manager.

12. Stakeholder Participation in Management

Within the context of stakeholder participation in management an internal client suggestion tracking model was set up and put into practice in December 2016 - January 2017. Additionally, employees are involved in the Company management through meetings and by using their powers and responsibilities in line with their job descriptions. Detailed studies are carried out on matters related to promotions and performance measurement to ensure that employees receive equal treatment and that promotions take place in line with performance. Employees are given training opportunities to enhance their knowledge, skills, and experience. Explanatory information concerning the Company is also provided to interested parties upon demand.

13. Human Resources Policy

Based on the awareness that the human resource represents the key element for the optimum execution of the Company’s activities and for its development, the basic principles of our Company’s human resources policy are spelled out as follows:

- Employing personnel with high personal and professional qualifications.
- Enhancing work productivity by providing a modern and healthy work environment.
- Fostering a participatory approach to management within the Company.
- Ensuring that employees receive the necessary training they need to develop their professional knowledge and that they are inculcated in the Company’s corporate culture.
- Providing performance-based career planning.

Relations with employees are handled by the Human Resources Assistant Manager and the Assistant General Manager to whom he reports. During the reporting period, no complaints were received from the employees concerning discrimination. Job descriptions have been put into writing for all Company employees and performance criteria are determined on the basis of positions and titles and shared with the employees.

14. Code of Ethics and Social Responsibility

No lawsuits were lodged against our Company during the reporting period on account of any harm caused to the environment. Utmost care is paid to ensure that the projects financed are in compliance with the legislation governing the environment and public health.

QNB Finansleasing expects its employees to abide by the Company’s fundamental principles and code of ethics specified hereinbelow. The code of ethics is publicly disclosed on the corporate website, as well as in the periodic annual reports.

SECTION IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

Members of the Board of Directors were elected by the General Assembly resolution dated 31 March 2017, and the Board of Directors was structured as follows on the same date. Term of office for members was set as two years.

Board of Directors:	
Sinan Şahinbaş	Chairman of the Board - Executive
Adnan Menderes Yayla	Vice Chairman of the Board - Non-executive
Metin Karabiber	Board Member & General Manager - Executive
Osman Ömür Tan	Board Member - Non-executive
A. Murat Alacakaptan	Board Member - Non-executive
Turhan Cemal Beriker	Independent Board Member - Non-executive
Osman Necdet Türkay	Independent Board Member - Non-executive

Résumés of the Board members are presented in the annual report.

As at 31 December 2017, there were five non-executive members on the Board of Directors, two of whom are independent members satisfying the provisions of the CMB Communiqué on Corporate Governance No: II-17.1. The positions of the Chairman of the Board and General Manager are held by different individuals.

The Corporate Governance Committee, which has assumed the duties and responsibilities of the Nomination Committee, submitted the report dated 20 March 2017 regarding whether the two candidates for independent Board membership satisfy the independence criteria to the Board of Directors. Furthermore, declarations that independence criteria are fulfilled have been received from candidates for independent Board member position.

From amongst Board members, Sinan Şahinbaş, Adnan Menderes Yayla, Osman Ömür Tan and independent members Turhan Cemal Beriker and Osman Necdet Türkay also hold positions outside the Company, which are detailed below.

In the General Assembly Meeting held on 31 March 2017, it was decided to authorize the members of the Board of Directors to carry out the transactions specified in Articles 395 and 396 of the Turkish Commercial Code.

Members of the Board of Directors:	
Sinan Şahinbaş	In-Group - Finansbank A.Ş., Vice Chairman of the Board
Adnan Menderes Yayla	In-Group - Finansbank A.Ş., Executive Vice President, Member of Executive Board
Osman Ömür Tan	In-Group - Finansbank A.Ş., Executive Vice President
Turhan Cemal Beriker	Out-Group - Kiltoprak NV Amsterdam, Founding Partner; Consultant to Palmali Holding Board of Directors
Osman Necdet Türkay	Out-Group - Strateji Menkul Değerler A.Ş., Chairman of the Board

16. Operating Principles of the Board of Directors

The Chairman of the Board of Directors sets the agenda for Board meetings after discussions with other Board members and with the General Manager (Chief Executive Officer). 44 Board meetings were held during 2017. While no secretariat has been set up to inform board members and manage communication among them, maximum care is given to ensuring that all information and documents pertaining to matters on meeting agendas are made equally available to all Board members in a timely manner. When differences of opinion are expressed at meetings, reasoned and detailed justifications for dissenting votes are included in the memoranda of resolutions that are passed. Actual attendance is provided at Board meetings on the issues stipulated in the CMB's Corporate Governance Principles. No Board members have preferential voting rights or the right to veto Board decisions.

Related party transactions laid down for the approval of the Board and transactions of material nature are covered in quarterly financial statements and the notes thereto, and thus submitted to the CMB. The Company's quarterly financial statements and the notes thereto are approved by all Board members, including independent members. There are no transactions, which have not been approved by independent members and laid down for the approval of the General Assembly.

17. Numbers, Structures, and Independence of Committees within the Board of Directors

Based on the Board of Directors resolution dated 15 March 2005 and numbered 442, a Corporate Governance Committee was set up to oversee the Company's compliance with Corporate Governance Principles, to improve and to submit proposals thereon to the Board of Directors. Pursuant to Article 4.5.1 of the CMB Communiqué Serial: IV, No: 56, it has been decided by the Board of Directors decision 915 dated 4 June 2012 that the Corporate Governance Committee will be formed of two members. Independent Board Member Turhan Cemal Beriker has been appointed as the head of the Committee and non-executive member Adnan Menderes Yayla as member of the Committee.

Corporate Governance Committee fulfills the duties and responsibilities of the Nomination Committee and Compensation Committee, as well. Moreover, the Committee also performed the functions, and satisfied the responsibilities, of the Early Detection of Risk Committee until 15 April 2013. It has been decided by the Board of Directors decision no. 962 dated 15 April 2013 to organize the Early Detection of Risk Committee as an individual committee pursuant to Article 6 of the Communiqué Serial: IV No. 63 amending the Communiqué Serial: IV No. 56 on the Determination and Implementation of Corporate Governance Principles, which went into force upon its publication in the Official Gazette issue 28567 dated 22 February 2013. Osman Necdet Türkay and Filiz Sonat have been appointed as the head and member of the Committee, respectively.

Pursuant to Article 4.5.1 of the CMB Communiqué Serial: IV No: 56, it has been decided by the Board of Directors decision 1114 dated 9 February 2017 that Independent Board Member Turhan Cemal Beriker have been appointed as the head of the Committee and Independent Board Members A. Murat Alacakaptan and Selim Murat as the members of the Committee.

Since there are two independent members on the Board of Directors, one Board member serves on more than one committee due to the obligation that all of the members of the Audit Committee and the head of the Corporate Governance Committee must be independent members.

A Risk Committee was set up on 28 June 2010 to monitor, assess and manage the Company's credit portfolio, to decide on lending practices, and to develop strategies. The members of this Committee, who were elected based on the Board of Directors decision of 28 July 2017, are Sinan Şahinbaş, Metin Karabiber, Semra Karsu, Fatih Kızıltan and Ateş Yenen.

18. Risk Management and Internal Control Mechanisms

Our Company is exposed to credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, and operational risks due to its transactions. Assessments of these risks and necessary actions in order to manage them are included in annual budget studies as well as in monthly performance reports. These are presented to the Board of Directors for review. At meetings of the assets-liabilities, credit monitoring, marketing, operations, and legal affairs committees, the risks that the Company is exposed to are assessed. At the monthly performance meetings of the Board of Directors, the Company's risk management activities are reviewed and assessed, and risk factors are revised as and when deemed necessary.

An internal control system has been set up to make sure that the Company's activities and operations are carried out in accordance with the Law no. 6361 on Financial Leasing, Factoring and Financing Companies and other applicable legislation, internal policies, guidelines and customs, and to ensure timely availability of information. The Company's Internal Audit and Internal Control employees offer the assurance and consultancy services in relation to adequate operation of the internal control system. Both control functions are performed by the Audit Committee reporting to the Board of Directors. Process audits and quarterly internal control activities are carried out according to the risk-based annual plan, and information on the results of the activities is provided in semi-annual Audit Committee meetings.

Furthermore, a Risk Committee was set up to monitor, assess and manage the Company's credit portfolio, to decide on lending practices, and to develop strategies.

19. The Company's Strategic Goals

Our Company's mission is to be the sector's leader in terms of productivity and profitability. The strategic goals identified to realize this mission are; being customer-focused, working with qualified personnel, responding quickly to customer demands, increasing transaction speed by means of advanced technological infrastructure, focusing on the investment needs of small to medium-sized enterprises, and structuring regional, sectoral, and client-based credit risk concentrations optimally. In addition to engaging in marketing and information activities to encourage ever greater use of leasing as an investment financing tool, the Company's strategic goals also include recruiting and training the personnel that will enable the Company to achieve its aims.

The Board of Directors examines and approves the strategic goals identified by the management and the degree to which those objectives are being met at monthly performance meetings at which the Company's activities are reviewed and discussed. At these meetings, the Company's performance is measured and targets are revised when necessary in the light of changing market conditions.

20. Financial Rights

All rights, benefits, and fees etc. provided to the members of the Board of Directors are subject to the authorization and oversight of the general assembly. The General Manager, who sits on the Board of Directors in the capacity of a managing director, receives salary and bonus for his executive duties. Based on a decision adopted in the General Assembly Meeting convened on 31 March 2017, it has been unanimously decided to pay a net monthly salary of TL 5,750 to each independent Board member and a net monthly salary of TL 3,000 to other Board of Directors members.

As at 31 December 2017, salaries and benefits paid to senior executives amounted to TL 3,806 thousand (31 December 2015: TL 3,972 thousand).

All rights, benefits, and salaries, as well as the criteria applied in the determination thereof and remuneration principles are publicly disclosed within the "Compensation Policy", which is posted on the company website.

The Company has not lent any money, extended any credit, or provided any guarantees such as surety etc. to any member of the Board of Directors or to any executive.

Financial Information

Finans Finansal Kiralama Anonim Şirketi
Financial statements as of December 31, 2017 together with independent auditors' report

Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No.27 Maslak, Sarıyer 34398
İstanbul-Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

Independent auditor's report

To the Board of Directors of Finans Finansal Kiralama Anonim Şirketi

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Finans Finansal Kiralama Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of leasing receivables

There is a potential risk that leasing receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of IFRS as determining the adequacy of impairment allowance on leasing receivables to customers is a key area of judgment for the management. Accordingly, leasing receivables to customer is a key area of judgement for the management. Accordingly, carrying amount of leasing receivables might be greater than the estimated recoverable amounts, therefore the impairment test of these leasing receivables is a key audit matter. Refer Note 8 to the financial statements relating to the impairment of leasing receivables.

Our audit procedures included among others, selecting samples of leasing receivables based on our judgement and considering whether there is objective evidence that impairment exists on these leasing receivables. We also assessed whether impairment losses for leasing receivables were reasonably determined in accordance with the requirements of IFRS. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of leasing receivable provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired leasing receivables and the required provisions against them.

Hedge accounting

As explained in "Note 17", the company enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Company uses of derivatives to hedge the financial risk of its debt securities issued and borrowings.

Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in IAS 39: "Financial instruments: Recognition and Measurement", calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.

Our audit procedures included among others include re-calculation of fair values of derivative financial instruments, the assessment of financial risk component, reviewing the effectiveness, documentations of all hedge accounting transactions and reviewing the accounting entries of hedge accounting.

Derivative financial instruments

Derivative financial instruments including currency and interest rate swaps which are held for trading and hedging purpose are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in "Note 17".

Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.

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Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No.27 Maslak, Sarıyer 34398
İstanbul-Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

Our audit procedures included among others include reviewing fair valuation policies adopted by the Company Management, re-calculation of samples basis fair values by our experts and assessing the estimations and judgements used in valuation.

Responsibilities of the Management and the Board of Directors for the financial statements

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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Damla Harman.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst &Young Global Limited.

Istanbul, Turkey

March 7, 2018

Finans Finansal Kiralama Anonim Şirketi
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Finans Finansal Kiralama Anonim Şirketi
Statement of financial position

as at December 31, 2017

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents	7	76,542	42,718
Finance lease receivables	8	4,479,667	2,706,599
Available for sale financial assets	9	140	140
Hedging derivatives	17	17,592	-
Trading derivatives	17	7,964	3,063
Property, plant and equipment	10	3,154	2,566
Intangible assets	11	2,636	967
Other assets	12	66,752	34,452
Deferred tax assets	20	11,231	10,683
Total assets		**4,665,678**	**2,801,188**
Liabilities and equity			
Funds borrowed	14	2,509,242	1,414,105
Debt securities issued	15	1,001,118	565,195
Trade payables	16	294,768	99,673
Advances from customers	16	53,742	27,145
Current income tax	20	8,932	7,941
Hedging derivatives	17	12,909	-
Trading derivatives	17	2,813	4,200
Other liabilities and accruals	18	17,462	7,828
Reserve for employee termination benefits	19	2,834	2,277
Total liabilities		**3,903,820**	**2,128,364**
Equity			
Share capital	21	159,353	159,353
Share premium		1,211	1,211
Reserves	22	27,703	27,703
Actuarial gains/(losses)		(1,125)	(591)
Cash flow hedge gains/(losses)		(45)	-
Retained earnings	22	574,761	485,148
Total equity		**761,858**	**672,824**
Total liabilities and equity		**4,665,678**	**2,801,188**

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi
Statement of profit or loss and other comprehensive income
for the year ended December 31, 2017

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	January 1 - December 31, 2017	January 1 - December 31, 2016
Interest income from finance leases		291,723	202,727
Interest income on placements and transactions with banks		1,567	8,934
Total interest income		**293,290**	**211,661**
Interest expense on borrowings		(146,544)	(55,672)
Interest expense on debt securities issued		(72,267)	(37,285)
Interest rate swap income/(expense), net		80,922	1,948
Net interest income		**155,401**	**120,652**
Foreign exchange gains, including net gains or losses from dealing in foreign currency	25	3,234	4,811
Net interest income after foreign exchange gains or losses		**158,635**	**125,463**
Net trading, hedging and derivative income/(loss)		(155)	335
Fee and commission income/(expenses), net		21,661	8,504
(Provision)/recovery for possible lease receivables losses and other receivables	8	(39,846)	(29,825)
Other income/(expenses), net	26	(2,783)	346
Operating expenses	27	(36,115)	(30,235)
Operating profit (Income before tax)		**101,397**	**74,588**
Taxation on income	20	(11,784)	(16,424)
Net income for the year		**89,613**	**58,164**
Other comprehensive income		(579)	(23)
Total comprehensive income for the year		**89,034**	**58,141**
Weighted average number of shares (TL 0.01 par value)		11,500,000,000	11,500,000,000
Earnings per TL 1 (for full TL)	23	0.779	0.506

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi
Statement of changes in equity
for the year ended December 31, 2017
(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Share capital	Inflation adjustment to share capital	Share premium	Legal Reserves	Actuarial gains/ (losses)	Cash flow hedge gains/ (losses)	Retained earnings	Total
At December 31, 2015	**115,000**	**44,353**	**1,211**	**27,703**	**(568)**	**-**	**426,984**	**614,683**
Net income for the year	-	-	-	-	-	-	58,164	58,164
Other comprehensive income	-	-	-	-	(23)	-	-	(23)
At December 31, 2016	**115,000**	**44,353**	**1,211**	**27,703**	**(591)**	**-**	**485,148**	**672,824**
Net income for the year	-	-	-	-	-	-	89,613	89,613
Other comprehensive income	-	-	-	-	(534)	(45)	-	(579)
At December 31, 2017	**115,000**	**44,353**	**1,211**	**27,703**	**(1,125)**	**(45)**	**574,761**	**761,858**

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi
Statement of cash flows
for the year ended December 31, 2017
(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	January 1, December 31, 2017	January 1, December 31, 2016
Cash flows from operating activities			
Net profit for the year		89,613	58,164
Adjustments for			
Depreciation and amortization	10, 11	740	526
Provision for employment termination benefits	19	629	451
Provision for unused vacation pay accrual	18	365	339
Provision and reversal of bonus accruals	18	4,205	3,237
Fair value (gains)/losses on derivative transactions		(10,971)	1,137
Provision for impairment of finance lease receivables	8	39,846	29,825
Foreign exchange gains		(143,337)	(27,092)
Interest income recognized in profit and loss		(1,567)	(8,934)
Interest expense recognized in profit and loss		218,811	92,958
Corporate tax provision	20	12,149	19,408
Deferred tax benefit	20	(365)	(2,984)
Operating profit before changes in net operating assets and liabilities		**210,118**	**167,035**
Purchases of assets to be leased		(2,778,222)	(1,462,674)
Principal payments received under leases		1,377,577	939,735
Net decrease/(increase) in receivables from lease payments outstanding and other receivables		(51,907)	(36,909)
Net (decrease)/increase in other assets		(63,716)	(12,537)
Net (decrease)/increase in trade payables		195,095	49,013
Net increase in advances from customers		26,597	6,496
Net decrease in other liabilities and provisions		8,077	1,020
Income taxes paid		(11,158)	(6,792)
Bonuses paid	18	(2,655)	(2,286)
Unused vacation paid	18	(359)	(24)
Retirement benefits paid	19	(776)	(38)
Net cash generated from operating activities		**(1,091,329)**	**(357,961)**
Cash flows from investing activities			
Purchases of furniture and equipment	10	(878)	(226)
Purchases of lands and buildings	10	(815)	(270)
Purchases of leasehold improvements	10	(10)	-
Purchases of intangible assets	11	(2,130)	(355)
Sale of land and buildings	10	836	108
Interest received from investing activities		1,540	9,225
Net cash generated from investing activities		**(1,457)**	**8,482**
Cash flows from financing activities			
Proceeds from funds borrowed	14	22,653,505	961,458
Proceeds from debt securities issued	15	1,438,029	571,883
Repayments of funds borrowed	14	(21,781,516)	(1,103,443)
Repayments of debt securities issued	15	(980,190)	(176,654)
Interest paid		(212,281)	(97,828)
Net cash used in financing activities		**1,117,547**	**155,416**
Effect of exchange rate changes on the balance of cash held in foreign currencies		9,036	6,373
Net increase/(decrease) in cash and cash equivalents		33,797	(187,690)
Cash and cash equivalents at the beginning of year	7	42,706	230,396
Cash and cash equivalents at the end of year	7	**76,503**	**42,706**

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

1. Corporate information

1.1 General

Finans Finansal Kiralama Anonim Şirketi (a Turkish Joint Stock Company - "the Company") was established in İstanbul in March 1990, pursuant to the license obtained from the Undersecretariat of the Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226.

42.16% (2016 - 42.16%) of the shares of the Company are listed at Borsa İstanbul A.Ş. The address of the registered office of the Company is Esentepe Mahallesi, Büyükdere Caddesi, Kristal Kule Binası No: 215, Kat: 22, 34394 Şişli, İstanbul - Turkey. The Company has 14 branches (December 31, 2016 - 13) and 122 employees (December 31, 2016 - 127).

As of December 31, 2017, the parent of the Company is QNB Finansbank A.Ş. ("QNB Finansbank") and ultimate parent of the Company is Qatar National Bank ("QNB"). A share sales agreement has been concluded between former main shareholder of the bank National Bank of Greece S.A. ("NBG") and QNB at a price of EUR 2.750 million as of December 21, 2015. Share transfer has been completed on June 15, 2016.

2. Basis of preparation

2.1 Statement of compliance

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalized on the balance sheet of the lessor whether the lease is operating or finance lease until July 1, 2003. In accordance with amendments in Turkish tax law dated April 24, 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after July 1, 2003 in their statutory financial statements.

The financial statements are based on the historical cost convention, except for the derivative instruments which are stated at their fair values.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.2 Basis of measurement

The financial statements have been prepared on an historical cost convention, except for those assets and liabilities measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Functional and presentation currency

The accompanying financial statements are presented in thousands of Turkish Lira ("TL"), which is the Company's functional and presentation currency. All financial information presented in TL is rounded to the nearest digit.

Inflation accounting

Until December 31, 2005, the date at which the Company considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 ("Financial Reporting in Hyperinflationary Economies") were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of TL based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

2.4 Going concern

The Company prepared its financial statements on the going concern basis.

2.5 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. These amendments are to be applied for annual periods beginning on or after 1 January 2017. The Company disclosed additional information in its annual financial statements for the year ended 31 December 2017.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

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

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company has performed an impact assessment of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The impact of standard on all three aspects of IFRS 9 is as follows:

Classification and Measurement of Financial Assets:

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Finance lease receivables and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment:

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all finance lease receivables and other receivables. The effects of IFRS 9 on prior period financial statements have been assessed to be approximately 3-4% of Company's equity as of December 31, 2017.

Hedge accounting:

The Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Company's financial statements. As of December 31,2017 the Company has decided to continue with the requirements of IAS 39 for hedge accounting until all parts of hedge accounting is completed under IFRS 9.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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

Annual Improvements - 2015-2017 Cycle

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

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

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the accompanying financial statements.

3.1 Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

Foreign currency translation rates used by the Company as of respective year-ends are as follows:

Dates	EUR/TL (Full TL)	USD/TL (Full TL)
December 31, 2017	4.5155	3.7719
December 31, 2016	3.7099	3.5192

3.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	Useful lives
Furniture and equipment	5
Motor vehicles	5
Leasehold improvements	5
Building	50

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement.

An item of tangible is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

3.3 Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets are carried at cost, less accumulated amortisation, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets, which is 5 years.

3.4 Financial instruments

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Cash and cash equivalents comprise cash balances, demand and time deposits with an original maturity of three months or less.

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Financial assets at fair value through profit or loss:

Financial assets are classified as financial assets at fair value through profit or loss where the Company acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated as effective hedging instruments. A gain or loss from valuation of a financial asset classified as at fair value through profit or loss shall be recognized in profit or loss. Net gain/loss recognized in profit or loss includes interest and dividend income earned on the financial asset.

Effective interest rate method:

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

Held to maturity and available for sale debt instruments and profit from financial assets classified as loans and receivables are recognized in income by using the effective interest rate method.

Available for sale financial assets:

The Company has investments in unquoted equity investments that are not traded in an active market but are classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognized in profit and loss when the Company has the right to receive any payment.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the prevailing exchange rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Finance lease receivables and other receivables

Finance lease receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

When the Company annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TL using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Company also ceases its income accrual calculation starting from the annulment date.

Bank borrowings

Bank borrowings are recognized initially at cost. Subsequent to initial recognition, bank borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

Other

Other financial instruments including time deposits are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company holds derivative financial instruments to economically hedge its foreign currency risk and interest rate exposures.

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

Hedge accounting

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in income statement as part of finance (expense)/income.

The Company applies fair value hedge accounting against possible fair value changes due to market interest rate and currency fluctuations on debt securities and funds borrowed which are issued with fixed interest rate by the Company and cash flow hedge accounting against possible fair value change due to market interest rate fluctuations on funds borrowed with fixed or floating interest rate. At each balance sheet date the Company applies effectiveness tests for fair value hedge accounting.

Fair values of derivative transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period. Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the income statement on Gains/Losses from Derivative transactions. Foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

The Company applies cash flow hedge accounting against possible fair value changes due to market interest rate fluctuations on foreign currency denominated funds borrowed with floating interest rates. In cash flow hedge accounting, the Company applies efficiency tests for hedge accounting at each balance sheet date and the effective portions are accounted for under the "Cash Flow Hedge Gains/Losses" account item under equity under the financial statements as defined in IAS 39 and the amount related to the ineffective portion is associated with the income statement.

3.5 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 set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.6 Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense. All other finance expenses will be expensed during the period incurred.

3.7 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

The Company assesses individually whether objective evidence of impairment exists for loans that are considered individually significant and collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions.

All impairment losses are recognised in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Employee benefits

Defined benefit plans

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

Defined contribution plans

The Company pays contributions to Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short Term Plans

The Company also provides for short term employee benefit, such as vacation rights and bonuses.

3.9 Leases

Finance leases

(a) The Company as lessor

The Company classifies leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivables and reduce the amount of income recognized over the lease term.

(b) The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

3.10 Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.12 Related parties

For the purpose of this report, the shareholders and the ultimate shareholders of the Company, QNB Finansbank and NBG Group of companies, members of the key management personnel of the Company or its parent and the companies controlled by/associated with all of the above are referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

3.13 Revenue recognition

Financial leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

3.14 Income and expense recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

3.15 Asset held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value".

3.16 Income tax

Taxes on income comprise current tax and the change in the deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

3.17 Earnings per share

Earnings per share presented in the accompanying income statement are determined by dividing net income by the weighted average number of shares in existence during the year concerned.

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

3.18 Statement of cash flows

The Company prepares its cash flows to inform financial statement users about the changes in Company’s net assets, financial situation and the ability to manage the amount and timing of cash flows in accordance with changes in circumstances.

3.19 Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

3.20 Reclassifications to the prior year financial statements

The classifications made in the statement of profit or loss and other comprehensive income of the Company as of December 31, 2016 are as follows:

The Company has reclassified figures in Expenses originating from leasing transactions, under Operating expenses line as Leasing Transaction Cost (“LTC”), Other Income and Commission. Regarding this reclassification, balances have been presented with related accounts as having same nature as “Interest income from finance leases”, “Other income/(expenses), net” and “Fee and commission income/(expenses), net” respectively.

Finance lease expenses have been reclassed as LTC, commission income and other expense. LTC’s have been reclassed under Net Interest Income with a corresponding amount TL 14,574. Corresponding amount TL 769 has been reclassed in Other Income/Expense line and corresponding amount TL 811 has been reclassed in Fee and Commission Income line. Corresponding amount TL 3,362 having commission nature which have been previously presented in Other Income/Expense line have been reclassified to Fee and Commission Income line.

4. Determination of fair values

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances. Fair value has been determined by discounting the relevant cash flows using current interest rates for bank borrowings and finance lease receivables. The carrying amounts of the cash at banks-time, and trade payables approximate their fair values due to their short-term maturities.

The Company utilizes currency forward and cross currency swap derivative instruments. “Currency forwards” represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. “Cross currency swaps” represents an agreement between two parties to exchange principals and interest on loans denominated in two different currencies. The Company conducts these transactions in order to hedge foreign currency position and manage the fixed or floating assets and liabilities on the balance sheet. The fair values of derivative instruments held at December 31, 2017 and 2016, are disclosed in Note 17.

Set out below is a comparison by category of carrying amounts and fair values of the Company’s finance lease receivables and funds borrowed that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2017	2016	2017	2016
Financial assets				
Finance lease receivables	4,479,667	2,706,599	4,546,143	2,779,801
Financial liabilities				
Funds borrowed	2,509,242	1,414,105	2,496,563	1,411,869
Debt securities issued	1,001,118	565,195	999,774	565,590

The fair values of other financial assets and liabilities approximate their carrying values.

The interest used to determine the fair values of lease contracts receivables, applied on the balance sheet date to reflect active market price quotations are as follows:

	Interest Rates Applied (%)	
	2017	2016
Turkish Lira	16.50	14.00
USD	6.75	6.00
EURO	4.50	4.00

Current interest rates are used for each borrowing individually to determine fair values of funds borrowed.

5. Segment information

Since the Company operates only in leasing activities and in a single geographical area, segment information is not provided.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The concentration of the Company's first 100 customers' industry groups in total portfolio is as follows:

	2017	2016
Textile	47.4%	56.1%
Building and Construction	25.4%	28.8%
Manufacturing	35.7%	31.6%
Health & Social Activities	50.1%	40.6%
Transportation and Storage	56.0%	54.7%
Energy & Power	18.4%	15.0%
Wood & Wood products	43.1%	41.9%
Chemical	27.2%	44.5%
Retail & Wholesale Trade	52.4%	55.0%
Services	36.9%	0.0%
Printing	51.5%	28.3%
Automotive	43.1%	58.2%
Other	19.7%	32.2%
% in Total	**34.3%**	**37.9%**

6. Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Allowance for impairment of finance lease receivables

The amount of the allowance for impairment of finance lease receivables is based upon management's ongoing assessments of the probable estimated losses inherent in the lease portfolios. Assessments are conducted based on a methodology and guidelines, which are continually monitored and improved. This methodology is based on individual assessments.

- Deferred tax asset

The Company calculates deferred taxes for its loan loss provision considering the sale of non performing portfolio in future and collection from such assets.

- Impairment on available for sale securities
- Retirement pay liability (Note 19)
- Fair value and hedge accounting of derivative financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. These include present value methods and other models based mainly on observable input parameters and to a small extent to non-observable input parameters.

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	2017	2016
Cash at banks	76,542	42,718
Cash and cash equivalents	**76,542**	**42,718**

As of December 31, 2017 and 2016, the average maturity of the time deposits is less than 3 months.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The composition of bank deposit is as follows:

	2017			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Time deposit	30,582	44,592	11.05 - 12.50	0.01 - 3.00
Demand deposit	708	660	-	-
Total	**31,290**	**45,252**		

	2016			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Time deposit	22,748	19,109	6.38 - 8.50	0.04 - 1.85
Demand deposit	536	325	-	-
Total	**23,284**	**19,434**		

Cash and cash equivalents as stated in the cash flow statement are as follows:

	2017	2016
Cash at banks	76,542	42,718
Interest accrual on time deposits	(39)	(12)
Cash and cash equivalents as stated in the cash flow statement	**76,503**	**42,706**

8. Finance lease receivables

As of December 31, 2017 and 2016, details of gross investments in finance lease receivables, is as follows:

	2017	2016
Gross finance lease receivables	4,752,006	2,919,225
Finance lease receivables overdue	35,232	28,924
Others (*)	9,333	4,766
Less: Unearned interest income	(762,782)	(457,033)
	4,033,789	2,495,882
Equipments to be leased (**)	273,118	83,414
Advances given related with finance leases	103,637	59,828
	4,410,544	2,639,124
Impaired finance lease receivables	150,992	162,568
Reserve for impairment	(81,869)	(95,093)
Reserve for individual impairment	(71,505)	(88,150)
Reserve for collective impairment	(10,364)	(6,943)
Net finance lease receivables	**4,479,667**	**2,706,599**

(*) Others, consist of insurance receivables from lessees and expenses charged to lessees related to finance lease contracts.

(**) The Company purchases machinery and equipment from foreign and domestic vendors in relation to the finance lease agreements signed in the current year, which will be completed in the subsequent year. As of December 31, 2017 and 2016, the equipment to be leased balance includes cost of the equipment to be leased as described above together with related expenses.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

As of December 31, 2017 and 2016, the maturity profile of net performing finance lease receivables is as follows;

	2017		2016	
	Gross	Net	Gross	Net
2017	-	-	1,049,578	856,571
2018	1,481,477	1,189,002	803,416	671,072
2019	1,216,751	1,003,788	534,739	461,368
2020	861,857	731,993	285,783	250,188
2021	584,500	513,561	148,669	133,584
2022	321,619	287,698	58,137	52,428
2023	160,913	146,013	31,056	29,406
2024	83,836	78,280	7,175	6,934
2025	30,726	29,086	672	641
2026	5,902	5,472	-	-
2027	4,425	4,331	-	-
Total	**4,752,006**	**3,989,224**	**2,919,225**	**2,462,192**

The guarantees received for finance lease and aging of receivables are provided in note 28, Financial Risk Management, Credit Risk.

Movements in the reserve for individual impairment, for the year ending December 31, 2017 and 2016 are as follows:

	2017	2016
Reserve at the beginning of the year	88,150	59,538
Provision	38,220	29,269
Recoveries	(1,795)	(657)
Sale of portfolio (*)	(53,070)	-
Reserve at the end of year	**71,505**	**88,150**

(*) The Company has transferred its finance lease receivables amounting to TL 53,070 to an asset management company through cash based agreement signed on February 28, 2017. Therefore such receivables were written off in the accompanying financial statements.

Movements in the reserve for collective impairment for the year ending December 31, 2017 and 2016 are as follows:

	2017	2016
Reserve for collective impairment at the beginning of the year	6,943	5,730
Provision for collective impairment	3,421	1,213
Reserve for collective impairment at the end of year	**10,364**	**6,943**
Provision of the reserve for individual impairment	36,425	28,612
Provision of the reserve for collective impairment	3,421	1,213
Provision for the year	**39,846**	**29,825**

9. Available-for-sale financial assets

	2017	2016
Equity instruments	140	140
	140	**140**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Available-for-sale investments at cost represent the Company's equity holdings in the companies, shares which are not publicly traded. The list of equity instruments are as follows:

	2017		2016	
	Amount	**Participation-%**	**Amount**	**Participation-%**
Equity instruments - unlisted				
Finans Yatırım Menkul Değerler A.Ş.	136	Less than 1	136	Less than 1
Ibtech Uluslararası Bil. Ve İlet. Tekn. Araşt. Gel. Dan. Des. San. ve Tic. A.Ş.	4	Less than 1	4	Less than 1
Finans Portföy Yönetimi A.Ş.	<1	Less than 1	<1	Less than 1
Finans Faktoring Hizmetleri A.Ş.	<1	Less than 1	<1	Less than 1
Hemenal Finansman A.Ş.	<1	Less than 1	<1	Less than 1
	140		**140**	

As there is an immaterial difference between fair value and cost amount of available-for-sale financial assets, the company recognizes its available-for sale financial assets from their cost amount.

10. Property, plant and equipment

	Furniture and equipment	Leasehold improvements	Land	Buildings	Total
January 1, 2017, net of accumulated depreciation	**767**	**62**	**1,208**	**529**	**2,566**
Additions	878	10	108	707	1,703
Disposals	-	(16)	(498)	(350)	(864)
Depreciation charge for the year	(241)	(23)	-	(15)	(279)
Accumulated depreciation for disposals	-	16	-	12	28
Impairment charge for the year	-	-	-	-	-
At December 31, 2017, net of accumulated depreciation	**1,404**	**49**	**818**	**883**	**3,154**
At December 31, 2016					
Cost	5,926	143	1,208	550	7,827
Accumulated depreciation	(5,159)	(81)	-	(21)	(5,261)
Accumulated impairment	-	-	-	-	-
Net carrying amount, at December 31, 2016	**767**	**62**	**1,208**	**529**	**2,566**
At December 31, 2017					
Cost	6,804	137	818	907	8,666
Accumulated depreciation	(5,400)	(88)		(24)	(5,512)
Accumulated impairment	-	-	-	-	-
Net carrying amount, at December 31, 2017	**1,404**	**49**	**818**	**883**	**3,154**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

11. Intangible assets

	Software	Total
At January 1, 2017 net of accumulated amortization	**967**	**967**
Additions	2,130	2,130
Amortization charge for the year	(461)	(461)
At December 31, 2017, net of accumulated amortization	**2,636**	**2,636**
At December 31, 2016		
Cost	3,793	3,793
Accumulated amortization	(2,826)	(2,826)
Net carrying amount, at December 31, 2016	**967**	**967**
At December 31, 2017		
Cost	5,923	5,923
Accumulated amortization	(3,287)	(3,287)
Net carrying amount, at December 31, 2017	**2,636**	**2,636**

12. Other assets

	2017	2016
Prepaid insurance expenses of finance lease contracts	46,464	30,256
Value added tax receivables	11,969	3,481
Other prepaid expenses	2,818	499
Other miscellaneous receivables	551	193
Personnel advances given	35	19
Advances and deposits given	7	4
Other	4,908	-
	66,752	**34,452**

13. Assets held for sale

Assets held for sale are those with highly saleable condition requiring a plan by the management regarding the sale of the asset to be disposed, together with an active program for determination of buyers as well as for the completion of the plan. Also, the asset shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be accounted as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Company classifies its assets, obtained in exchange for receivables as assets held for sale within the scope of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Company measures its asset held for sale at the lower of carrying amount and fair value less cost to sell.

As of December 31, 2017; the Company does not have any assets held for sale.

14. Funds borrowed

		2017		
		Original amount (‘000)	TL equivalent	Interest rate (%)
Short term			**360,987**	
Fixed interest				
	TL	360,987	360,987	13.75 - 15.00
Long term			**2,148,255**	
Fixed interest				
	EUR	149,819	676,508	0.51 - 3.25
	USD	24,804	93,558	1.25 - 4.25
	TL	638,856	638,856	13.00 - 16.10
Floating interest				
	EUR	142,533	643,609	0.80 - 3.30
	USD	25,378	95,724	2.95 - 4.49
Total			**2,509,242**	

		2016		
		Original amount (‘000)	TL equivalent	Interest rate (%)
Short term			-	
Fixed interest				
	TL	-	-	-
Long term			1,414,105	
Fixed interest				
	EUR	105,024	389,628	2.50 - 3.55
	USD	89,893	316,352	1.25 - 4.10
	TL	171,535	171,535	12.50 - 13.17
Floating interest				
	EUR	127,931	474,612	2.28 - 4.35
	USD	17,611	61,978	4.05 - 4.09
Total			1,414,105	

Repayments of funds borrowed are as follows:

	2017		2016	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2017	-	-	680,236	120,707
2018	718,113	165,377	157,751	123,121
2019	342,651	396,729	27,944	204,739
2020	191,452	116,479	9,523	84,819
2021	183,154	32,196	2,061	3,204
2022	128,838	13,060	-	-
2023	77,031	9,459	-	-
2024	77,031	4,166	-	-
2025	51,639	1,867	-	-
Total	**1,769,909**	**739,333**	**877,515**	**536,590**

The Company has obtained letters of guarantee amounting to TL 444,957 (2016 - 1,340), EUR 100 million (2016 - None), USD 14 Thousand (2016 - 14 Thousand) and submitted to various legal authorities.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Movement of funds borrowed for the year ending at December 31, 2017 is as follows:

Movement for funds borrowed	2017
Balance at the beginning of the year	1,414,105
Proceeds during the year (*)	22,653,505
Repayments during the year (*)	(21,781,516)
Effect of exchange rate changes on the balance in foreign currencies	226,113
Change in accrual balance	7,246
Change in prepaid expenses	(10,211)
Balance at the end of the year	**2,509,242**

(*) TL 20,655,513 of "Proceeds from funds borrowed" and "Repayments of funds borrowed" corresponds to short term borrowings with less than 30 days maturity period and repayments of these borrowings as well.

15. Debt securities issued

The breakdown of debt securities in issue as of December 31, 2017 and 2016 are as follows:

	2017	2016
Bills issued (*)	909,871	453,262
Bonds issued (**)	89,899	109,869
Interest accrual on bonds issued	1,348	2,064
Total	**1,001,118**	**565,195**

(*) The Company issued bills with a nominal value of TL 46,570 on February 21, 2017; TL 53,420 on August 22, 2017; TL 126,520 on September 8, 2017; TL 116,800 on September 20, 2017; TL 250,049 on October 4, 2017; TL 169,352 on November 29, 2017; TL 50,000 on December 13, 2017, TL 75,550 on March 9, 2017 and TL 51,400 on December 29, 2017. Maturities of bills are February 20, 2018, February 13, 2018, March 2, 2018, March 16, 2018, March 6, 2018, May 8, 2018, May 8, 2018, March 8, 2018 and June 20, 2018 respectively.

(**) The Company issued bonds with a nominal value of TL 40,000 on May 25, 2016 and TL 50,000 on November 27, 2017. Maturities of bonds are May 23, 2018 and December 3, 2018 respectively.

Movement of debt securities issued for the year ending at December 31, 2017 is as follows:

Movement for debt securities issued	2017
Balance at the beginning of the year	565,195
Proceeds during the year	1,438,029
Repayments during the year	(980,190)
Change in accrual balance	(716)
Change in prepaid expenses	(21,200)
Balance at the end of the year	**1,001,118**

16. Trade payables and advances from customers

Trade payables comprise of amounts due to suppliers for assets purchased which are subject to finance lease agreements. As of December 31, 2017 trade payables amount to TL 294,768 (2016 - TL 99,673).

Advances from customers comprise of the amounts received from the lessee's. As of December 31, 2017, advances from customers amount to TL 53,742 (2016 - TL 27,145).

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

17. Derivative financial instruments

The breakdown of derivative financial instruments as of December 31, 2017 and 2016 are as follows:

2017	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Currency swap purchase contracts	7,964	(2,813)	870,554
Derivatives held for hedging			
Currency swap purchase contracts	17,592	(12,849)	1,840,858
Interest rate Swaps	-	(60)	96,455
Total	**25,556**	**(15,722)**	**(2,807,867)**

The Company enters into fair value hedge accounting, against possible fair value changes in interest rates and currency of debt securities issued with fixed interest rates. Such hedged instruments have been hedged with currency swaps amounting to TL 536,746. As of December 31, 2017, net gain effect of fair value changes amounts to TL 250. Net effect is accounted in 'Net trading, hedging and derivative income/(loss)' account in the income statement.

The Company enters into fair value hedge accounting, in order to hedge the fixed rated funds borrowed amounting to TL 313,673 with the currency swaps. As of December 31, 2017, net loss effect of fair value changes amounts to TL 556.

Also, the Company enters into hedge accounting, against possible fair value changes in interest rates of floating rated foreign currency denominated funds borrowed. For the purpose of cash flow hedge accounting, the Company performs, efficiency tests for hedge accounting at each balance sheet date and the effective portions are accounted in the "Cash Flow Hedge Gains/Losses" account item under equity amounting to TL 58 (2016 - None) before taxes, whereas ineffective portion is accounted in income statement. As of December 31, 2017, TL 48,228 (2016 - None) of derivative instruments are subject to cash flow hedge accounting.

2016	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Currency swap purchase contracts	3,063	(4,200)	480,842
Derivatives held for hedging			
Currency swap purchase contracts	-	-	-
Interest rate Swaps	-	-	-
Total	**3,063**	**(4,200)**	**480,842**

Derivative financial instruments are further analysed as a part of the balance sheet in the notes: Financial risk management (Note - 28) and Commitments and contingent liabilities (Note - 29).

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

18. Other liabilities and accruals

	2017	2016
Deferred income on commissions	4,444	280
Bonus provision	4,300	2,750
Miscellaneous provisions (*)	4,011	1,063
Unused vacation pay liability	2,120	2,114
Taxes and social security premiums payable	899	1,046
Advances received related to leasing transactions	421	270
Others	1,267	305
Total	**17,462**	**7,828**

(*) Balance includes provision for incentive penalty amounting to TL 3,678 (2016 - None) and provision against certain open legal cases amounting to TL 333 (2016 - TL 1,063).

Movement for unused vacation pay liability	2017	2016
Balance at the beginning of the year	2,114	1,799
Charge for the year	365	339
Paid during the year	(359)	(24)
Balance at the end of the year	**2,120**	**2,114**

19. Reserve for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4,732.48 in full currency at December 31, 2017 (December 31, 2016 - TL 4,297.21 in full currency) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

The liability is not funded, as there is no funding requirement.

As of December 31, 2017 and 2016 retirement pay liability of the Company is accounted based on the actuarial calculations performed by an independent actuary. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. All the actuarial gains and losses are accounted under other comprehensive income.

Accordingly, the following actuarial assumptions were used in the calculation of the following liability by the independent actuary:

	2017	2016
Discount rate	11.70%	11.40%
Rate of compensation increase	9.90%	8.80%
Average future working life	9.20	9.40
Inflation rate	8.90%	7.80%

Movements in the reserve for employee termination payments are as follows:

	2017	2016
Balance at the beginning of the year	2,277	1,835
Actuarial (gain)/loss	704	29
Service cost	297	231
Interest cost	244	201
Settlement/Curtailment/Termination loss/(gain)	88	19
Payments during the year	(776)	(38)
Balance at the end of the year	**2,834**	**2,277**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

20. Income taxes

Corporate tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2017 is 20% (2016 - 20%). However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 - 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

The application of investment incentives is revoked commencing from 1 January 2006. However, companies were allowed to offset their carried forward outstanding allowances as of 31 December 2005 against the 2006, 2007 and 2008's taxable income in cases where they have sufficient taxable profits. After offsetting from the 2008's taxable income, unused investment incentives cannot be carried forward to following years.

The effective tax rate of the Company as of December 31, 2017 is 20% (2016 - 20%).

	2017	2016
Tax provision		
Current corporate tax provision	(12,149)	(19,408)
Less: advance taxes and surcharges	3,217	11,467
	8,932	**(7,941)**
Tax income comprises:		
Current tax charge	(12,149)	(19,408)
Deferred tax charge	365	2,984
	(11,784)	**(16,424)**

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized.

	2017	2016
Deferred tax asset		
Reserve for possible lease receivable losses	64,593	47,610
Valuation differences on derivative transactions	16,566	4,200
Unearned interest income from finance leases	4,444	-
Bonus accrual	4,300	2,750
Employee termination benefit	2,834	2,277
Unused vacation pay liability	2,120	2,114
Other	4,608	1,728
	99,465	**60,679**
Deferred tax liabilities		
Prepaid commissions of finance lease expenses and funds borrowed and debt securities	(15,772)	(3,067)
Valuation differences on derivative transactions	(30,468)	(3,063)
Accounting difference on property, plant and equipment and intangible assets	(1,414)	(680)
Expense accruals on funds borrowed	(1,277)	(456)
	(48,931)	**(7,266)**
Net deferred tax assets	**50,534**	**53,413**

The breakdown of deductible and taxable temporary differences as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax asset		
Reserve for possible lease receivable losses	14,211	9,522
Expense accruals on derivative transactions	3,645	840
Unearned interest income from finance leases	967	-
Bonus accrual	946	550
Employee termination benefit	623	455
Unused vacation pay liability	466	423
Other	1,017	346
	21,875	**12,136**
Deferred tax liabilities		
Prepaid commissions of finance lease expenses and funds borrowed and debt securities	(3,366)	(613)
Valuation differences on derivative transactions	(6,703)	(613)
Accounting difference on property, plant and equipment and intangible assets	(294)	(136)
Expense accruals on funds borrowed	(281)	(91)
	(10,644)	**(1,453)**
Net deferred tax assets (*)	**11,231**	**10,683**

(*) Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Movement of deferred tax asset is presented as follows:

	2017	2016
Deferred tax asset at January 1	10,683	7,693
Deferred tax recognized in the income statement	365	2,984
Deferred tax recognized in the equity	183	6
Deferred tax asset at December 31	**11,231**	**10,683**

A reconciliation of income tax applicable to profit from operating activities before income tax at the statutory income tax rate to income tax at the Company's effective income tax rate for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Profit from operations before tax	101,397	74,588
Tax at the income tax rate of 20%	(20,279)	(14,918)
Tax effects of:		
- Income that is exempt from taxation	10,353	644
- Expenses that are not deductible in determining taxable profit	(805)	(1,931)
- Effect of tax rate	(1,053)	(219)
Income tax	**(11,784)**	**(16,424)**

21. Share capital

	2017	2016
Number of common shares (authorized, issued and outstanding) 0.01 TL par value	11,500,000,000	11,500,000,000

The movement of the share capital (in numbers and in historical TL) of the Company during 2017 and 2016 are as follows:

	2017		2016	
	Number	**TL**	**Number**	**TL**
At January 1	11,500,000,000	115,000	11,500,000,000	115,000
At December 31	**11,500,000,000**	**115,000**	**11,500,000,000**	**115,000**

As of December 31, 2017 and 2016, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	2017		2016	
	Amount	**%**	**Amount**	**%**
QNB Finansbank A.Ş.	114,308	99.40	114,308	99.40
Other	692	0.60	692	0.60
Total in historical TL	**115,000**	**100.00**	**115,000**	**100.00**
Inflation adjustment to share capital	44,353		44,353	
Total	**159,353**		**159,353**	

Commercial title of QNB Finansbank, Company's main shareholder, has been changed to "QNB Finansbank A.Ş." from "Finans Bank A.Ş." as of January 19, 2018. Change of commercial title has been made through the General Assembly Meeting performed on January 17, 2018.

As of December 31, 2017 and 2016, shareholders' shares with a percentage of 42.16% are open to public. Company does not have preferred stock.

As of February 8, 2016, NBG owned 3,434,632,224 shares which consists of 29.87% of company's capital with TL 34,346 nominal value has been bought with the total price of TL 128,111, which is determined from over exact TL 3.73 in exact TL 1 nominal valued 100 share according to Application Procedures and Principles of Borsa İstanbul A.Ş wholesale Transactions, by QNB Finansbank.

As a result of direct acquisition of QNB Finansbank by QNB as of June 15, 2016, managerial control of the company was indirectly transferred to QNB. Within that process, the Mandatory share purchase offer obligation occurred with the respect of SPK provision numbered II-26.1: Mandatory Share Offer Communique.

After share transfer, QNB's share on the company capital became over 97% and that provided right to other partners to sell their shares in accordance with the SPK communique numbered II-27.2: Rights of Removal from Partnership and Selling. After that, the shareholders, other than dominant partner QNB, acquired the right to sell their own share within the limited dates(June 16, 2016- September 16, 2016) that started after the date; June 15, 2016 and QNB involved in the partnership. With the demand of use the right to sell, QNB Finansbank's share rate in capital was updated to 81.41%.

As a consequence of transfer of Finans Menkul Değerler A.Ş.'s share to QNB Finansbank on December 6, 2016, none of Finans Yatırım Menkul Değerler A.Ş. shares have remained in the Companies equity and QNB Finansbank enhanced its share in company capital to 99.40%

22. Legal reserves and retained earnings

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and the Capital Markets Board ("CMB") regulations regarding profit distribution.

According to the General Assembly held on March 31, 2017, the Company has resolved to retain the profit of 2016 as retained earnings.

Dividends

Public companies pay dividends according to the "Dividend Distribution Communiqué" issued by CMB dated January 21, 2014 and "Principals of Dividend Distribution" issued by CMB dated January 27, 2014. The Board of Directors has not made any decisions regarding profit distribution for the year 2017.

23. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation, such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2017.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The following reflects the income and share data used in the basic earnings per share computations:

	2017	2016
Net profit attributable to ordinary equity holders of the parent for basic earnings per share	89,613	58,164
Weighted average number of ordinary shares for basic earnings per share (TL 0.01 par value)	11,500,000,000	11,500,000,000
Basic earnings per TL 1 share	0.779	0.506

24. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the operating decisions. The Company is controlled by QNB Finansbank, which owns 99.40% (2016 - 99.40%) of ordinary shares. The ultimate owner of the Company is QNB; NBG was the prior ultimate owner of the Company during year 2016.

(a) Balances outstanding and other transactions with the parent Bank:

	2017	2016
Balances outstanding		
Cash and cash equivalents	74,958	19,985
Funds borrowed	22,774	71,824
Loss on derivative transactions	8,971	2,821
Finance lease receivables	5,738	998
Gain on derivative transactions	3,715	1,603
Other assets	1,975	61
Other liabilities	450	181
Transactions		
Gain on derivative transactions	37,809	1,660
Interest expense	2,698	3,042
Rent expense	2,279	1,908
Interest income on bank deposits	1,459	7,484
Other administrative expenses	397	305
Income from finance leases	264	141
Other operating income	65	24

As of December 31, 2017 the Company has derivative transactions entered with parent bank with a nominal value of TL 967,146. (2016 - TL 220,253). Additionally, the parent bank has given letters of guarantee amounting to TL 4,377 (2016 - TL 769) to customs authorities and courts.

(b) Balances outstanding and other transactions with QNB:

	2017	2016
Transactions		
Interest expenses	316	-

As of December 31, 2017 QNB has given letter of guarantee amounting to TL 451,550 (2016 - None).

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

(c) Balances outstanding and other transactions with other related parties:

	2017	2016
Balances Outstanding		
Other assets	-	5
Other liabilities	192	-
Transactions		
Interest expenses	1,833	1,182
Other operating expenses	62	48
Dividend income	7	-

(d) In 2017, compensation of the top management personnel of the Company amounted to TL 3,806 (2016 - TL 3,972).

25. Foreign exchange gains, including net gains or losses from dealing in foreign currency

The breakdown of foreign exchange gains, including net gains or losses from dealing in foreign currency is as follows:

	2017	2016
Foreign exchange gains	774,997	387,162
Foreign exchange losses	(771,763)	(382,351)
	3,234	**4,811**

26. Other income/(expenses), net

The breakdown of other operating income and other operating expense is as follows:

	2017	2016
Income from sale of tangible assets and assets acquired through foreclosure proceedings	979	686
Other income from financial lease transactions	752	510
Gain on sale of disposal of assets	570	195
Dividend income	7	-
Other income	150	18
Total other operating income	**2,458**	**1,409**
Provision charges	(3,869)	(1,063)
Miscellaneous expenses	(1,372)	-
Total other operating expenses	**(5,241)**	**(1,063)**
Total other operating income, (net)	**(2,783)**	**346**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

27. Operating expenses

The breakdown of operating expenses is as follows:

	2017	2016
Marketing, general and administrative expenses		
Rent expenses	3,706	3,139
Taxes and duties other than on income	1,694	910
Consultancy, audit and legal fees	1,449	1,016
IT expenses	996	722
Marketing expenses	885	32
Travel and transportation expenses	686	634
Communication expenses	334	351
Other administrative expenses	1,591	1,669
Total marketing, general and administrative expenses	**11,341**	**8,473**
Staff costs		
Wages and salaries	14,989	13,801
Provision for bonuses	4,205	3,237
Provision for employee termination benefits	629	451
Provision for unused vacation pay liability	365	339
Other fringe benefits	1,558	1,429
	21,746	**19,257**
Defined contribution share		
Social security premiums - employer share	2,288	1,979
	2,288	**1,979**
Total salaries and employee benefits	**24,034**	**21,236**
Depreciation and amortization	740	526
Total operating expenses	**36,115**	**30,235**

28. Financial risk management

Capital risk management

The Company manages its capital by achieving the continuity of its operations while maximizing the return to stakeholders through the optimization of the debt and the equity balance. In accordance with Article 12 of the “Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies” published in the Official Gazette dated December 24, 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation which is, equity to total assets of not less than 3%. The Company complies with this requirement as of December 31, 2017 and 2016.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

As of December 31, 2017 and 2016, the leverage ratios are as follows:

	2017	2016
Total borrowings	3,805,128	2,078,973
Less: Cash and cash equivalents	(76,542)	(42,718)
Net liabilities	3,728,586	2,036,255
Total shareholders' equity	761,858	672,824
Shareholders' equity/liabilities	20.43%	33.04%

Financial instruments:

	2017	2016
Financial assets		
- Banks	76,542	42,718
- Finance lease receivables	4,479,667	2,706,599
- Available for sale investments	140	140
- Hedging derivatives	17,592	-
- Trading derivatives	7,964	3,063
Financial liabilities		
- Funds borrowed	2,509,242	1,414,105
- Debt securities in issue	1,001,118	565,195
- Trade payables	294,768	99,673
- Hedging derivatives	12,909	-
- Trading derivatives	2,813	4,200

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Company also obtains guarantees when appropriate.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The concentration of the Company's net finance lease receivables to industry groups is as follows:

	2017	2016
Building and Construction	19.3%	22.4%
Textile	15.6%	14.6%
Manufacturing	11.6%	15.5%
Energy & Power	9.9%	2.0%
Chemical	6.4%	6.7%
Health & Social Activities	5.5%	7.8%
Transportation and Storage	4.3%	3.2%
Wood & Wood products	4.2%	5.8%
Mining and Quarrying	3.7%	3.8%
Food	2.8%	3.9%
Automotive	2.1%	3.3%
Printing	2.1%	1.9%
Other	12.5%	9.1%
Total	**100.0%**	**100.0%**

The breakdown of finance lease receivables is as follows:

	2017	2016
Neither past due nor impaired	4,022,479	2,293,843
Past due but not impaired	388,065	345,281
Individually impaired	150,992	162,568
Reserve for impairment	(81,869)	(95,093)
Total	**4,479,667**	**2,706,599**

As of December 31, 2017 and 2016 aging of past due but not impaired finance lease receivables is as follows:

2017	Invoiced and Accrued Amounts	Outstanding Principal
Between 1-30 days	24,003	264,936
Between 1-3 months	9,523	67,251
Between 3-12 months	1,783	8,244
Between 1-5 years	2,930	9,395
Total	**38,239**	**349,826**

2016	Invoiced and Accrued Amounts	Outstanding Principal
Between 1-30 days	14,856	237,674
Between 1-3 months	4,960	38,136
Between 3-12 months	3,334	18,982
Between 1-5 years	4,801	22,538
Total	**27,951**	**317,330**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

As of December 31, 2017 and 2016 the guarantees received for the finance lease receivables are as follows:

	2017		2016	
	Nominal Value (*)	Fair Value (*)	Nominal Value (*)	Fair Value (*)
Suretyships	27,897,785	27,897,785	18,395,945	18,395,945
Mortgages	2,212,083	454,134	897,998	306,417
Assignment of receivables	743,494	743,494	90,543	90,543
Pledge of machinery & vehicles	98,549	61,130	65,162	52,177
Credit guarantee fund	78,313	78,313	-	-
Pledge of stocks	13,770	13,770	805	805
Cash blockages	12,141	12,141	1,960	1,960
Check assignments	658	658	-	-
Letters of guarantee	201	201	2,476	2,476
Pledge of assets	-	-	30,000	13,263
	31,056,994	**29,261,626**	**19,484,889**	**18,863,586**

(*) Leased assets are not included in the collateral amounts stated above.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, cross currency swaps and forwards.

Liquidity risk

Liquidity risk is defined as the risk that the Company will be unable to meet its cash requirements as a result of a change in cash flows. The Company monitors its cash flows on a daily basis. The Company manages this risk by diversifying its funding resources and by conducting its assets in liquidity priority. The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to discounted contractual maturity date.

2017								
LIABILITIES	**Carrying Amount**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Unallocated**	**Total**
Funds borrowed	2,509,242	306,264	61,461	203,719	416,895	1,768,669	-	2,757,008
Debt securities issued	1,001,118	-	672,363	314,207	53,788	-	-	1,040,358
Trade payables (*)	294,768	78,993	-	-	-	-	215,775	294,768
Total liabilities	**3,805,128**	**385,257**	**733,824**	**517,926**	**470,683**	**1,768,669**	**215,775**	**4,092,134**

2016								
LIABILITIES	**Carrying Amount**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Unallocated**	**Total**
Funds borrowed	1,414,105	85,527	143,694	199,688	418,050	653,353	-	1,500,312
Debt securities issued	565,195	108,080	245,545	187,305	2,472	42,472	-	585,874
Trade payables (*)	99,673	34,450	-	-	-	-	65,223	99,673
Total liabilities	**2,078,973**	**228,057**	**389,239**	**386,993**	**420,522**	**695,825**	**65,223**	**2,185,859**

(*) The unallocated portion of trade payables consists of letters of credit accruals whose payment terms are not finalized yet.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Relevant maturity groupings based on the remaining period of derivative financial instruments at balance sheet date to discounted contractual maturity date as of December 31, 2017 and 2016 are as follows:

2017								
DERIVATIVES	Carrying Amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated	Total
Cash inflows	1,441,649	300,384	423,440	280,234	201,557	236,034	-	1,441,649
Cash outflows	1,366,218	296,170	415,647	256,237	183,226	214,938	-	1,366,218

2016								
DERIVATIVES	Carrying Amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated	Total
Cash inflows	254,762	-	54,523	-	77,894	122,345	-	254,762
Cash outflows	226,080	-	55,649	-	69,674	100,757	-	226,080

Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give risk to foreign exchange exposure. The Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The concentrations of assets, liabilities and off balance sheet items:

	2017			
ASSETS	**USD**	**EUR**	**Others**	**Total**
Cash and cash equivalents	30,267	14,984	1	45,252
Finance lease receivables	858,283	2,252,699	1,005	3,111,987
Hedging derivatives	12,705	4,887	-	17,592
Trading derivatives	6,099	1,865	-	7,964
Other assets	1,061	3,851	-	4,912
Total assets	**908,415**	**2,278,286**	**1,006**	**3,187,707**
LIABILITIES				
Funds borrowed	189,282	1,320,117	-	1,509,399
Trade payables	74,524	198,805	4,190	277,519
Advances from customers	13,970	24,570	-	38,540
Hedging derivatives	1,269	11,640	-	12,909
Trading derivatives	-	2,813	-	2,813
Other liabilities and provisions	466	378	-	844
Total liabilities	**279,511**	**1,558,323**	**4,190**	**1,842,024**
Net balance sheet position	**628,904**	**719,963**	**(3,184)**	**1,345,683**
Net off balance sheet position	**(542,614)**	**(775,377)**	**-**	**(1,317,991)**
Net position	**86,290**	**(55,414)**	**(3,184)**	**27,692**

	2016			
ASSETS	**USD**	**EUR**	**Others**	**Total**
Cash and cash equivalents	6,000	13,433	1	19,434
Finance lease receivables	467,287	1,092,102	18,950	1,578,339
Trading derivatives	-	3,063	-	3,063
Other assets	4	-	-	4
Total assets	**473,291**	**1,108,598**	**18,951**	**1,600,840**
LIABILITIES				
Funds borrowed	378,331	864,240	-	1,242,571
Trade payables	23,168	46,333	18,063	87,564
Advances from customers	6,121	12,448	1	18,570
Trading derivatives	1,815	2,385	-	4,200
Other liabilities and provisions	-	-	-	-
Total liabilities	**409,435**	**925,406**	**18,064**	**1,352,905**
Net balance sheet position	**63,856**	**183,192**	**887**	**247,935**
Net off balance sheet position	**(72,263)**	**(153,817)**	**-**	**(226,080)**
Net position	**(8,407)**	**29,375**	**887**	**21,855**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of monetary assets and liabilities that mature or reprice in a given period. The asset/liability committee manages this risk which occurs from the position of the company and from the volatility of the interest rates. The Company realizes derivative transactions in order to limit the risk. The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing or contractual dates whichever is earlier.

				2017			
ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Cash and cash equivalents	75,174	-	-	-	-	1,368	76,542
Finance lease receivables	235,753	203,794	307,096	579,563	2,776,707	376,754	4,479,667
Derivative financial instruments	3,581	6,951	12,615	2,409	-	-	25,556
Total assets	**314,508**	**210,745**	**319,711**	**581,972**	**2,776,707**	**378,122**	**4,581,765**
LIABILITIES							
Funds borrowed	304,772	111,502	767,092	274,079	1,051,797	-	2,509,242
Debt securities in issue	-	744,403	256,715	-	-	-	1,001,118
Trade payables	-	-	-	-	-	294,768	294,768
Derivative financial instruments	-	7,649	(48,236)	5,606	50,703	-	15,722
Total liabilities	**304,772**	**863,554**	**975,571**	**279,685**	**1,102,500**	**294,768**	**3,820,850**
Interest sensitivity gap	**9,736**	**(652,809)**	**(655,860)**	**302,287**	**1,674,207**	**83,354**	**760,915**
Off balance sheet gap	**4,214**	**7,794**	**72,223**	**18,331**	**(27,133)**	**-**	**75,429**
Total interest sensitivity gap	**13,950**	**(645,015)**	**(583,637)**	**320,618**	**1,647,074**	**83,354**	**836,344**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

				2016			
ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Cash and cash equivalents	41,858	-	-	-	-	860	42,718
Finance lease receivables	182,222	150,685	230,349	409,927	1,590,175	143,241	2,706,599
Derivative financial instruments	-	-	-	1,603	1,460	-	3,063
Total assets	**224,080**	**150,685**	**230,349**	**411,530**	**1,591,635**	**144,101**	**2,752,380**
LIABILITIES							
Funds borrowed	85,407	166,868	636,174	328,379	197,277	-	1,414,105
Debt securities in issue	107,367	369,564	88,264	-	-	-	565,195
Trade payables	-	-	-	-	-	99,673	99,673
Derivative financial instruments		2,386	-	483	1,331	-	4,200
Total liabilities	**192,774**	**538,818**	**724,438**	**328,862**	**198,608**	**99,673**	**2,083,173**
Interest sensitivity gap	**31,306**	**(388,133)**	**(494,089)**	**82,668**	**1,393,027**	**44,428**	**669,207**
Off balance sheet gap	**-**	**(1,126)**	**-**	**8,220**	**21,588**	**-**	**28,682**
Total interest sensitivity gap	**31,306**	**(389,259)**	**(494,089)**	**90,888**	**1,414,615**	**44,428**	**697,889**

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Interest rate sensitivity

Company's interest rate sensitive financial assets and liabilities are as follows:

	2017	2016
Financial instruments with fixed interest rate		
Financial assets		
- Banks (Note 7)	76,542	42,718
- Finance lease receivables (*)	4,077,640	2,540,764
Financial liabilities		
- Funds borrowed	1,769,909	877,515
- Debt securities in issue	909,871	391,065
Financial instruments with floating interest rate		
Financial assets		
- Finance lease receivables (*)	35,636	29,536
Financial liabilities		
- Funds borrowed	739,333	536,590
- Debt securities in issue	91,247	174,130

(*) Finance lease receivables have been presented at gross amount and do not include equipment to be leased and advances given related with finance leases.

The interest rate sensitivity analysis is based on interest rate risk as of the balance sheet date and estimated interest rate fluctuations at the beginning of the fiscal year. The Company realized its sensitivity analysis based on 100 base points interest rate fluctuation scenario.

In the case of interest rates being 100 base points higher at balance sheet date and holding all other variables fixed:

- Interest income from floating interest rate finance lease contracts would increase by TL 331 (2016 - TL 279).
- Interest expense from floating interest rate borrowings would increase by TL 7,406 (2016 - TL 5,373).
- Interest expense from floating interest rate debt securities in issue would increase by TL 900 (2016 - TL 1,722).

Foreign currency sensitivity

The Company is mainly exposed to USD and EURO exchange rate risks. The statement below shows the sensitivity of the Company to USD and EURO when a 10% increase occurs at those currencies' exchange rates. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

	USD Effect		EURO Effect	
	2017	2016	2017	2016
Profit/(Loss)	8,629	(841)	(5,541)	2,938

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

2017	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hedging derivatives	-	17,592	-	17,592
Trading derivatives	-	7,964	-	7,964
	-	**25,556**	**-**	**25,556**
Financial liabilities at FVTPL				
Hedging derivatives	-	12,909	-	12,909
Trading derivatives	-	2,813	-	2,813
	-	**15,722**	**-**	**15,722**

2016	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading derivatives	-	3,063	-	3,063
	-	**3,063**	**-**	**3,063**
Financial liabilities at FVTPL				
Trading derivatives	-	4,200	-	4,200
	-	**4,200**	**-**	**4,200**

There are no transfers between the levels during the year.

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

Level of data used to estimate the fair values of financial assets and financial liabilities for disclosure purpose is Level 2.

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

29. Commitments and contingent liabilities

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at December 31, 2017 and 2016.

Legal proceedings

The Company has provided provision amounting to TL 192 (December 31, 2016 - 142 TL) against certain open legal cases and incentive penalty amounting to 3,678 as of December 31, 2017 (December 31, 2016 - None).

Derivative instruments

	December 31, 2017		December 31, 2016	
	Nominal Original amount	**Nominal TL**	**Nominal Original amount**	**Nominal TL**
Swap Purchase Transactions				
USD	12,785	48,227	-	-
EURO	-	-	-	-
TL	1,393,422	1,393,422	254,762	254,762
Total Purchase		**1,441,649**	**254,762**	**254,762**
Swap Sale Transactions				
USD	156,643	590,841	20,534	72,263
EURO	171,714	775,377	41,461	153,817
TL	-	-	-	-
Total Sales		**1,366,218**		**226,080**
Total		**2,807,867**	**480,842**	

Guarantees given

The Company has letters of credit in the amount of TL 896,560 (2016 - TL 1,389) and finance lease commitments in the amount of TL 816,593 for the leased asset imports (2016 - TL 501,254).

30. Subsequent events

The Company made a Sukuk bond issuance at a nominal amount of TL 200,000 with 364 days maturity on February 14, 2018.

Shareholders’ Information

Stock Exchange
Finans Leasing shares are listed on Borsa Istanbul (“BIST”) under the “QNBFL” ticker.

Share Prices by Quarter (TL)

2017	Q1	Q2	Q3	Q4
Lowest	3.55	3.87	4.28	3.5
Highest	4.15	5.55	4.67	4.32

Investor Relations
Our annual report and interim reports are available without charge upon request to our following address:

QNB Finansleasing
Address: Esentepe Mah. Büyükdere Cad.
Kristal Kule Binası No: 215 Kat: 22
Şişli 34394 İstanbul

Annual Meeting
The annual meeting of shareholders of QNB Finansleasing will be held on 30 March 2018.

Stockbrokers
QNB Finans Yatırım Menkul Değerler A.Ş.

Auditors
Güney Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address: Maslak Mah. Eski Büyükdere Cad.
No: 27 Sarıyer 34485 İstanbul
Tel: (90 212) 315 3000
Fax: (90 212) 230 82 91

Tax Consultants
KPMG Yeminli Mali Müşavirlik A.Ş.
Address: İş Kuleleri Kule 3, K: 7-8
Beşiktaş, İstanbul
Tel: (90 212) 316 60 00
Fax: (90 212) 316 60 60

Company Directory

	Address	Phone	Fax
Head Office	Esentepe Mah. Büyükdere Cad. Kristal Kule Binası No: 215 Kat: 22 Şişli 34394 İstanbul	(90 212) 349 11 11	(90 212) 350 60 00

Branches			
Adana	Atatürk Cad. Kemal Özülkü İş Hanı No: 7 Kat: 15 Seyhan Adana	(90 322) 457 32 54	(90 322) 457 79 58
Ankara	Atatürk Bulv. No: 140 Kavaklıdere Ankara	(90 312) 457 11 99	(90 312) 457 12 91
Antalya	Tarım Mah. Aspendos Bulv. No: 92/1 Ata Plaza Kat: 2 Muratpaşa Antalya	(90 242) 311 18 41	(90 242) 311 18 40
Bursa	Fevzi Çakmak Cad. Göktaş İş Merkezi No: 62 Osmangazi Bursa	(90 224) 362 84 70	(90 224) 363 01 23
Diyarbakır	Peyas Mah. Urfa Bulv. Rema C Blok No: 124/A Kayapınar Diyarbakır	(90 412) 251 11 93	(90 412) 251 11 97
Gaziantep	İncilipınar Mah. 3 Nolu Cad. Akınalan İş Merkezi No: 36-37 Kat: 3 Şehitkamil Gaziantep	(90 342) 232 11 51	(90 342) 230 46 35
İstanbul - Atatürk Airport Free Zone	Atatürk Hava Limanı Serbest Bölge 2. Kısım A Blok No: 44/3 Bakırköy İstanbul	(90 212) 349 11 58	(90 212) 350 60 58
İstanbul - Dudullu	Esenkent Mah. Des Sanayi Sitesi A Blok No: 2 Yukarı Dudullu, Ümraniye İstanbul	(90 216) 526 14 10	(90 212) 350 60 11
İstanbul - İkitelli	İmsan Küçük Sanayi Sit. E Blok No: 14 İkitelli İstanbul	(90 212) 470 71 03	(90 212) 350 60 12
İstanbul -Levent	Sultan Selim Mah. Eski Büyükdere Cad. No: 63/A Kâğıthane İstanbul	(90 212) 268 19 96	(90 212) 268 65 27
İzmir	Şehir Nevres Bulv. No: 8/1 Montrö İzmir	(90 232) 488 11 87	(90 232) 488 11 84
Kocaeli - Gebze	Hacı Halil Mah. Zübeyde Hanım Cad. No: 39/A Kat: 1 Gebze Kocaeli	(90 262) 643 38 31	(90 262) 643 38 31
Kocaeli - İzmit	Körfez Mah. Ahmet Ergüneş Sok. No: 13/2 İzmit Kocaeli	(90 262) 321 43 08	(90 262) 335 17 89
Konya	Fevzi Çakmak Mah. Hüdai Cad. No: 3/C Karatay Konya	(90 332) 342 52 94	(90 332) 342 38 11

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Head Office

Esentepe Mah. Büyükdere Cad.
Kristal Kule Binası
No: 215 Kat: 22
Şişli 34394 İstanbul

Phone (90 212) 349 11 11
Fax (90 212) 350 60 00
www.qnbfl.com