

### ANNUAL REPORT 2014

Starring in business creates the difference





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## CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

Board of Directors of İş Finansal Kiralama Anonim Şirketi

# Report On The Audit Of Board Of Directors' Annual Report Based On The Standards On Auditing Which Is A Component Of The Turkish Auditing Standards Published By The Public Oversight Accounting And Auditing Standards Authority ("POA")

We have audited the accompanying annual report of İş Finansal Kiralama Anonim Şirketi (the "Company") and its subsidiary (the "Group"), for the year ended 31 December 2014.

#### Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 26 February 2015 and provides fair presentation.

Our audit has been conducted in accordance with the standards on auditing which are components of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

#### **Report on Other Regulatory Requirements**

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. A member of KPMG International Cooperative

Orhan Akova, SMMM Partner 26 February 2015 İstanbul, Türkiye

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**GENERAL ASSESSMENT** 

### COMPANY'S PERFORMANCE



İş Leasing reached a transaction volume of USD 728 million in 2014, which corresponded to a sharp rise by 49% compared with the previous year, and this strong performance pulled the Company's market share up to 9.53%.



By focusing on the sustainable growth strategies, İş Leasing managed to increase its leasing portfolio by 27% from the previous year, boosting its total assets by 31%.



The net profit of the Company increased by 98% from the previous year became TL 78.5 million, return on equity reached 12.4%.

In line with the strategies established with the target of achieving sustainable growth, İş Leasing confirmed it's stable growth success also in 2014.



### ▲ FINANCIAL INDICATORS

With its experienced employees, extensive service network, strong customer base, transparent management approach and advanced corporate governance applications; İş Leasing provides services in international standards, and is among the most active and leading companies of its sector as denoted by its successful results.

TL Million	2014	2013	Change (%)
Total Assets	4.580	3.493	31
Leasing Receivables, Net	2.841	2.232	27
Factoring Receivables	1.433	946	51
Shareholders' Equity	667	604	10
Net Profit/Loss	78,5	39,6	98
Return on Assets (ROA) %	1,9	1,3	
Return on Equity (ROE) %	12,4	6,8	
Debt to Equity	5,9	4,8	
Cost/Revenue (%)	44	38	





### SHARES, APPRAISAL AND CREDIT RATING

### ★ Share Performance

With the lingering sensitivity, the global economy followed a moderate course in 2014. US economy showed a significant recovery, while the Eurozone economies maintained their weak trend. Accordingly, global economic growth estimates stood at 3.3% for 2014 and at 3.8% for 2015, while the Turkish economy was expected to grow by about 3% in 2014 with the growth rate to further recover in 2015.

Having posted 49% increase in its transaction volume thanks to its reliable and dynamic structure which helped it continue being the strong business partner of the investors despite the volatile conditions in the global and local economies in 2014, İş Leasing left behind a successful year in terms of both its market share and profitability.

As a company that has been listed on Borsa İstanbul (BİST) since 2000 where 42.7 percent of its shares is quoted, İş Leasing's shares continued to be the main indicator of its sector with an average transaction volume of 638,370 shares per day in 2014. İş Leasing, which provides its services in international standards thanks to its experienced employees, high-quality service and transparent management understanding and advanced corporate management applications, raises its success record steadily and swiftly.

### \* Corporate Governance

Having adopted fair, transparent and consistent management principles with a permanent and efficient communication with all its stakeholders, İş Leasing implements the best governance applications and improves itself constantly. İş Leasing was rated as 9.07 over 10 by SAHA Rating within the scope of the corporate governance rating in 2014, and the Company is also listed on the BİST Corporate Governance Index and the World Corporate Governance Index (WCGI).

### \star Credit Rating

İş Leasing's credit rating is renewed every year in compliance with the commitment to corporate governance principles and as per the transparency principle, and in 2014, Fitch Ratings announced AA+ national credit rating and BBB- foreign currency credit rating for İş Leasing. These investable ratings confirm the credibility of our Company independently.

Foreign Curren	ю		Turkish Lira		National			
Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook	Long-Term	Outlook	Support
BBB-	F3	Stable	BBB-	F3	Stable	AA+ (tur)	Stable	2



### MESSAGE FROM CHAIRMAN

Dear Stakeholders,

Emerging economies such as our country was affected adversely by the US Central Bank's (FED) decision to end its asset purchases by gradually withdrawing from expansionist monetary policies due to relatively strong performance of the US economy in 2014 while a considerable portion of the world still struggled with stagnancy. In the next stage, FED is expected to enter a period of moderate interest rate hikes depending on the positive developments in the US economy despite the lingering global sensitivity. The liquidity outflow and increase in costs as will be triggered by the interest rate hikes will have negative impacts on the developing countries who suffer from structural problems and are struggling with the inflation. In addition, Eurozone which is undergoing a weaker-than-expected recovery decelerates the global growth, while the performance of many developing countries such as China is also frustrated by geopolitical tensions, financial risks, weak domestic demand and some other structural problems.

The inflation in Turkey which increased trend in 2014 due to reasons such as foreign exchange rates, drought and the food prices ended the year at 8.17%. Economic growth performance has been slow for the last three years as a result of economic and political developments inside and outside the country. Turkish economy which is estimated to have about 3% growth performance as of the end of 2014 is expected to continue a slow but balanced growth process in the coming years.

General elections that will be held in 2015 and the political tensions that may increase thereafter may have negative effects on the environment of investment, while uncertainty about the economic policies that will be adopted after the elections and deferral of the decisions that should be taken for the structural reforms Turkey needs already have their effects on the expectations of the investors. Additionally, the developments in our nearby geography and the policies that will be adopted on these policies are other significant risk factors on the environment of confidence and the economy as a whole.

Having a significant role in competition with the transaction volume, profitability and market share it reached in 2014, İş Leasing maintains it's ambitious in the sector as a strong and reputable company.







#### MESSAGE FROM CHAIRMAN



The performance of the financial leasing sector, which maintained the growth trend and development fuelled by the enhanced product variety introduced by the Financial Leasing, Factoring and Finance Companies Law and imposition of VAT and Corporate Tax exemptions on the sell-and-lease-back products, continued to rise in 2014, and the industry reached a transaction volume of USD 7.6 billion in 2014. Demand for the sell sell-and-lease-back products increased in demand sharply in 2014, acquiring a significant share of 30% in the transaction volume of the entire sector.

Our company showed its difference by growing despite the fierce competitive conditions in 2014 with the outstanding efforts of all our employees without compromising from its asset quality and profitability in line with the strategies it established with the target of achieving sustainable growth, and its transaction volume reached USD 728 million with an increase of 49% from the last year, and it obtained a market share of 9.53%. Our Company which focused on profitable projects with a high added value and did not compromise from its service quality also showed an excellent performance in portfolio and risk management. Our Company which we believe will maintain its stable growth in 2015 has completed 2014 with highly successful results by being by the side of all investors that add value to the country's economy.

We kindly present our activity report, financial statements and our statement of net profit approriation offer for 2014 which we have prepared in accordance with the Capital Markets Law and other applicable laws and regulations.

I would like to thank, personally and on behalf of the Board of Directors, all our business partners who have supported our Company since its foundation, our customers, and our employees who have had a crucial role in the success of our services and the quality of these services.



### FINANCIAL LEASING SECTOR

TRANSACTION VOLUME, SECTOR

7.6 BILLION USD

Financial Leasing sector, which grew by 9.3% by reaching a transaction volume of USD 7.6 billion in 2014, has higher expectations from 2015. Financial leasing sector increased its transaction volume by 9.3% to USD 7.6 billion in 2014, compared with the previous year. The first quarter of the year was a period with lower-than-expected results due to political uncertainty, while the sell-lease-back product became a major item with a prominent place in the transaction volume starting from the second quarter. A breakdown of the transaction volume according to the commodity groups shows that sell-lease-back properties, which gives the investors the possibility of creating funds over their existing properties and financing their new investments by using the funds thus secured, have a significant place in the overall transaction volume, while heavy and construction equipment had 20% and machinery and equipment group had 25% share.

The increase in the transaction volume in 2014 was reflected positively on profitability, and the sector's return on equity became 9.2%. The penetration rate which shows the share in investments, of the financial leasing sector, which acted as the intermediary for USD 69 billion worth of investments in its 29-year long history in Turkey, became 6.5% in the third quarter of 2014 compared with 6.87% in 2013.

New legal regulations that were introduced on the back of the promoted to the product variety and had positive effects on the development of the sector. The performance of the sector which still has a significant potential of development is closely related with economic stability and growth. Accordingly, the business volume is expected to rise by 10% in 2015 compared with the previous year and become USD 8.4 billion.



### Transaction Volume, Sector (million USD)



### ★ Distribution of Financial Leasing Transactions According to Product Groups (2014)





### GENERAL MANAGER'S MESSAGE





HASAN K. BOLAT General Manager Financial leasing sector as a whole had a volatile year in 2014 as the economic growth was limited and the delicate structure of the country's economy and its susceptibility against external shocks continued, while İş Leasing was highly successful in 2014 by registering a significant increase in transaction volume, market share and profitability compared with the previous year.

Transaction volume of İş Leasing which closed 2014, which was characterized by difficult market conditions, with an outstanding performance became by 49% compared with the previous year to USD 728 million. The Company's market share stood at 9.53% as of 2014, while its net profit of the year increased by 98% compared with the previous year to TL 78.5 million, and return on equity was 12.4%.

İş Leasing has shown a strong performance in 2014 with successful balance sheet management, sound asset quality, efficient risk management and strong capital structure, and the Company's net leasing receivables increased by 27% as of the end of 2014 compared with the previous year to TL 2.8 billion, and total assets by 31% to TL 4.5 billion.

In 2014, İş Leasing increased the number of its branches to 16 after opening Şişli, Gebze, Denizli, Diyarbakır, Kayseri and Ostim Ankara branches, whereby it continued its contribution to the growth and employment by offering financing possibilities to its customers from any size and sector with its widespread network. The number of its customers increased by 23% and number of transactions by 16% as the company continued growing with a focus on embracing broader segments of the economy.

2014 was a successful year for İş Leasing as sustainable and stable growth and profitability was achieved.

İş Leasing achieved sustainable development of its transaction volume with innovative solution approach, widespread service



#### GENERAL MANAGER'S MESSAGE



network and customer-oriented services, proliferation of the fund sources it has created in conformance with its needs, and its provision of funds for projects in appropriate terms. The funds provided to the investors with sell-lease-back transactions in particular helped them to reinforce their financial structures, while the Company continued providing medium and long term financing to the SMEs and the growing enterprises for their investments. The weight of the Company in the area of heavy and construction equipment and production machinery and equipment continued on an increasing basis, improvement continued on the area of energy investments, with the food, textile, health, machinery-chemistry, manufacturing, tourism and construction sectors standing out as the shining sectors.

In 2014, concentration was given to the human resources investments, the existing team was supported with young and dynamic members, and investments were continued in order to reinforce the backbone of the Company that will carry the increased business volume on areas of infrastructure and technology.

We would like to offer our gratitude and respects to all our business partners, employees and investors including our Board of Directors who have contributed in the success of our Company.

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## İŞ LEASING IN THE SECTOR

İş Leasing increased its business volume, market share and profitability on the back of the sustainable and stable growth strategy it has adopted for itself and the risk and portfolio management policies it has implemented in 2014. Offering the right financial solutions and providing the financial consultancy support required by its customers was an important factor in this success of İş Leasing which increased its efficiency in the market owing to its excellent performance.

İş Leasing completed 2014 with a successful performance by achieving a stable and sustainable growth backed by a customer portfolio that has spread to all segments, while it was driven by the principle of protecting its portfolio quality within the framework of efficient risk policies.

Is Leasing which extended its service network in line with its strategy to penetrate into the broader segments of the economy launched its Şişli, Gebze, Denizli, Diyarbakır, Kayseri and Ostim Ankara Branches in 2014 and thus raised the total number of its branches to 16. During its creation of fund resources in its priority areas, is Leasing supported investments from all sizes and stood out from the rest with its special solutions for SMEs and its applications in sell-lease-back. With the help of the cooperation with the developing Organized Industrial Zones, it developed solutions whereby the SMEs could transform their existing investments back into the operating capital. With the help of the cooperation with vendors, it increased its weight on the subject of heavy and construction machines and production machines and equipment. Aside from the energy investments where Is Leasing maintained its focus, food, textile, health, machinerychemistry, manufacturing, tourism and construction sectors were also among other prominent sectors for the Company.

By supporting the projects of a large number of small and medium sized customers spread to the broader segments of the society, İş Leasing increased its business volume and maintained its steady progress accompanied with the success which was the result of its solution partnership with SMEs, the cornerstone of the economy, and growing together with them. İş Leasing which extended its service network in line with its strategy to penetrate into the broader segments of the economy launched its Şişli, Gebze, Denizli, Diyarbakır, Kayseri and Ostim Ankara Branches in 2014 and thus raised the total number of its branches to 16.



### İŞ LEASING IN THE SECTOR

### 🗶 2014 Sectoral Distribution





IŞ LEASING IN THE SECTOR

### 🗶 2014 Equipment Distribution





### ACTIVITIES

### \star Services

### A large customer base, innovative solution and extensive service.

As a firm follower of the rapid developments stemming from the technological developments, İş Leasing strengthened its position in the market, increased its transaction volume and profitability owing to the solutions it provided and the business models it developed by conforming to the customers' expectations in the fastest way.

İş Leasing, which targeted a growth driven by a customer portfolio, spread to the broader segments of the society, innovative solution approach, widespread service network and customer-oriented services, focused on developing the process infrastructures, promoting the capacity and productivity, and ensuring the customer satisfaction in 2014.

In 2014, İş Leasing extended its branch network throughout Turkey and raised the number of its branches to 16 by launching its Şişli, Gebze, Denizli, Diyarbakır, Kayseri and Ostim Ankara Branches.

Under the successful cooperation works it established with the Organized Industrial Zones, İş Leasing introduced sell-lease-back solution to the companies in these zones and obtained successful results out of its specific solutions with SMEs and its sell-lease-back applications.

İş Leasing managed to make a world of diffarance for the customers by offering tailored financial leasing service to the customers having operation in diverse segments which are sensitive to change and are in need of efficient use of their resources. With its performance which is well above the sector-average owing to its approach eying to create added value, İş Leasing managed to further extend its customer base as a result of its service understanding that focuses on maximizing the customer satisfaction and loyalty.

### \star Portfolio

### Portfolio management based on well risk-distribution.

İş Leasing, which continues its operations in line with efficient risk management approach and its strategy to create quality portfolio which is spread to the broader segments of the society, managed to embrace a widespread geographical distribution and sectoral diversity in its portfolio also thanks to its nationwide sales network and its efficient and professional services.

İş Leasing, which manages its portfolio risk distribution efficiently, continued making a difference with the quality of its portfolio in 2014. The customer's portfolio wherein the number of its customers rose by 23% and the number of transactions by 16% is consisted of a wide range of companies including the customers of İş Bank as well as other ongoing businesses. İş Leasing steadily includes new enterprises to its portfolio, while the leased equipment is also spread to a wide range ensuring good product diversity.



#### ACTIVITIES

### \star İş Faktoring

İş Faktoring A.Ş. established in 1993, offers factoring services to its customers, through finance, guarantee and cash collection in domestic and international markets. Our Company, which is member of Factors Chain International (FCI), offers international factoring transactions of its customers with its widespread correspondent network. İş Faktoring A.Ş., being one of the first factoring companies in Turkey, is the one of the key players of sector with its experience and professional human resources. By its TL 5,746 million transaction, TL 1,455 million assets and TL 1,433 million factoring receivables, our Company has reached TL 7,954 million net profit. The company has opened three branch in 2014 for increase the sales efficiency and its presence in Sme financing. The long-term foreign currency credit rating and national credit rating of İş Faktoring was determined as BBB, the outlook was determined stabled by Fitch Ratings at 6 June 2014.

### ★ Information Systems

Products and services with high standards through a fast monitoring of the technological developments, more efficient business processes.

An ardent follower of the swift changes in technology, İş Leasing targeted providing more benefit to its customers with value-creating innovative services. İş Leasing, which continued its investments in technology in 2014, started a series of projects that promote its service quality and make its business processes more effective.

The investment is completed for the Business Intelligence platform which will enhance the effectiveness of the company's management and add momentum to the implementation of the new business strategies. This platform eyes instant reach to the data and analysis of any type, access to the forward-looking projections, and more effective use of the data in management decisions.

WEB Platform project which enables the onsite teams and customer representatives as well as the customers of the Company have access to and conduct transactions by using the information related with them over the internet has been commissioned in 2014, bringing enhanced productivity to the sale function in particular. The project will be continued throughout 2015 so as to ensure the other business partners including mainly the sales team and the consultants conduct transactions over the web platform.

After-Sale Services and Extraordinary Cases Management Center are the two main constituents of İş Leasing's customer oriented service approach. After-Sale Services Unit, which works with a call center infrastructure and targets to perpetuate the customer satisfaction, is an important service point for the post-sale support requests of the customers. Extraordinary Cases Management Center, which is adorned and updated in accordance with the latest technologies, provides guarantee of offering customers 7/24 uninterrupted services under all conditions.



#### ACTIVITIES

### 🖈 Human Resources and Education

## İş Leasing continues investing constantly in its employees and it is growing and getting stronger with its qualified and experienced human resources.

İş Leasing targets guiding its "human resources", which it deems as its most valuable resource, in the most effective way and creating professional development possibilities for them by using the best human resources management tools. The main purpose is to develop and implement difference-making human resources strategies that will ensure the growth of and strengthening of the employees along with the Company.

In line with the targets of growing the market share, increasing synergy with İş Bank, and ensuring access to more widespread customer base, the number of the Company's branches was increased and the Company's staff was reinforced with the participation of dynamic and young employees to support the increasing business volume in 2014. The number of the staff which stood at 123 in 2013 was increased to 142 as of the end of 2014 with the inclusion of the new staff. Despite this increase in the number of employees, the size of the portfolio per employee and profitability per employee increased in the same period.

Branch staging procedures have been implemented for the effective management of the human resources in the branches that become prevalent, and premium system and position structure have been scrutinized and made more effective for the purpose of accurate and timely rewarding the success of the staff. The Sales and Marketing functions which had been conducted together previously were reviewed due to the changing needs and the two functions were separated in 2014.

Under the training activities, long-running training programs have been organized to help the adaptation of the new staff who are employed in different departments to the Company's culture and values in the fastest possible way and increase their technical knowledge, and these efforts are planned to be continued in 2015.





MANAGEMENT

### COMPANY'S PROFILE

### İş Leasing is a strong business partner providing finance to all projects of any size, with its qualified and experienced team, difference-setting solutions and high-quality service understanding,

As one of the strong and reliable companies of its sector since its foundation, İş Leasing continues its steady growth with its nationwide service network, customer portfolio and high-quality service understanding.

İş Leasing that set up its corporate structure was founded by the partnership of International Finance Corporation (IFC), Societé Generale and İş Bank. İş Bankası accelerated its efforts to have its operations become widespread across Turkey by way of acquiring all shares of its foreign partners in 1995. İş Leasing has soon become one of the leading companies of its sector, with the widespread branches of İş Bank in the entire country. İş Leasing's partnership structure has taken the present form upon the Company's going public in March 2000.

# İş Leasing provides permanence and trust in investment with its strong structure and dynamic service understanding.

Shares (%)		
42.67		
28.56		
27.79		
0.83		
0.08		
0.07		



### STRATEGIC PRINCIPLES

At the base of the value-creating innovative product and service understanding lies the highquality, innovative and customer-oriented approach that sets pace with the change.

### Relationship management that offers the best service to and produces tailored solutions for its customers

- High service quality targeting the customer satisfaction
- Business processes focused on efficiency
- High competence, experience and implementation skills
- · Customer-oriented relationship management that produces tailored solutions
- Widespread distribution channels

### Constantly developing the information, communication and service with technological innovations

- Current informatics infrastructure
- Quick and efficient hardware and software solutions, developed with a full integration philosophy, as a first in its sector

#### Sustainable investment in the human resources and steady and controlled growth

- Experience, competence and productivity oriented training
- Performance-based objective assessment

### High asset quality and measurement for sustainable growth and profitability

- Sustainable growth focused on main fields of activity
- High scale asset quality
- Developed assessment and measurement infrastructure
- · Efficient work discipline and risk management

#### Efficiency in resource management

- Proper funding ability with high credibility
- Extensive resource and product variety
- Maturity and risk management consistent with assets



### BOARD OF DIRECTORS



SUAT İNCE (Chairman)

Born in Ankara in 1965, Mr. İnce is a graduate of Division of Economy of Middle East Technical University. Starting his career in Türkiye İş Bankası A.Ş. in 1987, Mr. İnce worked as inspector, vice manager and area manager in credits department, commercial credits manager, corporate credits manager and branch manager, and is appointed as a Deputy General Manager in 2008. Since 2011, he is working as Deputy General Manager in charge of corporate and commercial banking, sales and marketing. Since 05 May 2008, Mr. İnce is the Chairman of the Board of Directors of İş Leasing.



OZAN GURSOY (Vice Chairman)





HALIL EROĞLU (Member)

Born in 1952, Mr. Eroğlu is a graduate of the Political Sciences Faculty of Ankara University. Starting his career in Türkiye İş Bankası A.Ş. as an inspector in 1976, and after working in various different branches and general management units of Türkiye İş Bankası A.Ş., Mr. Eroğlu has served as the general manager of Dışbank A.Ş. between 1996 and 1998, and as the general manager of İş Leasing between 1998 and 2001, and as the general manager of Sınai Yatırım Bankası A.Ş. between 2001 and 2002, and as the general manager of TSKB A.Ş. between 2002 and 2011. Mr. Eroğlu is a member of Board of Directors of İş Leasing since 8 June 2011.



BURAK AKGÜC (Member

Burak Akgüç was born in Istanbul in 1964 and graduated from the Department of Political Science, Boğaziçi University. Mr. Akgüç joined TSKB in 1991 as a Specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed as the Head of the Loan and Investment Department in 2001. He was promoted to the Deputy General Manager in 2005 and is currently responsible for the Corporate Marketing and Project Finance Divisions.



#### BOARD OF DIRECTORS



Prof. Dr. M. HAKAN BERUMENT (Independent Member)



Prof. Dr. M. BAHA KARAN (Member)



HASAN K. BOLAT (General Manager / Member)

Born in 1965, Mr. Berument is a graduate of Division of Economy of Middle East Technical University. Completed his post-graduate study in economics in University of Kentucky, and completed his doctorate study in University of North Carolina at Chapel Hill in 1994. Worked as academician in University of North Carolina between 1991 and 1994, and as visiting assistant associate professor in Wake Forest University between 1994 and 1995, and as assistant associate professor in Bilkent University between 1995 and 1999, and as Senior Economist in the Turkish Central Bank in 1999, and as assistant associate professor in Bilkent University between 1994 and 2003, and as associate professor in the same university between 2003 and 2007, and became a professor in 2007. Mr. Berument is currently an academician in Division of Economy of Bilkent University. Mr. Berument is elected as independent member of Board of Directors of İş Leasing on 29 March 2012.

Having graduated from Business Administration Division of Middle East Technical University in 1978, Mr. Karan completed his doctorate study in Business Administration Division of Gazi University in 1984. After working as Associate Professor in Business Administration Division of Hacettepe University between 1996 and 2002, Mr. Karan is working as Professor in the same University since 2003. Worked as Founder Manager in Financial Researches Center of Hacettepe University between 1998 and 2004, as Vice Dean in Economic and Administrative Sciences Faculty of Hacettepe University between 2007 and 2009, and as President of Business Administration Division of Hacettepe University between 2009 and 2012 and currently is working as academician Business Administration Division of Hacettepe University. Furthermore, Mr. Karan has also served as chairman, director and executive in various different international professional organizations such as Multinational Finance Society and Professional Risk Managers' International Association (PRMIA).

Born in 1966, Mr. Bolat is graduated from Ankara University, Faculty of Political Sciences, Division of International Relations. Starting his job career as an inspector in Türkiye İş Bank in 1988, Mr. Bolat is appointed as Şişli branch vice manager in 1996. After serving as Gaziosmanpaşa branch manager between 2000 and 2002, and as Dudullu Industrial branch manager between 2002 and 2003, and as commercial credits regional manager between 2003 and 2007, and as SME credits department head between 2007 and 2013. Mr. Bolat is further working is a member of board of directors of Efes Varlık Yönetim A.Ş. since 28 March 2013. Mr. Bolat is appointed as İş Leasing General Manager on 07.03.2013.



Z. HANSU UÇAR (Member)

Born in 1971, and having graduated from Middle East Technical University, Division of Business Administration, Ms Uçar has started her job career as an assistant investment specialist in the Department of Subsidiaries of Türkiye İş Bankası A.Ş. in 1994. After working in management steps in charge of various group companies in the same Department, Ms Uçar is working as unit manager in the Department of Subsidiaries since 2007. Further serving as a member of board of directors and internal auditor in various group companies of Türkiye İş Bankası A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. since 2004, Ms Uçar has been elected as a member of board of directors of İş Finansal Kiralama A.Ş. on 30 July 2013, is at the same time a member of Early Detection of Risk Committee and Corporate Governance Committee.



### BOARD OF DIRECTORS



FIKRET UTKU OZDEMIR (Member)

Born in 1970, Mr. Özdemir is graduated from Middle East Technical University, Division of Business Administration. Holding a finance master's degree from Edhec Business School, Mr. Özdemir has started his job career as an inspector in Türkiye İş Bank in 1996. After an internship in risk management department between 2001 and 2002, Mr. Özdemir worked as Commercial Credits Allocation Unit Vice Manager between 2006 and 2009, and is appointed as Commercial Credits Allocation Unit Manager in 2009. Being appointed as international financial institutions department manager on 28 June 2013, Mr. Özdemir is a member of Board of Directors of İş Finansal Kiralama A.Ş. since 29 March 2013.



JNAL ÇAKMAK (Member,

Born in 1975, Mr. Çakmak is graduated from Selçuk University, Faculty of Economic and Administrative Sciences, Division of Business Administration, and further holds a MBA from Yeditepe University. Starting his job career as an officer in Nişantaşı Branch of Türkiye İş Bank in 1999, Mr. Çakmak has served as Assistant Service Supervisor in Türkiye İş Bank's Software Development Department between 2001 and 2004, and as Assistant Service Supervisor and Second Manager in Commercial Credits Allocation Unit between 2004 and 2007, and is appointed as Second Manager to SME Credits Allocation Unit in 2007. Becoming Vice Manager in the same unit in 2009, Mr. Çakmak has been elected as a member of board of directors of İş Leasing on 19 November 2013.



O. TUFAN KURBANOĞLU (Member)

Born in 1971, Mr. Kurbanoğlu is a graduate of Division of Public Management of Middle East Technical University. Starting his job career as an inspector in Türkiye İş Bank in 1993, Mr. Kurbanoğlu is appointed as Vice Manager in Corporate Credits Monitoring and Follow-up Department in 2002. Mr. Kurbanoğlu has served as vice manager between 2002 and 2006, and as Regional Manager in Retail Credits Monitoring and Follow-up between 2011 and 2014, and is appointed as Commercial and Corporate Credits Monitoring and Follow-up Department head in 2004. Mr. Kurbanoğlu is currently working as Head of Commercial and Corporate Credits Monitoring and Follow-up Department.



### EXECUTIVE MANAGEMENT



(Deputy General Manager, Financial Management, Treasury&Financial Institutions, Human Resources, Information Technology, Investor Relations)

Mrs. Cetin was born in 1971 and holds a BA degree in business administration from Middle East Technical University. Starting her career in 1993 at Coopers&Lybrand as an auditor, Mrs. Cetin served as financial controller between 1996-1997 at Bausch&Lomb. Having joined İş Leasing in 1997, Mrs. Cetin has held positions including financial controller and group manager of finance, and has been serving as assistant general manager since 2000.



#### (Assistant General Manager, Marketing, Sales, Operations)

Mrs. Korkut was born in 1970 and holds a BA degree in business administration from Marmara University. Starting her career in 1991 at TYT Leasing, Mrs. Korkut joined İş Leasing in 1992 and has held various positions, including marketing manager and marketing group manager. Mrs. Korkut has been serving as assistant general manager at İş Leasing since 2006.



#### (Assistant General Manager, Credits, Risk Follow-up, Legal)

Mrs. Altun was born in 1972 and is a graduate of economics (english) from Marmara University. Mrs. Altun joined İşbank in 1994 as assistant specialist, was appointed as assistant manager in the corporate credits department in 2002, as manager of the corporate credits assignment department in 2007. Mrs. Altun has been serving as assistant general manager at İş Leasing since 2010.



### EXECUTIVE MANAGEMENT





NESLİHAN ORUÇ (Financial Management Manager























CORPORATE GOVERNANCE PRACTICES

## BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

# The analysis and assessment of the Board of Directors with regard to financial situation and operating results, and degree of realization of the scheduled activities and operations, and situation of the Company against the established strategic goals:

İş Leasing boosted its transaction volume by 49% to 728 million US dollars in 2014, and maintained its strong position, with 9.53% share, in the industry. The company also grew its leasing portfolio by 27% during the year compared to the previous year which led to a rise in its total assets by 31% in 2014. İş Leasing's net profit of the year increased by 98% compared to the previous year, while the company's return on equity recognised 12.4%. The bad debt ratio of 4.6%, which is well below the industry average, was the affirmation of the company's high asset quality policy and efficient accounts receivable management. The company which is targeting a disciplined growth was selective in its growth in order to effectively and stably manage the profit margin pressure that increased as a result of the growing competition in the market, while it did not compromise from its strategy of spreading its transactions to the broader segments of the economy and creating a quality portfolio.

# Determination and assessment as to whether the capital of the Company is actually depleted or whether the Company is deeply in debt or not:

As of the end of 2014, capital of the Company is 461,5 million TL, and we have no finding showing, and are not of the opinion, that the capital of the Company is actually depleted or the Company is deeply in debt.

# Whether the targets determined in the past periods have been reached or not, and whether the general assembly decisions have been performed or not, and if not reached or performed, the reasons thereof, and assessments:

In 2014, the Company has recorded operating results in tandem with its strategic goals thanks to its dynamic balance sheet management and by focusing on sustainable growth strategies.

All decisions taken in the General Assembly meetings in the past period have been performed.

### Information on direct or indirect subsidiaries of the Company and its shareholding rates:

Information on direct or indirect subsidiaries of the Company and its shareholding rates are presented in details in the footnote no. 9 of financial statements.

### Information on donations and grants made during the year:

Donations and grants made by the Company in 2014 are 500 TL.



BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

# Lawsuits which are brought forward against the Company, and may affect its financial situation and activities, and probable results thereof:

During the period, the Company has been involved in many lawsuits as the defendant side as a part of its ordinary activities. Accordingly, there exists no legal action or legal proceedings which are not disclosed in footnotes of consolidated financial statements or for which the required provisions and reserves are not set aside and which may make material adverse effects on the financial situation or operating results of the Company.

# Transactions of the controlling shareholders, directors, top echelon executives and their spouses and blood relatives and relatives by marriage up to second degree with the Company or its affiliates, which may cause conflicts of interests with the Company or its affiliates:

None.

# Opinions and comments of the Board of Directors regarding internal control system and internal audit activities:

Internal control system of the Company covers control and monitoring activities developed by the executive management in order to ensure that the daily operations of the Company are carried out effectively and efficiently within the frame of the established policies, guidelines and limits, and aims to establish a structure ensuring that the control culture is adopted and maintained throughout the Company.

On the other hand, internal audit system of the Company covers the inspection, auditing and reporting processes carried out independently from the executive management in order to ensure that all operations and activities, also including internal control and risk management, are performed in accordance with the policies, strategies and goals, and that the Company assets are protected and maintained.

Our Board of Directors has assigned the Audit Committee for supervision, assessment and direction of initiatives and works within the scope of internal control and internal audit activities. Internal Audit, Internal Control and Risk Management Units, reporting to the Board of Directors through the Audit Committee, ensures that risk culture is created, developed and improved throughout the Company through its risk-based audit approach. The Audit Committee of the Company periodically assesses the efficiency of internal control system and the results of internal control activities through internal audit reports prepared and issued by the Internal Audit, Internal Control and Risk Management Units, and shares with the Board of Directors its proposals and suggestions on the actions required to be taken with respect to the findings of the said reports.

## Explanations on administrative and juridical sanctions imposed on the Company and members of its managerial body due to practices and acts in conflict with the laws:

Our company's action for the annulment of the already-paid administrational fine of TL 2,997 imposed on the company on 03 February 2012 by the Financial Crimes Investigation Board on grounds of violation of the Article 3 of the Law No. 5549 on Prevention of Laundering of Crime Revenues, was rejected. Upon the conclusion that our Company's



### BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

application to the Ministry of Justice to use its right of objection was justified, the subject file was sent to the Supreme Court. On 19.02.2014, the Penal Department 7 of the Supreme Court unanimously decided that our Company was imposed a sanction that was not stipulated under the laws and regulations and therefore ruled for the revocation of the fine, after which the referred sum was returned to the Company by the Financial Crimes Investigation Board.

### Information on private audits and public audits conducted during the accounting period:

During 2014 accounting period, the Company has been subject to a limited independent audit as of 30.06.2014, and to an independent audit as of 31.12.2014 by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Muşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by DRT Yeminli Mali Muşavirlik A.Ş.

Legal transactions and actions performed with the parent company, or an affiliate of parent company, in favor of the parent company or any affiliate thereof under direction of parent company; and all other measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in the past activity year; and according to the conditions and circumstances known by them as of the time the legal transaction is performed or the measure is taken or is avoided to be taken, whether an appropriate counter-obligation is provided in each legal transaction or not, and whether the measure taken or avoided to be taken has caused damages to the company or not, and if the company has incurred damages, whether such damages are offset and balanced or not:

There exists no legal transactions and actions performed with the parent company of the Company, or an affiliate of parent company, in favor of the parent company or any affiliate thereof under direction of parent company; and no measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in the past activity year.

### "Conclusion" section of the Affiliation Report:

During 2014 activity year, within the frame of the relevant provisions of the Turkish Commercial Code, our Company is affiliated to the group of companies of T. İş Bankası A.Ş. Pursuant to article 199 of the Turkish Commercial Code, our Company's Board of Directors has incorporated the following statement in its affiliation report issued about its relations with its parent company and with affiliates of its parent company: "With respect to all transactions performed by the Company and its parent company and the affiliates thereof during the activity year of 01.01.2014 – 31.12.2014, to the best of its knowledge, all legal transactions and actions performed in favor of the parent company or any affiliate thereof under direction of parent company, and all measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in 2013 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2014 within the knowledge of the Company."



### CHANGES WITHIN THE REPORT PERIOD

### Increase in the Share Capital

The paid-in capital of the Company has been increased from 424.365 thousand TL to 461.503 thousand TL, with a portion of 37.138 thousand TL funded by 2012 profit shares allocated in the form of share certificates in line with the 2013 yearly profit distribution proposal approved by shareholders in the Annual General Assembly held on 26 March 2014, and distribution of the bonus shares have been completed on 03 July 2014, the capital increase processes have been completed on 04 July 2014.

### Annual General Assembly Held Within the Period

The Company's 2013 Annual General Assembly has been held at the address of İş Kuleleri, Kule 3, Kat 25, 34330 4. Levent / ISTANBUL on 26 March 2014.

Ordinary General Assembly Meeting of 2013 was held with the presence of the shareholders representing 600,000,000 Group A and 24,225,259,287 Group B shares from 42,436,500,000 shares corresponding to the Company's total equity of TL 424,365,000.

In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

### **Profit Distribution**

According to the Profit Distribution Table submitted by the Board of Directors and approved by the General Assembly of Shareholders within the framework of the Decision No. 2117 and dated 27.02.2014 of the Company's Board of Directors, it has been resolved that the shareholders be distributed as first dividend in the form of bonus share the whole of the sum TL 37.138 million, which is calculated based on the Company's distributable net profit of the year of TL 37.156 million as found by deducting the statutory primary reserve of TL 2.451 million, which is calculated based on the profit figure of TL 49.019 million included in the statutory records of the Company, from, and adding the donation of TL 18 million made during the year to the Company's net profit of the year of TL 39.589 million, which is taken as the basis of the profit distribution in accordance with the Capital Markets Laws and Regulations; a cash dividend of TL 15 million as included to the Company's consolidated net profit of the year be transferred to the extraordinary reserves account after being deducted from the deferred tax reserves which is consisted of the Company's undistributed tax revenues in the previous periods; the distribution of the shares to be deposited as profit share be started after the approval of the issue certificates for the referred shares by the Capital Markets Board; and the cash dividend distribution be completed until 31.03.2014. Distribution of the cash dividends has been completed on 01.04.2014, and distribution of the bonus shares has been completed on 03.07.2014.

### **Changes in Articles of Association**

Article 6 headed the Equity and Type of Shares of the Company's Articles of Association has been amended and the amended Articles of Association of the Company has been registered on 04 July 2014 in the process of the increase of the Company's capital to TL 461,503,000 from TL 424,365,000.



### COMPANY RISK POLICIES

### Credit Risk

### Overall Principles Regarding the Credit Risk Management Process:

- 1. The procedures and standards regarding transactions causing credit risk are set down in writing and announced to all employees concerned. As a general principle, the procedures and standards are reviewed at least annually and updated when needed.
- 2. Transactions causing credit risk with counterparty exposure must be conducted so as not create a concentration and be characterized as "well-diversified" by considering the level of risk. For this purpose, credit risk is monitored by criteria such as counterparty, collateral, sector, maturity and currency.
- 3. The credit worthiness of the counterparty is assessed by concrete data. For this purpose, a rating and/or grading system has been established and is used as a decision-supporting tool. A satisfactory performance of the counterparty with regard to liabilities is not based on the liquidity of collateral as a principle.
- 4. In transactions causing credit risk, the standards for acquiring collateral from the counterparty is determined in writing. The types of collateral to be obtained must be in conformity with regulations, conducted activities, market conditions and the essence of this policy.
- 5. Signs of complications observed in all variables that might hinder the counterparty in the fulfillment of its liabilities and which are both systemic and unique to the debtor, are evaluated as early warning signals. To fulfill this purpose, credit risk is monitored closely by the Board of Directors.

Problematic assets should be transformed into normal assets in a short period of time by judgment of efficiency. The economic value of the asset in question must be more than the resource to be allocated for this purpose.

### **Market Risk**

### Overall Principles Regarding the Market Risk Management Process:

- Transactions performed in money and capital markets must be conducted so as not to cause a concentration of parameters such as instrument, maturity, currency, type of interest accrual and be characterized as "well-diversified" by considering the level of risk. As part of diversification, parameters such as maturity, monetary unit, etc. are monitored to avoid concentration.
- Monitoring of the credit worthiness of issuers of financial instruments causing market risk is given particular importance. In this context, the issuer should hold an "investment grade" level rating from a credit risk rating organization or must be at the "healthy" category in internal ratings.



#### COMPANY RISK POLICIES

### **Liquidity Risk**

### Overall Principles Regarding the Liquidity Risk Management Process:

- 1. The primary priority is the compliance of the firm's liquidity risk to the limits set down in legislation and conformance of this risk with the basic strategies of the firm.
- 2. In order to maintain efficiency and sustainability in liquidity management, a range of available funds, markets, instruments and maturities must be utilized for maximum diversification.
- 3. In managing liquidity risk, a portfolio structure is formed to derive profit from and comply with market risk management functions, and a risk-return balance is consistently monitored without compromising liquidity requirements.
- 4. The firm prepares and applies an Emergency State Action and Funding Plan for extraordinary periods.

### **Operational Risk**

### Overall Principles Regarding the Operational Risk Management Process:

- 1. Within the firm, there is a business continuity plan approved by the Board of Directors that displays the continuity of activities in the event of extraordinary conditions, minimizing monetary and reputational loss, clearly defining the duties and responsibilities of employees in such situations, the priority of activities and the manner in which these activities will be carried out. The functionality of the plan is reviewed regularly and results are reported to the Board of Directors. Required actions are taken with respect to non-functional issues.
- 2. The firm must reserve and back up important documents and information apart from the regular field of activity in a safe location.
- 3. Operational risks must be assessed in terms of the probability of occurrence as well as the level of the effect in the event of occurrence, and necessary measures must be taken.
- 4. The firm systematically monitors and reports core operational risk indicators and loss data and implements the necessary measures.



### PROFIT DISTRUBUTION POLICY

Principles as to profit distribution of our Company are set down in Article 26 of the Articles of Association.

Distribution of profit in our Company is decided by the General Assembly of Shareholders in line with proposals of the Board of Directors by considering the provisions of the Turkish Commercial Code, the Capital Markets Law and other laws and regulations applicable on our Company.

As profit distribution policy, it is contemplated that at least 30% of the distributable profit will be distributed in the form of cash dividends and/or dematerialized shares, providing that there exists no setback in the global and national economic conditions, and the Company's financial standing and capital adequacy ratios are at the specified levels.

Cash dividend payments are effected by no later than the end of second month following the date of meeting of the General Assembly of Shareholders where the profit distribution decision is taken. Profit share distribution in the form of bonus shares is effected upon receipt of legal permissions and licenses.

Our capital does not contain any share privileged in terms of profit shares.

No founder's jouissance shares are issued, and no profit share is paid to our Directors and employees.

The Company may distribute profit share advances to its shareholders within the frame of provisions of relevant article of the Capital Markets Law. The provisions of the relevant legislation are complied with in calculation and distribution of profit share advances.



### DISCLOSURE POLICY

### General Framework of the Disclosure Policy

Our company provides all relevant financial information as well as other explanations and disclosures in line with the provisions of Law no. 6361 on Financial Leasing, Factoring And Financing Companies regulations pursuant to this law, the Capital Market Board legislation, the Turkish Commercial Code and the regulations governing the Exchange İstanbul where our stocks are traded. Bearing in mind generally accepted accounting principles as well as corporate governance principles, we pursue a comprehensive policy to provide information to the public at large.

The underlying goal of the disclosure policy is to ensure that shareholders, investors, employees, clients, creditors and other interested parties are provided access to the necessary information and explanations – with the exception of those related to trade secrets –in a timely, accurate, complete and comprehensive fashion, under equal conditions and as easily and inexpensively as possible.

Our company has actively adopted corporate governance principles, and in the context of informing the public, it exerts utmost effort to implement the requirements of the applicable legislation and international best practices. The İş Finansal Kiralama A.Ş. Disclosure Policy, which has been prepared with this aim in mind, has been put into effect upon approval by the Board of Directors. Modifications to the Disclosure Policy are disclosed to the public after approval by the Board of Directors. A current version of our Disclosure Policy is provided at our website.

### Authorization and Responsibility

The Board of Directors is responsible for the supervision, monitoring and development of company's information policy. A Corporate Governance Committee consisting of three board members has been formed to monitor our company's compliance with corporate governance principles and provide suggestions to the Board while the Investor Relations Unit has been mandated to coordinate the information function.

### The Investor Relations Unit

Our company has formed an Investor Relations Unit with the aim of establishing relations with our shareholders in a regulated fashion and efficiently responding to investor requests. The operations of the unit are been regularly reported to the Board of Directors and the Corporate Governance Committee.

### Means and Methods in Disclosing Information to the Public

The methods and means used in informing the public within the framework of the Financial Leasing Legislation, the Capital Market Legislation, the Turkish Commercial Code and other concerned legislations are described below:

 Financial statements are prepared quarterly on a consolidated basis in accordance with International Accounting Standards and Turkey Accounting Standards as required by the Capital Market Board (CMB) including related footnotes and explanations as well as the independent audit report. These are sent to the Public Disclosure Platform (PDP) within legal time limits and are published on our company's website. Financial statements are also translated into English and published on the website.


- Financial statements prepared according to International Accounting Standards are also sent quarterly to the Financial Leasing Association (FIDER).
- Unconsolidated financial statements prepared according to International Accounting Standards and related information are also sent quarterly to Banking Regulation and Supervision Agency (BRSA), which are published as aggregated (Total Industry) on the BRSA website.
- Information on special circumstances required in the Capital Market Board (CMB) legislation is sent to the Public Disclosure Platform (PDP) within the required time limits. As a company policy, the disclosures of special circumstances are signed by the Assistant General Manager responsible from finance and the Accounting Manager; however should these be not in the office, they are being signed by responsibles to be determined by the General Manager and submitted to the PDP. Disclosures of special circumstances are submitted to electronically reported under PDP system. Within 1 business day after the information is disclosed to the public, disclosures of special circumstances are published on our website and are accessible for further 5 years.
- Appropriate announcements are sent to the Commercial Registry Gazette and to daily newspapers in the event of changes to the articles of association, of meetings of the General Assembly, or capital increases.
- Our regular general assembly meetings are held within legal time frames every year and all activities performed to
  ensure the participation of shareholders to the general assembly are documented. The information regarding general
  assembly meetings is provided under our websitewww.isleasing.com.tr, to facilitate direct access of all shareholders.
  Starting from the date of invitation for general assembly, the annual report, financial statements and notes, profit
  distribution proposal, information memorandum prepared on relevant items of agenda of the general assembly, other
  relevant documents regarding agenda items, current articles of association, proposal on amendments of articles of
  association with explanation are provided for the scrutiny of our shareholders at our headquarters.
- Quarterly Operations Reports are prepared in accordance with Capital Market Board (CMB) legislation and corporate governance principles and upon approval of Board of Directors, submitted to PDP and published at our website. Company Annual Report, prepared every year prior to the General Assembly in both Turkish and English in a manner to include any relevant information and explanations is made available to shareholders and published on our website at (www.isleasing.com.tr).
- It is not planned to hold regular discussions and meetings with the press. When it appears necessary or in order to
  respond to requests from members of the press, certain announcements are made in the written and visual media.
  Announcements to written and visual media and data distribution institutions may be made by the Chairman of the
  Board of Directors, the General Manager or his deputy and other persons designated by those authorities.
- In the Communiqué on Material Events Subject to Disclosure, the future-oriented assessments are defined as "assessments which contain future plans and predictions considered as insider information, or which give an idea to investors about the issuer's future activities, and financial situation and performance". Where the future-oriented assessments are intended to be made public through press and media or other means of communication, the same



information is further announced through PDP (Public Disclosure Platform) concurrently. In the case of a material change in the future-oriented assessments already made public, the public is separately informed thereabout. Future-oriented prospects are made public with a prior written approval of the General Manager or the Deputy General Manager authorized by the Board of Directors of our Company.

- All meeting requests from shareholders are positively responded to and meetings are organized within the shortest possible time frame. From time to time teleconferences are organized by the Investor Relations Unit to provide information to shareholders and stakeholders. Such information is posted in Turkish and English on our website (www.isleasing.com.tr) to timely provide them to all market participants under equal conditions.
- In order to convey the company's sectoral performance, financial results, vision, strategies and targets to shareholders in a most efficient manner, the Investor Relations Unit accepts meeting requests from shareholders, investment houses, analysts and investors, actively arranges meetings and road-shows with interested parties and visits investors both in Turkey and abroad. Furthermore, to achieve effective publicity of our Company, The Investor Relations Unit prepares presentations and reports which are posted in Turkish and English on our website (www.isleasing.com.tr) to timely provide them to all market participants under equal conditions.
- Upon request of our shareholders, creditors, rating agencies and organizations doing research on our company, financial statements and related information are sent by the Investor Relations Unit via e-mail. Within the framework of corporate governance principles, in the section "Special to the Investor" which is posted both in Turkish and in English on our website (www.isleasing.com.tr), detailed information and data are given on our company. Every question from shareholders and other parties is answered by way of e-mails, letters, or telephone and similar means through the coordination of the Investor Relations Unit.

## **Other Disclosures**

Disclosures other than those mentioned above are made available to the public in line with the authorizations specified in the list of authorized signatories.

## Corporate Website of İş Finansal Kiralama A.Ş. (www.isleasing.com.tr)

Our Company's website is used actively and frequently to inform the public. Prepared in both Turkish and English, the website contains the information and data determined by the regulatory authorities and required by the principles of corporate governance. The site contains announcements on upcoming General Assembly meetings, agenda items and related information, documents and reports and procedures for participating in the General Assembly meeting. In addition, the company's disclosure policy and ethical standards are also featured on the website. The web site is monitored and kept up to date by the Investor Relations Unit.



## Monitoring News and Rumors About the Company

In order to follow-up the news and rumors about our company appearing on press-publication organs or web sites, the services of a company specialized in media monitoring services are being utilized. All news appearing about our company is sent by the service provider to our company on a daily basis.

In the event that news or rumors appear on written and visual media which are of significance to affect stakeholders investment decisions or the value of capital market instruments, are not originated by representative authorized persons of the Company, have a different content than the information previously made public through disclosure documents; an immediate disclosure is made to the public as to the validity and completeness of such information. In the event the information necessitates declaration of special circumstances, then the disclosure is made in the form of disclosure of special circumstances.

## Deferring Disclosure of Internal Information

Bearing the responsibility, our company may defer the disclosure of internal information in order to prevent damage to its legal rights and interests. No disclosure is made to the public regarding the internal information during the deferment period. Our company is responsible to take all kinds of measures to prevent the deferral from forming a risk of deceiving the public and the information is kept confidential during the deferment period.

Measures to ensure the confidentiality of information are subject to Board of Directors approval. By the time the reasons for deferral are eliminated, an announcement is made to public and immediately to PDP; containing the internal information, the decision to defer and the reasons for deferral.

## Criteria in Determining Persons with Administrative Responsibility

When determining the persons who have administrative responsibility, the duties of such individuals within the company and the content of information accessed by such persons are taken as criteria. Accordingly, managers and other employees having information on only a part of the operations of the company and who have limited access to information about all activities are not evaluated in the context of the persons having access to inside information.

In this context, Board Members and Auditors, the General Manager and Assistant General Manager as well as the unit managers and some company employees with access to complete information about the company such as assetliability structure, profit and loss, cash flows, strategic objectives, etc. and authority to administrative decisions that may affect the company at a macro-level are identified as persons with administrative responsibility.

The Announcements of the Statements Regarding the Company's Indirect or Direct Legal and Commercial Relations due to Capital, Management and Audit with real and legal persons

The Company's statements regarding its indirect or direct legal and commercial relations due to capital, management and audit with real and legal persons, are done within the framework of the CMB's regulations.



### Confidentiality of Information to be Disclosed to the Public

All information of the Company, encountered during the period of service which are in the nature of trade secret, and are not desired to be known by persons other than those authorized by the Company, shall be considered as "Company Information". All employees are obligated to protect company information during and after the termination of their service.

Company Ethical Rules, outlining the rules of professional ethics and the sanctions to be applied by the company in case of discordance, in accordance with existing laws and regulations, are published and announced to all staff. Necessary measures are taken to prevent the usage of insider information.

The list of persons with access to internal information is kept up-to-date within the company. Persons having access are required to keep such information confidential until it is announced to the public by a declaration of special circumstances. In order to ensure confidentiality until the declaration of special circumstances, company employees with access to internal information are informed about their responsibilities arising from relevant legislation. Independent auditors, consultants or other persons and institutions rendering services and having temporary access to internal information are contractually covered with a confidentiality clause.



# COMPANY ETHICAL PRINCIPLES

## Objective

**Article 1-** These principles outline the professional moral standards to be observed by İş Finansal Kiralama A.Ş. ('the Company') and its employees within the framework of existing laws and regulations in carrying out their activities. The said principles also constitute the basis for sanctions to be applied by the Company in cases of their violation.

#### Scope

Article 2- All of the Company's employees ('the Employees') must conform to these principles.

### **General Principles**

Article 3- During operations, all of the Company's employees shall carry out their duties in line with the general principles outlined below in order to ensure confidence and stability in the financial leasing sector and so as to avoid operations and applications capable of harming the economy.

- a) Full compliance with Law no. 3226 on Financial Leasing, its statement of reasons and other regulations stemming from this law.
- b) Honesty in relations with clients, vendor companies, creditor organizations and their employees and shareholders, group companies and other organizations and institutions with which our Company has relations with respect to financial leasing.
- c) Provide open, construable and accurate information to all parties in providing services; inform the parties of their rights and responsibilities in a complete and accurate manner.
- d) Place emphasis on activities which, besides profit-making, take into account the need for economic development.
- e) Avoid unfair competition in order to ensure the financial leasing sector's continued reliability and to safeguard the sector's shared interests.
- f) During all activities, place importance on observing social interests and protection of the environment; and ensure that necessary measures are taken adequately and timely.
- g) Fulfill the requirements of combat against money laundering in a complete and timely manner; cooperate with the relevant authorities within the framework of provisions of relevant national and international legislation.

## **Forbidden Practices**

Article 4- The employees must comply with the points outlined below in carrying out their activities:

- a) Avoid engaging in activities contrary to the interests and benefits of the sector.
- b) Even if the advantages accorded to the sector agree with the laws, they shall not be used, during the course of activities, to provide advantages to clients in a way contrary to the spirit of the statement of reasons of the Law on Financial Leasing and to the matters stated in these principles.
- c) Avoid engaging in behavior which could pave the way to unfair competition in the sector.
- d) Avoid engaging in any behavior or activities that are against the rules set by the Company's authorities, which are binding for all the employees and managers.



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COMPANY ETHICAL PRINCIPLES

## **Obligation to Safeguard Confidentiality**

**Article 5-** All employees shall respect the confidentiality of information provided by our clients and those stemming within the Company, and they shall not disclose information obtained from clients to other clients and third parties with a view to obtaining benefits.

#### Harmony in the Workplace

**Article 6-** It is mandatory that all employees behave among themselves and towards our clients in a manner fitting to the stature of the Company. No employee is allowed to engage in any utterance, writing, announcement, advertisement, or insinuation that could be prejudicial to other companies or their managers operating in the same sector.

#### **Audits**

Article 7- The Company has its accounts audited annually by an independent auditing firm in accordance with internationally accepted accounting standards.

#### Effectiveness

Article 8- These regulations shall go into effect on 09.02.2006.



## DECLARATION OF CORPORATE GOVERNANCE RULES

Istanbul, 13 February 2015

To the Board of Directors of İş Finansal Kiralama A.Ş.;

#### **DECLARATION OF CORPORATE GOVERNANCE RULES**

According to the "Communiqué of Corporate Governance" Number: II-17.1 of the Capital Markets Board appeared in the Gazette No: 28871 dated on 03.01.2014, all companies traded on Borsa İstanbul (BİST) are requested to provide a declaration of compliance with Corporate Governance Principles and a compliance report within their annual report and website. Within the framework of the Capital Market Legislation, our company's yearly compliance report on principles of corporate governance has been provided on our website (<u>www.isleasing.com.tr</u>) and our annual reports since 2005.

The implementation and application of corporate governance principles in our company is regarded very beneficial both for our company's interests as well as for the development of capital markets locally and abroad. The application of corporate governance principles in our company is a continuous and dynamic process, pervading in all applications.

Under this context, being listed under the corporate governance index of Borsa İstanbul, as a result of the rating process performed by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. in 2014, considering the emphasis on corporate governance rules, the willingness to perform this process consistently and dynamically and the improvement realized in the process since the previous rating score, corporate governance rating score of our company has been rated as 9.07 (90.68) and the rating report has been announced to public. This rating report has also been shared with the public under our company website (www.isleasing.com.tr), concerning to increase this corporate governance rating score, the protection of rights of shareholders, informing the public and maintaining transparency and the adjustment to the said rules in decisions and transactions concerning stakeholders and Board of Directors are aimed and in this context, effort for corporate governance compliance is maintained under the supervision of our committee.

Within this framework, the **Compliance Report on Principles of Corporate Governance** for 2014 prepared in light of our company's priorities on this subject, which is disclosing applied and unapplied aspects of the governance principles has been provided as Appendix.

The compliance report on principles of corporate governance, prepared for our annual report in accordance with corporate governance principles and company governance applications, has been surveyed by our committee, evaluated to be appropriate based on our above declaration and submitted to your perusal.

Best Regards,

İş Finansal Kiralama A.Ş. Corporate Governance Committee

Nida ÇETİN Member

Z. Hansu UÇAR Member

Prof. M. Baha KARAN Chairman



## 1. Compliance Report on Corporate Governance Principles

Within the frame of the Corporate Governance Principles set down in the "Communiqué on Corporate Governance", , No. II-17.1, of the Capital Markets Board ("CMB") promulgated in the Official Gazette edition 28871 on 03 January 2014, this statement deals with the following responsibilities of İş Finansal Kiralama Anonim Şirketi (the "Company") on regulation of relations with shareholders, enlightenment of public, transparency, and regulation of relations with stakeholders, and determination of duties, powers and responsibilities of the Board and its committees and their executives.

İş Leasing, as a strong and leading company in the financial leasing sector, is using its rights and fulfilling its responsibilities in its relations with its employees and customers and other relevant parties, particularly its shareholders, within the frame of an efficient and effective management and supervision system based on accountability, equality, transparency and responsibility, being the global elements of its corporate governance approach.

Being conscious and cognizant of the fact that a good corporate governance practice may be ensured only through determination of a management strategy, and creation of an effective risk management and internal control mechanism, and formulation of ethical rules, and management of investor relations and performance of public disclosure obligations at the required quality level within the scope of information policy, and efficiency in formation and activities of the Board, it is a goal of the Company to assure maximum compliance with the said principles.

Corporate governance applications of the Company are being regularly and independently rated since 2009, and the latest of these ratings was conducted in 2014 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ("Saha Rating") who assigned our Company the corporate governance principles compliance rating of "9.07" over full rating of "10". The Company is listed on BİST Corporate Governance Index, also it was included to the World Corporate Governance Index (WCGI) which was published by Saha Rating on 4 July 2014.

The Company has its operations in full compliance with all of the compulsory items included to the corporate governance principles by implementing all required policies and measures. Governance and internal control mechanisms as established by the Company are actively and efficiently put into operation, and any corporate governance risks as may be identified are actively managed. The rights of the shareholders and stakeholders are fairly observed, and public disclosure and transparency subject are given maximum care and importance.

Structure and modus operandi of the Board are in the best practices category, However, the Company has not yet ensured full compliance with some rules and articles included in the corporate governance principles, though not mandatory, and the reasons of such non-compliance are explained and justified under the following headings.

Details of compliance initiatives and works are presented in the relevant sections of this report.



## PART I - SHAREHOLDERS

## 2. Shareholder Relations Unit

There is an Investor Relations Unit, in charge of relations with shareholders is in the Company.

Name and Surname	Position	Telephone Number	Elektronic Mail Adress
Sn.Nida Çetin	Deputy General Manager	0 212 350 74 00	nidacetin@isleasing.com.tr
Sn.Onan Keleş	Manager	0 212 350 74 50	onankeles@isleasing.com.tr
Sn.Neslihan Oruç	Manager	0 212 350 74 70	neslihanoruc@isleasing.com.tr
Sn.Ayşe Perk	Supervisor	0 212 350 74 78	ayseperk@isleasing.com.tr

Investors Relations Unit reports directly to the Assistant General Manager Ms. Nida Çetin. Ms. Nida Çetin and Ms. Neslihan Oruç have got Capital Markets Advanced Level License and Corporate Governance Rating Specialization License certificates.

Activities of this unit are being regularly reported to the Board and the Corporate Governance Committee.

The main duties and functions of the Investor Relations Unit are primarily:

- To ensure that records relating to shareholders are kept accurately, safely and up-to-date;
- To satisfy the written information demands of shareholders with regard to the Company, except for confidential information and/or trade secrets which have not yet been made public;
- To ensure that the meetings of the General Assembly are held in accordance with the applicable laws, the articles of association and other internal bylaws and regulations of the Company;
- To prepare the documents for use by shareholders in the General Assembly meetings;
- To ensure that the voting results are duly recorded, and reports on voting results are sent to shareholders;
- To supervise and monitor all and any matters relating to enlightenment of public, also including the applicable laws and regulations and the Company's information policy;
- To prepare and issue information reports for domestic and foreign investors, and if and to the extent needed, to organize presentations and meetings.

All of 8 verbal information demands received from shareholders during the report period have been met by the Investor Relations Unit, and a total of 14 information meetings have been organized for local and foreign investors, and shareholder records have been kept up-to-date.

The Company's internet website has been updated within the frame of the Communiqué on Corporate Governance", No. II-17.1.

The 2013 annual ordinary General Assembly has been held on 26.03.2014 in accordance with the applicable laws and regulations, and the Company's articles of association and other internal bylaws. All procedures required to be completed prior to the General Assembly meeting have been carried out in accordance with the corporate governance principles, and decisions taken in the General Assembly meeting have been made public in a timely manner.



## 3. The Use of Shareholders' Rights of Obtaining Information

All kinds of information demands of shareholders, except for trade secrets or non-public information, are satisfied and met within the frame of the applicable laws.

Information demands of shareholders are reviewed and assessed at a minimum at the level of Deputy General Manager, and are met diligently, accurately and completely in such manner to fairly reflect the truth, in the soonest time possible, subject to limitations as to trade secrets and confidential information.

For the sake of effective use of shareholding rights, explanations on the frequently asked questions and all information about the developments affecting the use of rights are made public via the Company's internet website, while individual demands are being met by the relevant Unit. The information demands of shareholders about the legal and commercial relations between the Company and natural persons or legal entities being directly or indirectly related or affiliated to the Company in terms of capital, management or supervision are also met and satisfied to the extent allowed by the applicable laws.

Pursuant to the applicable laws, minority shareholders have the right to request the General Assembly to appoint a special auditor to inspect and audit some specific events and matters. None of the shareholders of the Company has requested the General Assembly to appoint a special auditor during 2014. However, the demand of appointment of special auditor is not incorporated as an individual right in the articles of association of the Company.

#### 4. General Assembly Meetings

During the report period, one General Assembly meeting has been held, namely the 2013 Annual Ordinary Meeting of the General Assembly.

The 2012 Annual Ordinary Meeting of the General Assembly has been held with participation of our shareholders representing 59.3%, i.e. 230.6 million TL of the paid capital of 389 million TL of our Company.

The meeting has not been attended by media or stakeholders other than shareholders.

As the Company's articles of association does not contain a clause allowing participation of media and stakeholders, other than shareholders, in the General Assembly meetings, neither media nor stakeholders, other than shareholders, are accepted to the meetings of the General Assembly.

The call for meeting, containing information about the place, date, time and agenda of the meeting, and a sample form of power of attorney required there in for, is made public no later than three weeks prior to the date of meeting in the Turkish Trade Registry Gazette, and Cumhuriyet newspaper, and the Public Disclosure Platform, and is separately published in the Company's internet website as well.

Information on the meeting has been further sent within the same period of time by registered mail, return requested,



to the shareholders registered in the share book of the Company. All meeting-related information may also be retrieved from the Company's internet website.

Before the meeting, the financial statements and reports, the annual report, profit distribution proposal, information document prepared about the agenda topics of the General Assembly meeting, other documents relied upon in agenda topics, and last version of the articles of association have been kept ready and open for inspection by shareholders in the Company's headquarters and internet website.

At all stages of the meetings, shareholders are allowed to ask questions and raise proposals and motions. Shareholders have used their right to ask questions in the meetings, and the questions asked in the meetings have been instantly answered, as also clarified in the relevant meeting minutes.

We are showing maximum effort for facilitation of participation in the General Assembly, and no negative feedback has so far been received from shareholders in relation therewith.

Minutes of the General Assembly meetings have been circulated to shareholders at the end of meeting, and have separately been published in the Public Disclosure Platform and the Company's internet website in order to inform the shareholders who could not participate in the meeting.

Donations and grants made by the Company during the report period are detailed below, and these donations and grants will be presented to the information of shareholders as a separate agenda topic in the 2014 Annual Ordinary Meeting of the General Assembly. (Amounts are expressed in Turkish Lira.)

Others	500 TL
TOTAL	500 TL

## 5. Voting and Minority Rights

Pursuant to the articles of association, each share gives one voting right to its holder.

Though none of the shares in the share capital of the Company has a voting privilege, the Group "A" shareholders have the privileges of nomination of Directors and internal auditors and of giving consent to all and any amendments in the articles of association.

The Company does not have any mutual participation or shareholding relations with any other company.

The Board of Directors elected by the General Assembly does not contain any minority interest representative.

However, the Board of Directors contains 2 independent directors who do not represent any shareholder of the Company. The Company's articles of association does not cover any minority interests recognized in favor of holders of shares lower than one-twentieth of the share capital.



## 6. Dividend Rights

No shares privileged in terms of participation in the sharing of profit of the Company exist.

The Company's profit distribution policy has been made public and published in the Company's internet website. This policy has been presented to the shareholders and been approved by majority of votes in the 2012 annual ordinary meeting of the General Assembly of Shareholders.

The amendments to the Company's profit distribution policy, made in accordance with the Profit Share Communiqué No. II-19.1 of the Capital Markets Board which was published in the Official Gazette No. 28891 and dated 23 January 2014, have been announced to the public and published in the website of the Company. The updated profit share policy was submitted to the approval of the General Assembly in its 2013 meeting. Full text of the profit distribution policy can be found in the activity report.

It was resolved in the Ordinary General Assembly Meeting in 2013 that, of the net profit of the period which is taken as the basis for the calculation of the profit distribution in accordance with the laws and regulations on Capital Markets Board, TL 37.138 million be distributed as first dividend in the form of bonus share and TL 15 million be distributed as cash dividend from the extraordinary reserves, and cash dividend distribution was completed on 01.04.2014 and bonus share distribution was completed on 03.07.2014.

## 7. Transfer of Shares

The Company's articles of association does not contain clauses restricting the transfer of shares.

## PART II - INFORMING THE PUBLIC AND TRANSPARENCY

## 8. Disclosure Policy

The Company's disclosure policy has been put into force by a decision, no. 934, dated 7 February 2006, of the Board of Directors.

The amendments to the Company's disclosure policy, made in accordance with the Exceptions Communiqué No. II-15.1 of the Capital Markets Board which was published in the Official Gazette No. 28891 and dated 23 January 2014, have been announced to the public and published in the website of the Company. The updated disclosure policy was submitted to the approval of the General Assembly in its 2013 meeting. Full text of the disclosure policy can be found in the activity report.

As updated, the up-to-date versions of the disclosure policy of the Company is made public, and is presented to shareholders for information purposes in the General Assembly meetings. Disclosure policy is published in Turkish and in English in the Company's internet website and annual report.



The Investor Relations Unit is responsible for management of disclosure policy. Employees of the unit are given below:

Name and Surname	Position	Telephone Number	Elektronic Mail Adress
Sn.Nida Çetin	Deputy General Manager	0 212 350 74 00	nidacetin@isleasing.com.tr
Sn.Onan Keleş	Manager	0 212 350 74 50	onankeles@isleasing.com.tr
Sn.Neslihan Oruç	Manager	0 212 350 74 70	neslihanoruc@isleasing.com.tr
Sn.Ayşe Perk	Supervisor	0 212 350 74 78	ayseperk@isleasing.com.tr

To the best of the Company's knowledge, there is no material change in the management and activities of the Company planned for the future periods.

#### 9. Company's Website and Its Contents

The Company's website is at the address of www.isleasing.com.tr.

The Company's website which has been published both in Turkish and in English languages covers all subjects stipulated in the corporate governance principles.

#### 10. Annual Report

The Company's Activity Report is prepared in conformance with the principles laid down in the Capital Markets Board's Communiqués No. II-14.1 on "Principles of Financial Reporting in Capital Markets" and No. II-17.1 on "Corporate Governance", is independently audited and disclosed to the public.

Furthermore, the annual report also covers the minimum contents specified in the "Regulation on Determination of Minimum Contents of Yearly Annual Report of Companies" issued and published by the Customs and Trade Ministry of the Republic of Turkey.

Annual report is detailed enough to ensure access of the public to complete and accurate information about the Company's activities, and the report further contains information referred to in the corporate governance principles.

### PART III - STAKEHOLDERS

#### 11. Information to Stakeholders

Stakeholders are persons, entities or interest groups being related to activities of the Company or having an interest in achievement of objectives of the Company. Accordingly, stakeholders are determined as shareholders, employees, creditors, customers, suppliers, public entities and institutions, non-governmental organizations and potential savors who may consider to invest in the Company.

The stakeholders policy of the Company formulated within the frame of its corporate governance principles has been



made public, and is also published in the Company's website. Said policy contains provisions relating to protection and information of stakeholders and their participation in management, as well as information about human resources policy, and relations with customers and suppliers.

Stakeholders are given information via material disclosures, general assembly meeting minutes, annual activity reports, financial reports, public disclosure platform and the Company's website.

Employees are informed about issues relating to objectives and fields of the Company through performance assessment meetings. Furthermore, memoranda of information published via the corporate portal established as an internal sharing system of the Company are also accessible by all employees.

A mail address of icdenetim@isleasing.com.tr has been formed in order to enable the employees to report to the Internal Audit Unit any events or issues which do not comply with the applicable laws and are considered to constitute a risk. For reporting of operational losses, the "Operational Loss Event Data Entry" screen on the portal is being actively used by the employees. In addition, the reportings of stakeholders to the Investor Relations Unit with respect to unlawful and unethical transactions of the Company are further transmitted to the Corporate Governance Committee and the Audit Committee through the "Investor Relations Form" included in the Company's website.

#### 12. Inclusion of Stakeholders in Company Management

The Company's articles of association does not contain any clause pertaining to participation of stakeholders in the Company management. However, the Board of Directors includes independent directors as an assurance for equal protection of the rights and interests of shareholders and other stakeholders within the decisions taken.

Before material decisions are taken, to which extent the stakeholders will be affected therefrom is also taken into consideration.

The Company conducts "Employee Satisfaction Survey" for taking the opinions and active participation of its employees in the decision-making processes, and the results of this survey is announced to the employees after being assessed by the company's management.

Through this system, suggestions of employees aimed at improvement of their job and working conditions are collected and evaluated, and the suggestions found feasible are taken into consideration in formulation of the Company policies.

With a view to supporting the innovative and creative skills of employees, an "Employee Suggestion Platform" is operated in the Company portal in order to systematically assess and evaluate the suggestions for improvements and to actualize the suggestions found fit and feasible, and those who make such actualized suggestions are rewarded so as to encourage the innovative and creative contributions of employees.



## 13. Human Resources Policy

Main principles of human resources policy of the Company are outlined below:

- The principle of leveling the playing field and providing equal opportunities to candidates in equal conditions in recruitment is adopted, and recruitment criteria are determined in writing.
- Ultimate attention is shown to ensure reliable and high standards in and to improve the working atmosphere and conditions in line with the needs.
- In decisions as to training, appointment and promotion, in addition to the existing objective data, the Company's interests are also taken into consideration.
- Decisions taken about the employees and developments affecting them are shared with the employees.
- With the intention of contributing to personal and performance development of employees, training plans are prepared, and employees are taken to training within the frame of a yearly training plan.
- No discrimination of race, religion, language and sex is allowed among the employees, and respect is shown to human rights, and employees are protected against internal physical and emotional mobbing acts.

During the report period, no complaint of discrimination has been received by the Company management from employees.

As the communication between the Company and its employees is established directly, it is not deemed necessary to separately appoint a representative for relations between the Company and its employees.

Job definitions, individual goals and performance and rewarding criteria are determined and announced by the Company management to employees.

## 14. Ethical Rules and Social Responsibility

Ethical rules of the Company have been made public and are published also in the Company's website.

The projects financed in this context are ensured to be in compliance with the laws pertaining to environment and public health.

As a requirement of its social responsibility, the Company is taking actions for recycling of used paper, and is giving support to social responsibility projects deemed fit and eligible.



## PART IV – THE BOARD OF DIRECTORS

## 15. Structure and Composition of the Board of Directors

The Board of Directors is composed of non-executive members, other than the General Manager, and Chairman of the Board of Directors and General Manager are different persons.

The Company has two Directors satisfying the independence criteria stipulated in the corporate

It has been decided that the duties of nomination committee will be performed by the Corporate Governance Committee in the Company, and the committee has nominated two independent member nominees, and has presented to the Board of Directors on 25.03.2014 a committee report of the same date discussing whether the nominees meet the independence criteria or not.

Position	Executive/Non-executive	Term Of Office	
Chairman	Non-executive	2 years	
Vice Chairman	Non-executive	2 years	
Member	Non-executive	2 years	
Member	Non-executive	2 years	
Independent Member	Non-executive	2 years	
Independent Member	Non-executive	2 years	
Member/General Manager	Executive	2 years	
Member	Non-executive	2 years	
Member	Non-executive	2 years	
Member	Non-executive	2 years	
Member	Non-executive	2 years	
-	Vice Chairman Member Independent Member Independent Member Member/General Manager Member Member Member Member	Vice ChairmanNon-executiveMemberNon-executiveMemberNon-executiveIndependent MemberNon-executiveIndependent MemberNon-executiveMember/General ManagerExecutiveMemberNon-executiveMemberNon-executiveMemberNon-executiveMemberNon-executiveMemberNon-executiveMemberNon-executiveMemberNon-executiveMemberNon-executive	

Curriculum vitae of the Directors are as follows:

#### Suat ince (Chairman of Board of Directors)

Born in Ankara in 1965, Mr. İnce is a graduate of Division of Economy of Middle East Technical University. Starting his career in Türkiye İş Bankası A.Ş. in 1987, Mr. İnce worked as inspector, vice manager and area manager in credits department, commercial credits manager, corporate credits manager and branch manager, and is appointed as a Deputy General Manager in 2008. Since 2011, he is working as Deputy General Manager in charge of corporate and commercial banking, sales and marketing. Since 05 May 2008, Mr. İnce is the Chairman of the Board of Directors of İş Leasing.

#### Ozan Gürsoy (Vice Chairman)

Born in 1974, Mr. Gürsoy is a graduate of Division of Public Management of Middle East Technical University, and holds an MBA degree from University of Birmingham. Starting his career in Türkiye İş Bankası A.Ş. as an inspector in 1996, he is appointed as vice manager in corporate credits department in 2006, and as unit manager in corporate credits allocation department in 2009, and as corporate banking product manager in 2011. Mr. Gürsoy is a member of Board of Directors of İş Leasing since 14 October 2009.



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#### COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

#### Halil Eroğlu (Member)

Born in 1952, Mr. Eroğlu is a graduate of the Political Sciences Faculty of Ankara University. Starting his career in Türkiye İş Bankası A.Ş. as an inspector in 1976, and after working in various different branches and general management units of Türkiye İş Bankası A.Ş., Mr. Eroğlu has served as the general manager of Dışbank A.Ş. between 1996 and 1998, and as the general manager of İş Leasing between 1998 and 2001, and as the general manager of Sınai Yatırım Bankası A.Ş. between 2001 and 2002, and as the general manager of TSKB A.Ş. between 2002 and 2011. Mr. Eroğlu is a member of Board of Directors of İş Leasing since 8 June 2011.

#### Burak Akgüç (Member)

Burak Akgüç was born in Istanbul in 1964 and graduated from the Department of Political Science, Boğaziçi University. Mr. Akgüç joined TSKB in 1991 as a Specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed as the Head of the Loan and Investment Department in 2001. He was promoted to the Deputy General Manager in 2005 and is currently responsible for the Corporate Marketing and Project Finance Divisions.

#### Prof. Dr. M. Hakan Berument (Independent Member)

Born in 1965, Mr. Berument is a graduate of Division of Economy of Middle East Technical University. Completed his postgraduate study in economics in University of Kentucky, and completed his doctorate study in University of North Carolina at Chapel Hill in 1994. Worked as academician in University of North Carolina between 1991 and 1994, and as visiting assistant associate professor in Wake Forest University between 1994 and 1995, and as assistant associate professor in Bilkent University between 1995 and 1999, and as Senior Economist in the Turkish Central Bank in 1999, and as assistant associate professor in Bilkent University between 1999 and 2003, and as associate professor in the same university between 2003 and 2007, and became a professor in 2007. Mr. Berument is currently an academician in Division of Economy of Bilkent University. Mr. Berument is elected as independent member of Board of Directors of İş Leasing on 29 March 2012.

#### Prof. Dr. Mehmet Baha Karan (Independent Member)

Having graduated from Business Administration Division of Middle East Technical University in 1978, Mr. Karan completed his doctorate study in Business Administration Division of Gazi University in 1984. After working as Associate Professor in Business Administration Division of Hacettepe University between 1996 and 2002, Mr. Karan is working as Professor in the same University since 2003. Worked as Founder Manager in Financial Researches Center of Hacettepe University between 1998 and 2004, as Vice Dean in Economic and Administrative Sciences Faculty of Hacettepe University between 2007 and 2009, and as President of Business Administration Division of Hacettepe University between 2009 and 2012 and currently is working as academician Business Administration Division of Hacettepe University. Furthermore, Mr. Karan has also served as chairman, director and executive in various different international professional organizations such as Multinational Finance Society and Professional Risk Managers' International Association (PRMIA).

#### Hasan K. Bolat (Member)

Born in 1966, Mr. Bolat is graduated from Ankara University, Faculty of Political Sciences, Division of International Relations. Starting his job career as an inspector in Türkiye İş Bank in 1988, Mr. Bolat is appointed as Şişli branch vice manager in 1996. After serving as Gaziosmanpaşa branch manager between 2000 and 2002, and as Dudullu Industrial branch manager between 2002 and 2003, and as commercial credits regional manager between 2003 and 2007, and as SME credits department head between 2007 and 2013. Mr. Bolat is further working is a member of board of directors of Efes Varlık Yönetim A.Ş. since 28 March 2013. Mr. Bolat is appointed as İş Leasing General Manager on 07.03.2013.



#### Z. Hansu Uçar (Member)

Born in 1971, and having graduated from Middle East Technical University, Division of Business Administration, Ms Uçar has started her job career as an assistant investment specialist in the Department of Subsidiaries of Türkiye İş Bankası A.Ş. in 1994. After working in management steps in charge of various group companies in the same Department, Ms Uçar is working as unit manager in the Department of Subsidiaries since 2007. Further serving as a member of board of directors and internal auditor in various group companies of Türkiye İş Bankası A.Ş. since 2004, Ms Uçar has been elected as a member of board of directors of İş Finansal Kiralama A.Ş. on 30 July 2013, is at the same time a member of Early Detection of Risk Committee and Corporate Governance Committee.

#### Fikret Utku Özdemir (Member)

Born in 1970, Mr. Özdemir is graduated from Middle East Technical University, Division of Business Administration. Holding a finance master's degree from Edhec Business School, Mr. Özdemir has started his job career as an inspector in Türkiye İş Bank in 1996. After an internship in risk management department between 2001 and 2002, Mr. Özdemir worked as Commercial Credits Allocation Unit Vice Manager between 2006 and 2009, and is appointed as Commercial Credits Allocation Unit Manager in 2009. Being appointed as international financial institutions department manager on 28 June 2013, Mr. Özdemir is a member of Board of Directors of İş Finansal Kiralama A.Ş. since 29 March 2013.

#### Ünal Çakmak (Member)

Born in 1975, Mr. Çakmak is graduated from Selçuk University, Faculty of Economic and Administrative Sciences, Division of Business Administration, and further holds a MBA from Yeditepe University. Starting his job career as an officer in Nişantaşı Branch of Türkiye İş Bank in 1999, Mr. Çakmak has served as Assistant Service Supervisor in Türkiye İş Bank's Software Development Department between 2001 and 2004, and as Assistant Service Supervisor and Second Manager in Commercial Credits Allocation Unit between 2004 and 2007, and is appointed as Second Manager to SME Credits Allocation Unit in 2007. Becoming Vice Manager in the same unit in 2009, Mr. Çakmak is currently working as Unit Manager in SME Credits Allocation Unit. Mr. Çakmak has been elected as a member of board of directors of İş Leasing on 19 November 2013.

#### O. Tufan Kurbanoğlu (Member)

Born in 1971, Mr. Kurbanoğlu is a graduate of Division of Public Management of Middle East Technical University. Starting his job career as an inspector in Türkiye İş Bank in 1993, Mr. Kurbanoğlu is appointed as Vice Manager in Corporate Credits Monitoring and Follow-up Department in 2002. Mr. Kurbanoğlu has served as vice manager between 2002 and 2006, and as Regional Manager in Retail Credits Monitoring and Follow-up between 2011 and 2014, and is appointed as Commercial and Corporate Credits Monitoring and Follow-up Department head in 2004. Mr. Kurbanoğlu is currently working as Head of Commercial and Corporate Credits Monitoring and Follow-up Department.

Independence statements of independent members of the Board of Directors are as follows:

#### INDEPENDENCE STATEMENT

I, the undersigned, hereby declare, state and warrant:

- That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;
- That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage



up to third degree on the other hand;

- That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;
- That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;
- That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;
- That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors; and
- That I am deemed a resident of Turkey according to the Income Tax Law; and
- That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;

therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname : Prof. Dr. M. Hakan BERUMENT Date : 26.03.2014

## INDEPENDENCE STATEMENT

I, the undersigned, hereby declare, state and warrant:

- That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;
- That no direct or indirect employment, capital or other material commercial relations have been established in the
  recent five years between the Company, or any one of the related parties of the Company, or other legal entities
  connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in
  the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage
  up to third degree on the other hand;
- That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;
- That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;
- That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;
- That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors;
- That I am deemed a resident of Turkey according to the Income Tax Law;
- That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;



therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname: Prof. Dr. M. Baha KARAN Date: 26.03.2014

The Company has not imposed certain rules pertaining to outside jobs of the Directors, and the guidelines determined in the corporate governance principles are complied with in connection therewith.

Outside jobs and duties of the Directors are as below:

Name and Surname	Company	Position
Suat İnce	Türkiye İş Bankası A.Ş. / Group company	Deputy General Manager
	CJSC İşbank / Group company	Member of Board of Directors
	İşbank AG / Group company	Member of Board of Directors
Ozan Gürsoy	Türkiye İş Bankası A.Ş. / Group company	Corporate and Commercial Banking Product Unit Manager
Burak Akgüç	Türkiye Sınai Kalkınma Bankası A.Ş.	Deputy General Manager
Prof. Dr. M. Hakan Berument	Bilkent University / Out of Group	Academician
	Economic Research Forum / Out of Group	Researcher
	Economic Researchers Association / Out of Group	Member of Board of Directors / Member of Advisory Committee
Prof. Dr. M. Baha Karan	Hacettepe University / Out of Group	Academician
	Anadolu Hayat Emeklilik A.Ş. / Group company	Independent member of Board of Directors
	Energy Markets Research and Application Center of Hacettepe University	Member of Board of Directors
	Proffesional Risk Managers' International Association	Co-chairman in Turkey
	Multinational Finance Society	Chairman
Z. Hansu Uçar	Türkiye İş Bankası A.Ş. / Group company	Participations Department Unit Manager
	Türkiye Şişe ve Cam Fabrikaları A.Ş., Soda Sanayii A.Ş., Trakya Cam Sanayii A.Ş., Trakya Yenişehir Cam Sanayii A.Ş., Trakya Polatlı Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş., Anadolu Cam Yenişehir Sanayi A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Paşabahçe Mağazaları A.Ş., Çayırova Cam Sanayii A.Ş., Camiş Madencilik A.Ş., Anadolu Cam Eskişehir Sanayii A.Ş., Asmaş Ağır Sanayi Makinaları A.Ş., Cam Elyaf Sanayii A.Ş., Kültür Yayınları İş Türk A.Ş., Camiş Yatırım Holding A.Ş., Avea İletişim Hizmetleri A.Ş., İş Faktoring A.Ş./ Grup İçi	Yönetim Kurulu Üyesi
Fikret Utku Özdemir	Türkiye İş Bankası A.Ş. / Group company	International Financial Institutions / Department Manager
Ünal Çakmak	Türkiye İş Bankası A.Ş. / Group company	SME Credits Allocation Department/Unit Manager
O. Tufan Kurbanoğlu	Türkiye İş Bankası A.Ş. / Group company	Commercial and Corporate Credits Monitoring and Follow-up / Department Manager



## 16. Fundamental Principles of the Board of Directors' Activities

The Board of Directors meets as often as required for effective performance of its duties.

Agenda of the Board meetings is prepared by the Chairman of the Board of Directors in due consultation with other directors and General Manager. Information and documents relating to the topics included in the agenda of a Board meeting are presented to the Directors for their consideration through an equal information flow an adequate time beforehand. Calls for the Board meetings are first made verbally by phone, and later in writing by e-mail, and the General Management secretariat is assigned for calls and information process.

A total of 4 Board meetings are held during 2014.

Date	Decision No.	Participation	Decision Quorum
12.02.2014	2113	8 directors attended.	Unanimous vote
27.05.2014	2153	10 directors attended.	Unanimous vote
24.09.2014	2193	10 directors attended.	Unanimous vote
11.12.2014	2209	All directors attended.	Unanimous vote

Questions asked and comments made by the directors in the meetings, and if any, the justification of votes on decisions are recorded in the minutes of decisions. None of the directors has given a dissenting vote in 2014 meetings.

Board of Directors' meetings take place at the Company's headquarters, and important decisions of the Board of Directors are announced to the public Via Public Disclosure Platform and published in the Company's corporate website.

Authorizations and responsibilities of the Board Members of the Company are clearly defined in the Articles of Association and the Company's authorized signatory list. The Board of Directors plays a leading role in the maintenance of efficient communication and settlement of possible disputes between the Company and the shareholders and is in close cooperation with the Relations with the Shareholders Unit.

According to articles of association of the Company, the Directors do not have any cast vote or veto right. Pursuant to the articles of association of the Company, the Board of Directors meets majority of the members, and takes its decisions with affirmative vote of majority of the members present in the meeting. There is no internal company regulation relating to formal requirements of Board meetings.

In 2014, all related party transactions and transaction principles have been submitted to the approval of the Board of Directors. All relevant decisions have been taken by unanimous vote and there was no related-party or significant transaction which was not approved by independent members of the board and therefore needed to be submitted to the General Assembly. There was no decision taken to the General Assembly due to a related party or significant transaction either. "Executive Liability Insurance" was taken for the compensation of the possible damages of the Company and the third parties due to the faults of the Board members of the Company during their execution of their duties.



## 17. Number, Structure and Independence of Committees Appointed by the Board of Directors

Within the frame of the "Communiqué on Corporate Governance", No. II-17.1, of CMB ("Communiqué"), an Audit Committee to perform the duties of Audit Committee of Board of Directors, and a Risk Management Committee to perform the duties of the Committee for Early Detection of Risks, and a Corporate Governance Committee to perform the duties of the Committee for Nominating Committee and Remuneration Committee are formed within the organization of the Board of Directors.

#### Audit Committee

The two-member Audit Committee is chaired by M. Hakan Berument, a non-executive Independent Member of the Board of Directors. Other member of the Committee is Prof. Dr. M. Baha Karan, a non-executive Independent Member of the Board of Directors.

Duties and operating principles of the Audit Committee have been approved and put into effect by our Board of Directors, and the committee is working within the frame of these principles.

#### **Regulation for Audit Committee**

#### Article 1 Purpose and Scope

This Regulation covers the establishment of an Audit Committee, and regulation of the duties and responsibilities of this Committee as well as its operational procedures in order to ensure that the Board of Directors fulfills its supervisory and audit duties and responsibilities in a healthy manner.

#### Article 2 Justification

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

#### Article 3 Establishment of the Audit Committee

An audit committee is established by at least two members to be selected from among the Board members. The members of the Committee elect a Chairman among themselves.

All of the Committee members are elected from among the independent members of the Board.

If possible, at least one of the members of the Audit Committee should be elected from the Board members having a minimum 5 years of experience in audit/accounting and finance topics.

Committee membership automatically ends upon the termination of the Board membership of the relevant member.

#### Article 4 Duties and Responsibilities of the Audit Committee

The duties and responsibilities of the Audit Committee have been outlined below.

- The Audit Committee supervises the operation and efficiency of the Company's accounting system, disclosure of its financial information, its independent audit and its internal control and internal audit system.
- The selection of the independent audit firm, commencement of the independent audit process after preparing the independent audit contracts, and the subsequent works of the independent audit firm at all times is conducted under the supervision of the Audit Committee.
- The Audit Committee determines the name of the independent audit firm and the services to be procured from it, and



submits this list to the approval of the Board of Directors.

- The Audit Committee determines the methods and criteria to apply to the processing and settling of the complaints sent to the Company regarding the Company's accounting, internal control and audit system, and the independent audit as well as the treatment of the Company's disclosures made by the Company's employees on the subjects of the independent audit within the framework of the confidential principle.
- The Audit Company submits in writing to the Board of Directors its assessments on the accuracy and authenticity of the annual and interim financial statements to be disclosed to public and the conformance of these statements with the accounting principles adopted by the Company also by taking the opinions of the Company's managers and independent auditors.
- The Audit Committee also performs other works and assignments to be assigned to it by the Board of Directors.

## Article 5 The Audit Committee's Operation Principles and Procedures

- The Audit Committee meets at least once every three months and at least four times annually.
- The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.
- The Committee keeps a minute book and all decisions taken by the Committee are recorded in this book under a separate log number.
- The results of the Committee's meetings are issued as a official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.
- The decisions of the Committee take effect upon the approval by the Board of Directors.
- The Audit Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.
- The activities and the meeting results of the Committee are announced at the annual activity report. The annual activity report also provides how many times the Audit Committee has submitted written notifications to the Board of Directors during the given fiscal year.
- The Audit Committee may invite other people to its meetings as needed to get their opinions on a subject.
- Internal Audit Unit determines the agenda of the meetings, makes the calls for the meetings, ensures the communication between the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee
- The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.
- Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is paid by the Company.
- The members of the Audit Committee conduct their duties within the framework of the principles of independence and neutrality.

## Article 6 Validity

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

## Relevant Decisions of the Board of Directors

Decision	Effective Date	Revision	<b>Relevant Articles</b>
27.05.2014 / 2151	27.05.2014	1.0	All



During 2014, the Audit Committee has met eight times and has taken thirteen decisions. In its meetings, the Committee has reviewed and assessed the following issues:

The audit plan prepared by the Company for 2014 has been discussed and approved. It has been established that the consolidated financial statements and their footnotes and the activity reports were prepared in accordance with the relevant laws and regulations and the generally accepted principles and standards also by taking the opinions of the Company's executives, and were submitted to the approval of the General Assembly for being disclosed to the public. It has been established that the Committee found no negative evidence regarding the transfer of the commercial transactions of the Company to the accounting records during the period, operation and effectiveness of the internal control system, performance of the tax and legal obligations and that due procedures were pursued. Determinations, opinions and suggestions found as a result of the audit activities realized by the Internal Audit and Internal Control units have firstly been shared and assessed together with the performers of such procedures, and it has been ensured that required complementary and preventive action was taken. Internal control, file control, department/unit audit reports prepared by the Internal Audit and Internal Control units during the period have been examined and submitted to the approval of the Board of Directors.

#### Corporate Governance Committee

The Corporate Governance Committee is at the same time performing the functions of Nomination Committee and Remuneration Committee. The Company's Corporate Governance Committee is composed of three members.

Chaired by the non-executive Independent Board Member Mr. M. Baha Karan, the Corporate Governance Committee is consisted of two members: non-executive Board Member Ms. Z. Hansu Uçar and Ms. Nida Çetin, to whom Investors Relations Unit reports.

#### Regulation for Corporate Governance Committee

#### Article 1 Purpose and Scope

This Regulation covers the establishment of a Corporate Governance Committee and regulation of the duties and responsibilities of this Committee as well as its operational principles and procedures in order to ensure that the Board of Directors fulfills its duties and responsibilities on corporate governance in a healthy manner.

The duties of the Nominating Committee and Compensation Committee will be fulfilled by the Corporate Governance Committee until their establishment.

#### Article 2 Justification

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

#### Article 3 Establishment of the Corporate Governance Communiqué

Corporate governance Committee is established by appointment of at least two members from among the Board members and the Manager of the Investor Relations Unit/Department.

The members of the Committee elect a Chairman among themselves. The Chairman of the Committee is elected from among the independent members of the Board. Persons who are not Board members but having specialization on their subjects can also become members to the Corporate Governance Committee.

If the Corporate Governance Committee has two members elected from the Board of Directors, both of these members



are required to be from the independent members of the Board; and if the Committee has more than two board members, then majority of these members should be independent members. General Manager cannot become a member of the Committee.

The Manager of the Investors Relations Unit/Department is required to work full-time in the company and be positioned as a member of the Corporate Governance Committee.

Corporate Governance Committee membership automatically ends upon the termination of the Board membership.

## Article 4 Duties and Responsibilities of the Corporate Governance Committee

The duties and responsibilities of the Corporate Governance Committee have been outlined below.

- The Corporate Governance Committee establishes whether or not the corporate governance principles are duly
  applied in the Company, and determines the reasons if they are not applied and lay down the conflicts of interest
  emerging due to the non-application of these principles in the Company, and advises the Board of Directors for the
  improvement of the corporate governance applications.
- The Corporate Governance Committee supervises the activities of the Company's Investment Relations Department. The Committee lays down the fundamental principles regarding the communication of the Company with the investors, and reviews these principles on a regular basis.
- The Corporate Governance Committee, together with the Investors Relations Department, further submits to the Board of Directors its advice for the improvement of the communication between the Company and the shareholders, and the elimination and settlement of the possible disputes in between.
- The Corporate Governance Committee reviews the Corporate Governance Principles Compliance Report of the Company prior to its being published in the Company's annual activity report, and submits its opinions to the Board of Directors.
- The Corporate Governance Committee prepares its advice and assessments for the identification or amendment of the Company's Disclosure Policy and submits it to the Board of Directors. It also oversees to ensure that the Disclosure Policy covers at least the minimum obligatory content laid down by the laws and regulations regarding the communication of the Company with the stakeholders, and it reviews the content, quality, consistency and accuracy of the documents, presentations and explanations to ensure that they are prepared in accordance with the Disclosure Policy.
- The Corporate Governance Committee works for infusing the corporate governance culture into the Company and its adoption by the managers and employees at all levels. It follows the domestic and international developments on corporate governance front and monitors their possible effects for the Company.

The duties and responsibilities of the Corporate Governance Committee on nominations have been outlined below.

- The Corporate Governance Committee works for setting up a transparent system for the identification, assessment and training of the candidates for board membership and the managerial positions with administrational responsibility and for adoption of proper policies and strategies on this subject.
- The Corporate Governance Committee makes regular assessments on the structure and productivity of the Board of Directors and submits its advice on possible changes to the Board of Directors.
- The Corporate Governance Committee is responsible for performing the jobs regarding the nomination of the independent member candidates for the Board which are stipulated by the laws and regulations and which are compulsory for the Group including the Company as announced by the Board each year.

The duties and responsibilities of the Corporate Governance Committee on the salaries and remunerations have been outlined below:

• The Corporate Governance Committee lays down and oversees the principles, criteria and practices to apply to the



compensations of the members of the Board of Directors and executives with administrational responsibility in view of the Company's long term targets.

- It submits to the Board of Directors its suggestions about the wages to be offered to the Board members and executives with administrational responsibility as set forth, also in consideration with the degree of realization of the criteria applicable to such compensation.
- It provides its assessments and suggestions on the creation and amendment of the Company's compensation policy which sets the compensation principles for the members of the Board of Directors and the managers with administrational responsibility, and submits its opinions to the Board of Directors.

The Corporate Governance Committee also fulfills other duties and responsibilities within its area of responsibility as may be delegated to it by the Board of Directors.

#### Article 5 The Corporate Governance Committee's Operation Principles and Procedures

- The Corporate Governance Committee meets at least once every three months and four times annually.
- The Committee meets with the attendance of all its members and takes its decisions by majority vote.
- The Committee keeps a decision book and the decisions taken by the Committee are recorded in this book with a log number.
- The results of the Committee's meetings are issued as an official report and the assessments and decisions of the Committee are submitted to the Board of Directors within at least one month following the relevant meeting of the Committee.
- The decisions of the Committee take effect upon the approval of the Board of Directors.
- The Corporate Governance Committee immediately submits its findings, assessments and suggestions on the area of its work and responsibility to the Board of Directors in writing.
- The Corporate Governance Committee may invite other people to its meetings as needed to get their opinions on a subject.
- The Investor Relations Unit/Department determines the agenda of the meetings, makes the calls for the meetings, ensures the communication within the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee.
- The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.
- Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is provided by the Company.
- The members of the Corporate Governance Committee conduct their duties within the framework of the principles of independence and neutrality.

#### Article 6 Validity

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

#### Relevant Decisions of the Board of Directors

Decision	Validity	Revision	<b>Relevant Articles</b>
27.05.2014 / 2151	27.05.2014	1.0	All



During 2014, the Corporate Governance Committee has met six times and taken four decisions. In its meetings, the Corporate Governance Committee has reviewed and assessed the following issues:

The report on compliance with the corporate governance principles prepared by the Company to cover the 2013 activity period has been examined and submitted to the Board of Directors. The increase in the remunerations of the Company's employees in 2014 was determined and submitted to the approval of the Board of Directors.

The offers for the candidates to the Independent Board Members who will take place in the Board of Directors have beed assessed by considering whether or not the candidates bear the independence criteria and the report for the independent board members was submitted to the Board of Directors. The distribution of roles within the Committee was re-determined due to the fact that Investors Relations Unit Manager Ms. Nida Çetin was appointed to the Corporate Governance Committee and Mr. Ozan Gürsoy quitted the Committee membership, and election was held for the Committee's manager. The operation and efficiency of the Investors Relations Unit was discussed, and it was established that due procedures were pursued during informing the investors and making disclosures to the public. It was also established that due procedures were pursued on the subject of the implementation of the Corporate Governance Principles and that there were no significant complaints sent by the stakeholders to the Company. Given the emphasis of the Company on Corporate Governance Principles and its resolution to carry out these principles in a continuous and dynamic process, it was decided that a study be conducted about the subjects which were pointed out as possible subjects that may lead to an increase in the Company's rating in Corporate Governance and be submitted to the approval of the Board of Directors.

#### Early Detection of Risk Committee

The two-member Early Detection of Risk Committee is chaired by Mr. M. Hakan Berument, a non-executive Independent Member of the Board of Directors. Other member of the Committee is Mr. Z. Hansu Uçar, a non-executive Member of the Board of Directors.

Duties and operating principles of the Early Detection of Risk Committee have been approved and put into effect by our Board of Directors, and the committee is working within the frame of these principles.

## Regulation for Early Detection of Risk Committee

#### Article 1 Purpose and Scope

This Regulation covers the establishment of the Early Detection of Risk Committee and regulation of the duties and responsibilities as well as the operation procedures and principles of this Committee in order to ensure the Board of Directors fulfills its duties and responsibilities in the area of risk management in a well manner.

## Article 2 Justification

This Regulation has been prepared based on the Article 378 of the Turkish Commercial Code and the Corporate Governance Communiqué published by the Capital Markets Board.

## Article 3 Establishment of the Early Detection of Risk Committee

Early Detection of Risk Committee is established comprising at least two members to be elected from among the



members of the Board of Directors.

Committee members elect a Chairman from among them. The Committee's Chairman should be elected from among the independent members of the Board of Directors. Persons who are not members of the Board of Directors but specialized on their areas can become members of the Committee.

Both members of the Committee have to be independent members of the Board of Directors if the Committee is consisted of two members, and majority of the Committee members should be independent if the Committee is consisted of more than two members. General Manager cannot be a member of the Committee.

The membership to the Early Detection of Risk Committee ends upon the termination of the Board membership of the relevant member, if applicable.

#### Article 4 Duties and Responsibilities of the Early Detection of Risk Committee

- Early Detection of Risk Committee conducts works aimed at early perception of risks that may imperil the existence, development and sustenance of the Company; taking the required measures regarding the identified risks; and management of such risks.
- It submits in writing to the Board of Directors its suggestions and opinions regarding the establishment and development of the Company's risk management system capable of minimizing the effects of the risks for all stakeholders including mainly the shareholders.
- It reviews the Company's risk management system at least once a year.
- It supervises the realization of the risk management applications in accordance with the decisions of the Board of Directors and the Committee.
- It reviews the determinations and assessments regarding the risk management that will be included to the Company's annual activity report.
- Early Detection of Risk Committee also fulfills other duties and responsibilities in its area of responsibility as may be assigned to it by the Board of Managers.

#### Article 5 Operation Principles and Procedures of Early Detection of Risk Committee

- Early Detection of Risk Committee meets at least every three months and at least four times a year.
- The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.
- The Committee keeps a minute book where the decisions taken are recorded with a separate log number.
- The results of the Committee's meetings are issued as a official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.
- The Committee's decisions take effect upon the approval of the Board of Directors.
- The Early Detection of Risk Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.
- Early Detection of Risk Committee may invite other persons to its meetings and take their opinions as it may deem necessary.
- Setting the agenda of the Committee's meeting, making calls for the meeting, ensuring the communication with the Committee members, keeping the minute book and other secretarial works of the Committee are performed by the unit in charge of the risk management.
- All kinds of resources and support needed during the Committee's fulfilment of its duty are provided by the Board of Directors.



- The Committee may benefit from the opinions of the independent experts as it may need regarding its activities subject to the approval of the Board of Directors. The fee of the consultancy service needed by the Committee is paid by the Company.
- The members of the Early Detection of Risk Committee fulfill their duties in compliance with the principles of independence and neutrality.

### Article 6 Validity

The provisions of this Regulation take effect on the date of their approval by the Board of Directors and are executed by the Board of Directors.

### **Relevant Board Decisions**

Decision	Validity	Revision	<b>Relevant Articles</b>
27.05.2014 / 2151	27.05.2014	1.0	All

During 2014, the Early Detection of Risk Committee has met eleven times and has taken thirteen decisions. In its meetings, the Committee has reviewed and assessed the following issues:

Periodical risk reports prepared by the Risk Management Unit have been assessed by the Committee; it was established that the risks provided in the reports were within the limits of individual risks and total risks as laid down by the Board of Directors; and these reports were submitted to the information of the Board of Directors. Risk management systems have been reviewed and relevant works have been conducted and submitted to the Board of Directors regarding the updating of the risk management startegies and policies as will be pursued by the Company for the purpose of implementation of the required actions and management of the risks.

As per the principle no. 4.5.3 of the Corporate Governance Principles, all members of the Audit Committee are Independent Directors. Chairman of Early Risk Detection Committee and Corporate Governance Committee are also Independent Directors, while other committee members are elected from among non-executive Directors.

## 18. Risk Management and Internal Control Mechanism

Potential risks that may be incurred by the Company are defined in the Risk Catalogue. Risk policies have been formulated for risk categories which are materially important for the activities and operations of the Company. All of the current practices, procedures and work flows have been made compliant with the risk policies, and the relevant internal control processes have been established.

Intra-company applications and audits will performed by the Internal Audit, Internal Control and Risk Management units. Early Detection of Risks Committee regularly reviews the processes related with the measurement, assessment and management of risks, and report its activities to the Board of Directors on a monthly basis. Additionally, Audit Committee also monitors the efficiency of the Company's risk management and internal control activities and reports its findings to the Board of Directors.



### 19. Strategic Goals of Company

Strategic goals of the Company are formulated by the Board of Directors by considering the competition conditions, general economic conjuncture, overall expectations in national and international financial markets, and mid- and long-term objectives of the Company. The formulated strategies and goals are discussed and evaluated comprehensibly and in all respects by the Board of Directors and the Company management. Strategies and goals are approved by the Board of Directors, and the Company General Management is responsible for implementation thereof.

Developments relating to the approved strategies and goals are reported to the Board of Directors on monthly basis. In its meetings, the Board of Directors reviews the place of the Company in its market segment, the Company's activities and operations, the level of achievement of yearly budget figures and goals, the financial structure and performance, and compliance of reporting and activities with international standards. If the goals cannot be achieved, the reasons thereof and the measures that may be taken in relation therewith are evaluated. The Board of Directors meets regularly in order to perform its supervision and audit functions effectively and continuously.

### 20. Financial Rights

All rights, interests and remunerations given to the Company's employees as well as the criteria used in determination thereof have been identified by the pricing policy and submitted to the information of the partners as a separate article in the general assembly meeting, and are published in the Company's website.

The amounts of remunerations paid to the Directors are determined by the General Assembly. No fringe benefits or fees other than remunerations are paid to the Directors.Remunerations of independent members of the Board of Directors are paid directly to them, and remunerations of other directors are paid to the corporations they are representing in the Board of Directors. During 2014, a total sum of 896 thousand TL has been paid to the members of board of directors.

Top executives of the Company are paid a bonus payment once a year in addition to their remuneration. Additionally, the Company's top executives are assigned an official company car plus a mobile phone. The total of the remunerations and other benefits offered to the top executives stood at TL 2.047 million in 2014.

Loans or credits are not made available to the Directors and executives, and credit facility is not extended through a third party under the name of personal credit, or collaterals and guarantees such as surety are not granted to them.



## DECLARATION OF INTERNAL CONTROL ENVIRONMENT

#### İş Finansal Kiralama A.Ş.

#### **Declaration of Audit Committee on Internal Control Environment**

İş Leasing has regulated the fundamental duties, authorities and responsibilities regarding its risk management and internal control activities via the "Internal Control, Risk Management and Internal Audit Activities Procedure", approved and released by the Board of Directors. The Board of Directors has appointed the Audit Committee to monitor, evaluate and manage the activities carried out under internal control and internal audit procedures.

The internal control system of the company targets to establish and maintain a company-wide internal control culture internalized by all employees, as a contributing approach covering all operations. The internal audit system on the other hand, comprises the identification and application of precautions designed to eliminate factors threatening, endangering or having the probability to endanger assets, data, information and personnel safety; and to ensure the compliance of company operations to legal and internal regulations. Through its risk based audit approach, the Internal Audit and Risk Management Department, which is reporting to the Board of Directors via the Audit Committee, assures the implementation of above referred actions by contributing to the formation, development and improvement of a company-wide risk culture.

The procedures regarding company operations, work flows, segregation of duties, authorizations and limits are continually reviewed and updated in parallel with changing conditions, risks and needs. Activity work flows incorporate complete and adequate controls addressing identified risks, hereby allowing a controlled execution of operations. Functional segregation of duties, transaction approval authorizations and limits, system controls, post transaction controls and other transaction specific controls ensure the execution of activities continuously in an efficient, correct and safe manner.

The facts, arguments and suggestions determined through the auditing activity of the Internal Audit and Risk Management Department are first communicated and evaluated with the related executing parties. By this token, preemptive and complementary measures are implemented swiftly while accommodating and applicable solutions are introduced. All this activity is monitored closely and evaluated by the Internal Audit and Risk Management Department as well as the executing parties.

The Audit Committee periodically evaluates the effectiveness of the internal control system and the results of internal control activities through internal audit reports prepared by the Internal Audit and Risk Management Department; and shares its suggestions regarding the measures to be taken in relation to the reported findings with the Board of Directors. In the light of all these considerations, the Committee has not detected any downside effect regarding the efficiency of company's internal control system and results of internal control operations, and has concluded that it is duly acted.

İstanbul, 29 January 2015

onMA

President of Audit Committee and Board Member M. Hakan BERUMENT

Audit Committee and Board Member M. Baha KARAN



## AGENDA OF THE GENERAL ASSEMBLY

## CONCERNING THE ORDINARY ASSEMBLY MEETTING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 24 MARCH 2015

## AGENDA

- 1. Opening and forming of the meeting's Presidential Board;
- Reading and discussing the Board of Directors' Annual Report, Declaration of Compliance on Corporate Governance Principles and Independent Auditor Report relating to 2014 activities and operations;
- 3. Reading, discussing and approval of Financial Statements of 2014;
- 4. Release of the Directors;
- Discussing and deciding the Profit Distribution Proposal of the Board of Directors, determining the Profit Distribution Date;
- 6. Election of Directors and determination of their term of office, and information of the shareholders about the outside duties and jobs of the Directors and their justification, according to the existing registered Articles of Association;
- 7. Determination of remunerations payable to the Directors;
- Giving permission to persons named by the relevant applicable laws for performance of the transactions referred to in articles 395 and 396 of the Turkish Commercial Code;
- 9. Giving information about the transactions mentioned in article 1.3.6 of the Corporate Governance Principles;
- 10. Election of Independent Audit Firm.
- 11. Informing the General Assembly about the donations made in 2014;
- 12. Determination of the upper limit for donations to be made within the year 2015 pursuant to 5th paragraph of article19 of the Capital Markets Law;
- Venue of Meeting:İş Kuleleri, Kule 1, Kat 4134330 4.Levent İstanbulDate of Meeting:24 March 2015, 14:30 hours



## PROFIT DISTRIBUTION PROPOSAL

#### **PROFIT DISTRIBUTION PROPOSAL**

	A A.Ş. 2014 Profit Distribution Table (T	
		461.503
	22.225	
ormation on profit distribution privileges according	g to Articles of Association	
1	As per SPK	As per Statutory Books
Profit for he Period	91.475	81.911
Taxes ( - ) (**)	(12.989)	(9.490)
Net Profit for he Period ( = )	78.486	72.421
Previous Years' Losses ( - )	-	-
General Legal Reserve ( - )	3.621	3.621
	74 965	68.800
		08.800
Net Distributable Profit determined with the	-	
	74.866	
First Dividend to Shareholders	68.800	
-Cash	-	
-Stocks	68.800	
- Total	68.800	
Dividends to Holders of Preferred Shares	0	
Other Dividend -To Board of Directors, -To Employees, -To Persons other than Shareholders	0	
Dividend to Holders of Usufruct Shares	0	
Second Dividend to Shareholders	0	
General Legal Reserves	0	
Statutory Reserves	0	0
Other Reserves	0	0
EXTRAORDINARY RESERVES	6.065	0
Other Sources Planned to be Distributed (*)	15.000	
	Paid in/Issued Share Capital General Legal Reserves (According to Statutory R formation on profit distribution privileges accordin Taxes ( - ) (**) Net Profit for he Period ( = ) Previous Years' Losses ( - ) General Legal Reserve ( - ) NET DISTRIBUTABLE PROFIT (=) Donation Made During the Year ( + ) Net Distributable Profit determined with the addition of donations made during the year First Dividend to Shareholders -Cash -Stocks - Total Dividends to Holders of Preferred Shares Other Dividend -To Board of Directors, -To Employees, -To Persons other than Shareholders Dividend to Holders of Usufruct Shares Second Dividend to Shareholders Dividend to Holders of Usufruct Shares Second Dividend to Shareholders Dividend to Holders of Usufruct Shares Second Dividend to Shareholders Dividend to Holders of Usufruct Shares Second Dividend to Shareholders Dividend to Holders of Usufruct Shares Statutory Reserves Other Reserves EXTRAORDINARY RESERVES	Paid in/Issued Share Capital General Legal Reserves (According to Statutory Records) ormation on profit distribution privileges according to Articles of Association As per SPK Profit for he Period 91.475 Taxes ( - ) (**) Net Profit for he Period ( = ) 78.486 Previous Years' Losses ( - ) - General Legal Reserve ( - ) 3.621 NET DISTRIBUTABLE PROFIT (=) 74.865 Donation Made During the Year ( + ) 1 Net Distributable Profit determined with the addition of donations made during the year First Dividend to Shareholders 68.800 - Cash - - Stocks 68.800 - Total 68.800 Dividends to Holders of Preferred Shares 0 Other Dividend - To Employees, - To Emplo

(\*)It was decided to distribute 15.000 thousand TL from extraordinary reserves of Company. (\*\*)9.490 thousand TL of deferred taxation expense included in our statutory profit fort he year 2014 will be deducted from deferred tax classified in extraordinary reserves which will not be distributed. İŞ FİNANSAL KİRALAMA A.Ş. 2014 DIVIDEND RATE TABLE

	GROUP	TOTAL DI	VIDEND	TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND FOR TL NOMINAL	
		CASH (THOUSAND TL)	BONUS (TOHUSAND TL)	RATE (%)	AMOUNT (TOHUSAND TL)	RATE (%)
	Α					
	В					
GROSS	TOTAL	15.000	68.800	112 %	0,18158	18,16



## BOARD DECISION REGARDING FINANCIAL STATEMENTS

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ÇOK GİZLİ

İstanbul, 29.01.2015

#### To the Board of Directors of İŞ FİNANSAL KİRALAMA A.Ş.

I submit the subjects regarding the approval and disclosure of the audited consolidated financial statements and notes for the period 01.01.2014-31.12.2014 for your approval.

Best Regards,

Hasan K. Bolat General Manager

It is decided to admit the Head Office's proposal above.

Decision No: 2223

**Decision Date: 29.01.2015** 

Suat İNCE Chairman Ozan GÜRSOY Vice President Halil EROĞLU Member

Burak AKGÜÇ Member M. Hakan BERUMENT Member Mehmet Baha KARAN Member Hasan K. BOLAT Member

Z. Hansu UÇAR Member ikret Utku ÖZDEMİR Member Ünal ÇAKMAK Member O. Tufan KURBANOĞLU Member



## AUDIT COMMITTEE DECISION

## İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

Decision No: 89

<b>Decision Date</b>	: 29.01.2015
Decision No	: 2015.89
Meeting Hour	: 11:00
Agenda Item No	:1

## Subject : Regarding financial statements of the period 01.01.2014 - 31.12.2014

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2014 - 31.12.2014 which have been subject to an independent audit are accurate and that they have been prepared in accordance with the relevant legislation as well as with generally accepted accounting principles and standards. We have also consulted with the executives in charge of the company during our audit. We deem it appropriate to submit the said financial statements and their footnotes to the Board of Directors for approval and public disclosure.

M. Hakan BERUMENT Chairman of Committee Mehmet Baha KARAN Member





FINANCIAL STATEMENTS
(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)

# İş Finansal Kiralama Anonim Şirketi and Its Subsidiary

Consolidated Financial Statements As at and for the year ended 31 December 2014 With Independent Auditors' Report

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

29 January 2015

This report contains "Independent Auditors' Report" comprising 2 pages and the "Consolidated Financial Statements and Their Explanatory Notes" comprising 77 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Kavacık Rüzgarlı Bahçe Mah Kavak Sok. No: 29 Beykoz 34805 İstanbul 
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 +90 (216) 681 90 00

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 Internet
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## Convenience Translation of the Consolidated Auditors' Report Originally Prepared and Issued in Turkish (See Note 2.1)

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of İş Finansal Kiralama Anonim Şirketi,

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama Anonim Şirketi ("the Company") and its subsidiary (all together "the Group") as at 31 December 2014, and the related consolidated statement of profit or loss, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes

## Management's Responsibility for the Consolidated Financial Statements

The Board of Directors of the Company is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the financial statements in accordance with the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" the published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting, free from material misstatement, whether due to fraud or error that could lead to false information within.

#### Auditors' Responsibility

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit in Banks" published on the Official Gazette no. 26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that our audit provides a reasonable basis for our audit opinion.



## **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of İş Finansal Kiralama Anonim Şirketi and its subsidiary as at 31 December 2014 and the results of its consolidated operations and consolidated cash flows for the year then ended in accordance with the communiqués, regulations and circulars issued by the BRSA regarding accounting and financial reporting.

## **Report on Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 29 January 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

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

A member of KPMG International Cooperative

Orhan Akova

Partner, SMMM 29 January 2015 İstanbul, Turkey

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2014

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

				Audited			Audited	
				Current Per	iod		Prior Period	l
ASSE	TS		31 December 2014			31 December 2013		
		Notes	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	CASH		-	-	-	-	-	-
П.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net	) 4	663	21.386	22.049	-	-	-
2.1	Financial Assets Held for Trading		459	-	459	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		204	21.386	21.590	-	-	-
III.	BANKS	5	1.739	178.478	180.217	11.245	221.548	232.793
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
٧.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	22.382	-	22.382	23.213	-	23.213
VI.	FACTORING RECEIVABLES	7	1.203.168	230.042	1.433.210	794.053	152.057	946.110
6.1	Discounted Factoring Receivables		469.711	-	469.711	303.081	-	303.081
6.1.1	Domestic		481.987	-	481.987	310.413	-	310.413
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(12.276)	-	(12.276)	(7.332)	-	(7.332)
6.2	Other Factoring Receivables		733.457	230.042	963.499	490.972	152.057	643.029
6.2.1	Domestic		733.457	-	733.457	490.972	-	490.972
6.2.2	Foreign		-	230.042	230.042	-	152.057	152.057
VII.	FINANCING LOANS		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
VIII.	LEASE RECEIVABLES	8	943.497	1.842.295	2.785.792	428.585	1.746.494	2.175.079
8.1	Lease Receivables		903.331	1.785.267	2.688.598	418.097	1.553.816	1.971.913
8.1.1	Finance Lease Receivables		1.109.417	2.054.247	3.163.664	499.849	1.766.063	2.265.912
8.1.2	Operational Lease Receivables		-	-	-		-	-
8.1.3	Unearned Income (-)		(206.086)	(268.980)	(475.066)	(81.752)	(212.247)	(293.999)
8.2	Leasing Contracts in Progress		23.443	21.492	44.935	8.917	148.609	157.526
8.3	Advances Given for Lease Transactions		16.723	35.536	52.259	1.571	44.069	45.640
IX.	OTHER RECEIVABLES	15	2.936	<b>2.181</b>	5.117	1.795	2.144	43.040 <b>3.939</b>
их. X.			2.930					
<b>^.</b> 10.1	NON-PERFORMING RECEIVABLES Non-Performing Factoring Receivables	7, 8	24.348	27.004	<b>55.248</b> 24.348	<b>51.647</b> 13.969	5.285	<b>56.932</b> 13.969
10.1			24.040		- 24.040	- 13.909	-	13.909
	Non-Performing Financing Loans		-					100 505
10.3	Non-Performing Lease Receivables		88.750	46.640	135.390	98.416	11.169	109.585
10.4	Specific Provisions (-)		(84.854)	(19.636)	(104.490)	(60.738)	(5.884)	(66.622)
XI.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII.	SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV.	ASSOCIATES (Net)		-	-	-	-	-	-
XV.	JOINT VENTURES (Net)		-	-	-	-	-	-
XVI.	TANGIBLE ASSETS (Net)	10	17.855	-	17.855	1.694	-	1.694
XVII.	INTANGIBLE ASSETS (Net)	11, 12	1.023	-	1.023	820	-	820
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		857	-	857	654	-	654
XVIII.	PREPAID EXPENSES	15	19.131	-	19.131	6.996	-	6.996
IXX.	CURRENT PERIOD TAX ASSETS		37	-	37	5	-	5
XX.	DEFERRED TAX ASSETS	13	36.002	-	36.002	44.268	-	44.268
XXI.	OTHER ASSETS	15	1.752	35	1.787	239	49	288
	SUBTOTAL		2.278.429	2.301.421	4.579.850	1.364.560	2.127.577	3.492.137
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED							
	OPERATIONS (Net)	14	572	-	572	444	-	444
22.1	Assets Held For Sale		572	-	572	444	-	444
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		2.279.001	2.301.421	4.580.422	1.365.004	2.127.577	3.492.581

The accompanying notes are an integral part of these consolidated financial statements.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2014

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

				Audited Current Peri	iod		Audited Prior Period	
LIABIL	ITIES			31 December			31 December 2	
		Notes	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	1.197	35.429	36.626	-	122.695	122.695
П.	FUNDS BORROWED	16	1.784.766	1.602.775	3.387.541	1.339.853	1.126.037	2.465.890
III.	FACTORING PAYABLES		-	-	-	-	-	-
IV.	LEASE OBLIGATIONS	18	-	-	-	-	-	-
4.1	Finance Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V.	DEBT SECURITIES ISSUED (Net)	19	403.422	-	403.422	202.405	-	202.405
5.1	Bills		98.367	-	98.367	-	-	-
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		305.055	-	305.055	202.405	-	202.405
VI.	MISCELLANEOUS PAYABLES	17	17.473	21.054	38.527	9.519	57.129	66.648
VII.	OTHER LIABILITIES	17	13.071	22.806	35.877	6.679	14.212	20.891
VIII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
IX.	TAXES AND DUTIES PAYABLE	20	1.465	-	1.465	1.188	-	1.188
Х.	PROVISIONS	21, 22	6.214	2.245	8.459	5.467	2.449	7.916
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits		5.441	-	5.441	3.994	-	3.994
10.3	Other Provisions		773	2.245	3.018	1.473	2.449	3.922
XI.	DEFERRED INCOME		-	-	-	-	-	-
XII.	CURRENT PERIOD TAX LIABILITY	23	1.686	-	1.686	1.310	-	1.310
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	SUBTOTAL		2.229.294	1.684.309	3.913.603	1.566.421	1.322.522	2.888.943
XV.	PAYABLES RELATED TO ASSETS FOR SALE AND							
	DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1	Held For Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		666.819	-	666.819	603.638		603.638
16.1	Paid-in Capital	25	461.503	-	461.503	424.365	-	424.365
16.2	Capital Reserves	25	1.938	-	1.938	1.938	-	1.938
16.2.1	, Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
16.3	Accumulated Other Comprehensive Income that will not be							
	Reclassified to Profit or Loss	25	283	-	283	328	-	328
16.4	Accumulated Other Comprehensive Income that may be							
	Reclassified subsequently to Profit or Loss	25	2.243	-	2.243	3.962	-	3.962
16.5	Profit Reserves	26	105.652	-	105.652	99.571	-	99.571
16.5.1			24.202	-	24.202	21.291	-	21.291
	Statutory Reserves			-			-	
	Extraordinary Reserves		81.450	-	81.450	78.280	-	78.280
	Other Profit Reserves		-	-	-		-	
	Profit or Loss		78.632	-	78.632	58.365	-	58.365
16.6	1. O.K. 01 2000		146	-	146	18.776	-	18.776
	Prior Periods Profit/Loss							10.770
16.6.1				-		30 580	-	39 589
16.6.1 16.6.2	Current Period Profit/Loss	24	78.486	-	78.486	39.589 15 109	-	39.589 15 109
16.6 16.6.1 16.6.2 16.7		24		-		39.589 15.109		39.589 15.109

The accompanying notes are an integral part of these consolidated financial statements.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OFF BALANCE SHEET ITEMS AS AT 31 DECEMBER 2014

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

			Audited			Audited	
			Current Peri	od		Prior Period	
OFF-BALANCE SHEET ITEMS			31 December	2014		31 December 2	013
	Notes	TRY	FC	TOTAL	TRY	FC	TOTAL
I. IRREVOCABLE FACTORING TRANSACTIONS		88.602	11.940	100.542	30.106	13.264	43.370
II. REVOCABLE FACTORING TRANSACTIONS		140.182	15.789	155.971	85.143	40.239	125.382
III. COLLATERALS RECEIVED	40	539.459	225.414	764.873	422.136	226.524	648.660
IV. COLLATERALS GIVEN	28	4.914	-	4.914	3.823	-	3.823
V. COMMITMENTS		50.117	122.237	172.354	26.386	306.537	332.923
5.1 Irrevocable Commitments		-	32.590	32.590	-	79.260	79.260
5.2 Revocable Commitments		50.117	89.647	139.764	26.386	227.277	253.663
5.2.1 Lease Commitments		50.117	89.647	139.764	26.386	227.277	253.663
5.2.1.1 Finance Lease Commitments		50.117	89.647	139.764	26.386	227.277	253.663
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS		1.054.071	1.061.946	2.116.017	852.150	900.277	1.752.427
6.1 Derivative Financial Instruments for Risk Management	t	-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading	28	1.054.071	1.061.946	2.116.017	852.150	900.277	1.752.427
6.2.1 Forward Foreign Currency Purchases/Sales	28	8.230	7.275	15.505	8.230	7.574	15.804
6.2.2 Swap Purchases/Sales	28	1.045.841	1.054.671	2.100.512	843.920	892.703	1.736.623
6.2.3 Put/call options		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY		2.276.588	355.849	2.632.437	1.216.026	299.704	1.515.730
TOTAL OFF-BALANCE SHEET ITEMS		4.153.933	1.793.175	5.947.108	2.635.770	1.786.545	4.422.315

The accompanying notes are an integral part of these consolidated financial statements.



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	INCOME STATEMENT	Notes	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
I.	OPERATING INCOME	31	275.815	184.234
	FACTORING INCOME		89.248	58.489
1.1 1.1.1	Factoring Interest Income Discounted		82.528 36.765	53.140 18.767
1.1.2	Other		45.763	34.373
1.2	Factoring Commission Income		6.720	5.349
1.2.1 1.2.2	Discounted Other		2.729 3.991	1.852 3.497
1.2.2			186.567	125.745
1.3	Finance Lease Income		186.567	125.745
1.4	Operational Lease Income		-	-
1.5 II.	Fees and Commission Income on Lease Operations FINANCING EXPENSES (-)	34	(200.485)	(115.448)
2.1	Interest Expense on Funds Borrowed	0.	(164.770)	(95.603)
2.2	Interest Expense on Factoring Payables		- -	-
2.3 2.4	Interest Expense of Finance Leasing Expenses Interest Expense on Securities Issued		(29.799)	(15.625)
2.4	Other Interest Expenses		(29.799)	(13.023)
2.6	Fees and Commissions Paid		(5.916)	(4.220)
III.	GROSS PROFIT / LOSS (I+II)	32	75.330	68.786
IV. 4.1	OPERATING EXPENSES (-) Personal Expenses	32	(40.340) (23.429)	(30.444) (17.284)
4.2	Employee Severance Indemnity Expense		(378)	(541)
4.3	Research and Development Expenses		· -	· · · ·
4.4 4.5	General Administration Expenses Other		(16.533)	(12.619)
4.5 V.	GROSS OPERATING PROFIT / LOSS (III+IV)		34.990	38.342
VI.	OTHER OPERATING INCOME	33	179.796	172.722
6.1 6.2	Interest Income on Bank Deposits Interest Income on Reverse Repurchase Agreements		6.073	9.546
6.3	Interest income on Securities Portfolio		30	64
6.3.1	Interest Income on Financial Assets Held for Trading		30	64
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3 6.3.4	Interest Income on Financial Assets Available For Sale Interest Income on Financial Assets Held to Maturity		-	-
6.4	Dividend Income		2.447	2.573
6.5	Trading Account Income		141.873	18.730
6.5.1	Income From Derivative Financial Instruments		141.873	18.730
6.5.2 6.6	Other Foreign Exchange Gains		10.626	- 132.501
6.7	Others		18.747	9.308
VII.	PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	35	(39.938)	(17.608)
VIII. 8.1	OTHER OPERATING EXPENSES (-) Impairment Losses on Securities Portfolio	36	(81.685) (3)	(140.412)
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		(3)	
8.1.2	Impairment Losses on Financial Assets Available For Sale		-	-
8.1.3	Impairment Losses on Financial Assets Held to Maturity		-	-
8.2 8.2.1	Impairment Losses on Non-Current Assets Impairment Losses on Tangible Assets		-	-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3	Impairment Losses on Goodwill		-	-
8.2.4 8.2.5	Impairment Losses on Other Intangible Assets Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3	Losses From Derivative Financial Instruments		(78.226)	(137.402)
8.4	Foreign Exchange Losses		-	· · · · ·
8.5 <b>IX.</b>	Other NET OPERATING PROFIT / LOSS (V++VIII)		(3.456) <b>93.163</b>	(3.010) <b>53.044</b>
X.	INCOME RESULTED FROM MERGER		-	- 55.044
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)	27	93.163	53.044
XIII. 13.1	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±) Current Tax Charge	37	(12.989) (4.712)	(10.855) (3.835)
13.2	Deferred Tax Charge (-)		(8.277)	(7.020)
13.3			-	-
XIV. XV.	NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII) INCOME FROM DISCONTINUED OPERATIONS		80.174	42.189
<b>∧v</b> . 15.1	Income from Assets Held for Sale		-	-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3	Other Income from Discontinued Operations		-	-
<b>XVI.</b> 16.1	EXPENSES FROM DISCONTINUED OPERATIONS (-) Expense on Assets Held for Sale		-	-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3	Other Expenses from Discontinued Operations		-	-
XVII. XVIII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII) INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3			-	-
<u>XIX.</u> XX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII) NET PROFIT FOR THE PERIOD		80.174	42.189
20.1	NON-CONTROLLING INTERESTs		1.688	2.600
20.2	EQUITY HOLDERS OF THE COMPANY		78.486	39.589
	EARNINGS PER SHARE	38	0,17	<b>0,09</b> 0,09
	Earnings Per Share from Continued Operations Earnings Per Share from Discontinued Operations		0,17	
	DILUTED EARNINGS PER SHARE		0,17	0,09
	Earnings Per Share from Continued Operations		0,17	0,09
	Earnings Per Share from Discontinued Operations		-	-

	Audited	Audited
PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Current Period	Prior Period
	01.01-31.12.2014	01.01-31.12.2013
I. CURRENT PERIOD PROFIT/LOSS	80.174	42.189
II. OTHER COMPREHENSIVE INCOME	(1.993)	(4.349)
2.1 Items that will not be Reclassified to Profit or Loss	(45)	328
2.1.1 Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2 Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	(56)	410
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	11	(82)
2.1.5.1 Current Tax Income/Expense	-	-
2.1.5.2 Deferred Tax Income/Expense	11	(82)
2.2 Items that may be Reclassified subsequently to Profit or Loss	(1.948)	(4.677)
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	(1.948)	(4.677)
2.2.3 Cash Flow Hedge Income/Losses	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-
2.2.5 Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6 Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6.1 Current Tax Income/Expense	-	-
2.2.6.2 Deferred Tax Income/Expense	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	78.181	37.840



of Turkish Lira ("TBV") unless otherwise stated ) ę (Amounts are evoressed in tho

						Other Ac Comprehe that will be r	Other Accumulated Comprehensive Income hat will be not reclassified	-	Other Accumulated Comprehensive Income that may be reclassified	sted come sified										
CHANGES IN EQUITY	Paid-in Canital R	Capital Receives P	Share Ce	Share Share Cancellation Profite	Other Capital Baserves			2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		200	Profit	Legal	Statutory	Extraordinary Reserves	Other Profit Beserves	Current Period Profit/	Prior Period Profit/	Current Period Profit/ 1 oss	Non- Controlling	Total
			5				1			<b>.</b>										5
Balance at the Beginning of the Period (31.12.2012) 389	389.000	,	,	,	1.938				- 8.144	'	112.907	19.251	,	93.656	'	40.805	40.805	'	13.004	565.798
Correction made According to TAS 8 Effect of Correction of Errors				• •	• •				• •		• •	• •	• •	• •	• •	• •	• •	• •	• •	
Effect of Changes in Accounting Policies										1		•	'					'		
	389.000			•	1.938				- 8.144	•	112.907	19.251	•	93.656	•	40.805	40.805	•	13.004	565.798
Total Comprehensive Income		,	,		,		328		- (4.182)										(495)	(4.349)
internal reserves	35.365										(15.376)			(15.376)		(19.989)	(19.989)			
				'	'							'	'							
Convertible Bonds									•					,	•					
Subordinated Loans				•	•				•	•	•	•	•		•			•	•	
Increases / Decreases due to other changes				•	•				•	•	•	•	•	1	•		•			
Profit Distribution											- 040 6	- 040			• •		- 070	600.60	- nno	42.103
Dividend Paid	,	,	,	,	,	,	,			,			'	,	,	· ·	()	,	,	
Transfer to Reserves											2.040	2.040			'	(2.040)	(2.040)			
Other		,	,	,	,	,	,	,		,	,	,	,	,	,				,	
Balance at the End of the Period (31.12.2013) 424	424.365	,	,	•	1.938	,	328	,	- 3.962	'	99.571	21.291	·	78.280	'	58.365	18.776	39.589	15.109	603.638
d (31.12.2013)	424.365				1.938		328		- 3.962	1	99.571	21.291	•	78.280		58.365	18.776	39.589	15.109	603.638
Correction Made According to TAS 8												•				•				
Effect of Correction of Errors Effect of Chandres in Accounting Policies																				
	424.365				1 938		328		3.962	1	99.571	21.291		78.280		58.365	18 776	39,589	15 109	603 638
ve income		,	,			,	(45)		- (1.719)	,		'			,				(229)	(1.993)
Cash Capital Increase																,	,	,		
Capital Increase from internal reserves 37	37.138			,						•	(37.138)	'	•	'	(37.138)	•	'	,	,	
Paid-in-Capital Inflation Adjustment				•	•				•	•		•	•	'	•	•	•	•	•	
Convertible Bonds				'							1	•		•		'	'		•	
Subordinated Loans				'	•					•	'				'		'		'	
Increases / Decreases due to other changes				'	•				'	•	'	'	,	'	•	'	'	,	'	
Profit for the Period				'	•					•	'	'	•		•	78.486	'	78.486	1.688	80.174
Profit Distribution				•	'				•	•	43.219	2.911	'	3.170	37.138	(58.219)	(18.630)	(39.589)	•	(15.000)
Dividend Paid											•	•				(15.000)		(15.000)		(15.000)
Transfer to Reserves Other											43.219	2.911		3.170	37.138	(43.219)	(18.630)	(24.589)		
	1.503				1.938		283		- 2.243		105.652	24.202		81.450		78,632	146	78.486	16.568	666.819
(ce at the End of the Period (31.12.2014)	461.503	.	.	.	1.938	.	283		- 2.243		105.652	24.202	.	81.450	.	78.632	146	78.486	16.568	



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

А.			Current Period	Prior Period
•		Notes	01.01-31.12.2014	01.01-31.12.2013
	CASH FLOWS FROM OPERATING ACTIVITIES			
А.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating Profit Before Changes In Operating Assets And Liabilities		80.567	174.634
1.1.1	Interests Received/Lease Income		266.485	187.471
1.1.2	Interest Paid / Lease Expenses		(140.244)	(96.618)
1.1.3	Lease Expenses		-	-
1.1.4 1.1.5	Dividends Received Fees and Commissions Received		1.329 6.720	1.279 5.349
1.1.6	Other Income		32.201	150.275
1.1.7	Collections from Non-performing Receivables	33	1.864	525
1.1.8	Payments to Personnel and Service Suppliers		(21.023)	(15.704)
1.1.9	Taxes Paid		(4.336)	(3.736)
1.1.10	Others		(62.429)	(54.207)
1.2	Changes in Operating Assets and Liabilities		(295.906)	(306.869)
1.2.1	Net (Increase) Decrease in Factoring Receivables		(492.378)	65.686
1.2.2	Net (Increase) Decrease in Financing Loans		-	-
1.2.3	Net (Increase) Decrease in Lease Receivables		(686.760)	(1.115.762)
1.2.4 1.2.5	Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Factoring Payables		(36.995)	6.894
1.2.5	Net Increase (Decrease) in Lease Payables		-	-
1.2.7	Net Increase (Decrease) in Funds Borrowed		913.228	681.764
1.2.8	Net Increase (Decrease) in Due Payables		-	-
1.2.9	Net Increase (Decrease) in Other Liabilities		6.999	54.549
I.	Net Cash Provided from / (Used in) Operating Activities		(215.339)	(132.235)
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	(1.000)
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3	Purchases of Tangible and Intangible Assets	10, 11	(17.463)	(1.095)
2.4 2.5	Proceeds From Sale of Tangible and Intangible Assets Cash Paid for Purchase of Financial Assets Available for Sale	10	86	33
2.5 2.6	Proceeds From Sale of Financial Assets Available for Sale		-	-
2.0	Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8	Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9	Other		-	-
II.	Net cash used in investing activities		(17.377)	(2.062)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash obtained from funds borrowed and securities issued		345.504	50.000
3.2	Cash used for repayment of funds borrowed and securities issued		(150.000)	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(15.000)	-
3.5	Payments for finance leases		-	-
3.6	Other		-	-
III.	Net Cash Used in Financing Activities		180.504	50.000
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(425)	221
V.	Net Increase / (Decrease) in Cash and Cash Equivalents		(52.637)	(84.076)
VI.	Cash and Cash Equivalents at the Beginning of the Period	5	232.773	316.849
	Cash and Cash Equivalents at the End of the Period	5	180.136	232.773

The accompanying notes are an integral part of these consolidated financial statements.



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD ENDED 31 DECEMBER 2014

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

İŞ FİN/	ANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**)	Current Period 31 December 2014	Prior Period 31 December 2013
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1 1.2 1.2.1 1.2.2	CURRENT PERIOD PROFIT TAXES AND DUES PAYABLE (-) Corporate Tax (Income Tax) Withholding Tax	91.475 (12.989) (4.712)	50.444 (10.855) (3.835)
1.2.3	Other taxes and dues	(8.277)	(7.020)
Α.	NET PERIOD PROFIT (1.1 - 1.2)	78.486	39.589
1.3 1.4 1.5	PRIOR YEARS' LOSSES (-) FIRST LEGAL RESERVE (-) OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) (*)	- - -	(2.451) 18
в	DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]	-	37.156
1.6 1.6.1 1.6.2 1.6.3 1.6.4 1.6.5	FIRST DIVIDEND TO SHAREHOLDERS (-) To Owners of Ordinary Shares (***) To Owners of Preferred Stocks To Owners of Preferred Stocks (Preemptive Rights) To Profit Sharing Bonds To Owners of the profit /loss Sharing Certificates		37.138 37.138 - - -
1.7 1.8 1.9 1.9.1 1.9.2	DIVIDEND TO PERSONNEL (-) DIVIDEND TO BOARD OF DIRECTORS (-) SECOND DIVIDEND TO SHAREHOLDERS (-) To Owners of Ordinary Shares To Owners of Preferred Stocks		- - -
1.9.3 1.9.4 1.9.5 1.10 1.11 1.12 1.13 1.14	To Owners of Preferred Stocks (Preemptive Rights) To Profit Sharing Bonds To Owners of the profit /loss Sharing Certificates SECOND LEGAL RESERVE (-) STATUS RESERVES (-) EXTRAORDINARY RESERVES OTHER RESERVES SPECIAL FUNDS	- - - - - - - - -	- - - - - - - -
II.	DISTRIBUTION FROM RESERVES		
2.1 2.2 2.3 2.3.1 2.3.2 2.3.3 2.3.4 2.3.5 2.4 2.5	DISTRIBUTED RESERVES SECOND LEGAL RESERVES (-) SHARE TO SHAREHOLDERS (-) To Owners of Ordinary Shares To Owners of Preferred Stocks To Owners of Preferred Stocks (Preemptive Rights) To Profit Sharing Bonds To Owners of the profit /loss Sharing Certificates SHARE TO PERSONNEL (-) SHARE TO BOARD OF DIRECTORS (-)		- - - - - - - - - - - - - - - -
III.	EARNINGS PER SHARE		
3.1 3.2 3.3 3.4	TO OWNERS OF STOCKS (TRY) TO OWNERS OF STOCKS ( % ) TO OWNERS OF PREFERRED STOCKS (TRY) TO OWNERS OF PREFERRED STOCKS ( % )	17.00660 %17,00 -	9.32899 %9,33 - -
IV.	DIVIDEND PER SHARE		
4.1 4.2 4.3 4.4	TO OWNERS OF STOCKS (TRY) TO OWNERS OF STOCKS (%) TO OWNERS OF PREFERRED STOCKS (TRY) TO OWNERS OF PREFERRED STOCKS (%)		0.12286 %12,29 -

4.4 TO OWNERS OF PREFERRED STOCKS ( % )

(\*) Comprises of donations made by the Company that shall be added to distributable net period profit.

(\*\*)The Board of Directors has not made any decision regarding profit distribution for the year 2014. (\*\*\*) The dividend amounting to TRY 15.000 TL has been distributed in cash, the dividend amounting to 37.138 has been distributed in the form of bonus shares.

## 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. ("the Company") was incorporated on 9 March 1988 to operate in Turkey in accordance with Finance Lease, Factoring and Financing Companies Law No: 6361. The core business of the Company is leasing operations, both domestic and abroad, and it started its leasing operations in July 1988. The head office of the Company is located at İş Kuleleri Kule:1 Kat:6 34330 Levent-İstanbul/Turkey.

The Company has purchased nominal shares of İş Faktoring A.Ş. ("İş Faktoring") amounting to TRY 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of this subsidiary and it has been consolidated in the accompanying financial statements.

The Company and its subsidiary run their operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The ultimate parent of the Company is Türkiye İş Bankası A.Ş.. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with 28,56% participation. The Company's 42,67% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 December 2014, the Company and its subsidiary ("the Group") have 222 employees (31 December 2013: 179 employees).

#### **Dividend Payable**

As at 31 December 2014, the Company does not have any dividend payable.

#### Approval of the Financial Statements

The consolidated financial statements as at 31 December 2014 have been approved by the Board of Directors of the Company and authorized for issue as at 29 January 2015. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

## 2. BASIS OF THE FINANCIAL STATEMENTS

#### 2.1 Basis of the Presentation

#### Accounting Standards Applied

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



## 2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of the Presentation (Continued)

The consolidated financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value. Determination of historical cost is generally based on the fair value amount paid for the assets.

#### Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

## Functional and Reporting Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

#### Preparation of Financial Statements in Hyperinflationary Periods

The consolidated financial statements of the Group have been adjusted for the effects of inflation in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies" until 31 December 2004. By a circular issued on 28 April 2005, BRSA and by a decision taken on 17 March 2005, Capital Markets Board of Turkey ("CMB") declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 March 2014 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

## Comparative Information and Restatement of the Prior Periods' Consolidated Financial Statements

The Group's consolidated financial statements are prepared comparatively with the prior period in order to provide information on the financial position and performance of the Group. When the presentation or classification of financial statements is changed, prior period's financial statements are also reclassified in line with the related changes in order to sustain consistency and all significant changes are explained.



## 2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of the Presentation (Continued)

#### Accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 4 - Financial assets and liabilities at fair value through profit or loss

- Note 6 Financial assets available for sale
- Note 7 Factoring receivables
- Note 8 Lease receivables
- Note 13 Deferred tax assets and liabilities
- Note 21 Provisions
- Note 22 Employee benefits
- Note 28 Commitments and contingencies
- Note 40 Additional information on financial instruments

#### Basis of Consolidation

The details of the Group's subsidiary as at 31 December 2014 and 31 December 2013 are as follows:

	Establishment and	Shareholding	Voting right	
Subsidiary	operation location	rate %	rate %	Core business
İş Faktoring	Istanbul	78,23	78,23	Factoring operations

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in "Subsidiaries" section below. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2014 and 31 December 2013, the Company owns 78,23% of İş Factoring. As the Company has the power to control the operations of the İş Factoring, the financial statements of İş Factoring have been fully consolidated in the accompanying consolidated financial statements.



## IŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

## 2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

### 2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(ii) Transactions eliminated on consolidation

Financial statements of İş Factoring have been fully consolidated in the accompanying financial statements and the investment balance in the Company's statement of financial position have been eliminated against the paid-in capital of İş Factoring. Intragroup balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## (iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the noncontrolling interest in equity since the date of the combination.

#### Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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.

## 2.2 Changes in Accounting Policies

Except for the new standards summarised below, the accounting policies applied for the year ended 31 December 2013 have been applied consistently for the period ended 31 December 2014 in preparing these financial statements.

## 2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current year.

Material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated.



## 2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

#### 2.4 Changes in Standards and Interpretations

The Group applied all of the relevant and required TAS as at 31 December 2014.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

### TFRS 9 – Financial instruments

TFRS 9 – *Financial instruments*, is published by Turkish Accounting Standards Board in April 2010 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement.* 

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2018. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

#### a. <u>Revenue</u>

Finance lease income: Initial value of leased assets at the beginning of the leasing period under the Finance Lease, factoring and Financing Companies Law No: 6361 is recognized as finance lease receivables in the consolidated statement of financial position. Interest income resulting from the difference between the total finance lease receivables and the investment value of the leased assets are recognized in the period in which the relevant receivable portion for each accounting period is distributed over the related period using the fixed interest rate through the leasing period. The interest income not accrued yet is followed up under the account of unearned interest income.

Factoring revenue: Consists of factoring interest and commission income collected or accrued on advances given to the customers.

Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset.

Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

Commissions collected or paid on any transactions are recorded on accrual basis.



## IŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated over their respective lease periods.

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

The estimated useful lives for the current and comparative periods are as follows:

Definition	Years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	5 years

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the consolidated income statement.

#### c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization, but tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

#### e. Borrowing Costs

All borrowing costs are recorded in the income statement on accrual basis.

#### f. Financial Assets Held For Sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

#### g. Financial Instruments

#### Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus 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 ("HTM")", "available-for-sale ("AFS")" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g. Financial Instruments (Continued)

Financial assets (Continued)

#### Effective interest method

The effective interest 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 appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

#### Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

#### Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also 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 presented under the marketable securities 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 marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.



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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

#### Finance lease receivables, factoring receivables and other receivables

Finance lease receivables, factoring 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.

Provision for doubtful finance lease receivables, factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease and factoring receivables. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies " published in the Official Gazette dated 20 July 2007 and numbered 26588 by BRSA, the Group's specific provision rate allocated for the below finance lease receivables considering their collaterals as at 1 January 2008 are as follows: 20%, at a minimum, for finance lease receivables overdue more than 150 days not exceeding 240 days, 50%, at a minimum, for finance lease receivables overdue more than 1 year.

The Group classifies its overdue finance lease receivables not exceeding 360 days as under the "Non-Performing Receivables" and classifies its finance lease receivables overdue more than 1 year under "Non-Performing Receivables".

In accordance with the above-mentioned Communiqué, specific provision rate allocated for the factoring receivables considering their collaterals are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

While the Group provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Group provides provision for its other doubtful receivables having possibility of recovery based on the time intervals mentioned above.

When the Group annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TRY 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 Group also ceases its income accrual calculation starting from the annulment date.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, except for finance lease receivables and factoring receivables stated above, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of finance lease receivables and factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

#### Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g. Financial Instruments (Continued)

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to net present value of financial liabilities.

#### Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Group classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

#### h. Business Combinations

The acquisitions of subsidiaries are accounted for by using the purchase method. The cost of the acquisition is measured at the aggregate of fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under TFRS 3 "Business Combinations" are recognized at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, excess amount is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling party's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i. Effects of Changes in Exchange Rates

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

The foreign currency exchange rates used by the Group as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
USD	2,3189	2,1343
EUR	2,8207	2,9365
GBP	3,5961	3,5114
CHF	2,3397	2,3899
100 JPY	1,9347	2,0231

In preparation of the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year.

In Turkey, companies can increase their share capitals by issue of "Bonus Shares" to their shareholders from their retained earnings. In computing earnings per share, such issues of "Bonus Shares" are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

#### k. <u>Subsequent Events</u>

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 "Events After the Balance Sheet Date"; post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Post- balance sheet events that are not adjusting events are disclosed in the notes when material.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. 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 if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

#### m. Leases

- Group as Lessor

The Group's accounting policies over finance leases are disclosed in note (g).

- Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss in accordance with the Group's general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received or to be received to enter into an operating lease are also recognized in the profit or loss on a straight-line basis over the lease term.

n. <u>Segment Reporting</u>

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 29).

o. <u>Taxes on Income</u>

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### o. Taxes on Income (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductable temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realized.

#### p. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group 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 recognized in the accompanying consolidated financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 "Employee Benefits", the Group calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the consolidated financial statements. The main estimates used are as follows:

	31 December 2014	31 December 2013
Discount rate	3,30 %	3,29 %
Expected rate of salary/limit increase	6,00 %	6,5 %
Probability of retirement	100 %	100 %



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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### r. Statement of Cash Flows

The Group presents statement of cash flows as an integral part of its financial statements to inform the users of financial statements about its ability to manage changes in its net assets, its financial structure and the amount and timing of its cash flows under changing conditions.

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of the cash flows arising from core operations of the Company. Cash flows related with investment activities compose of cash flows that the Group generates from or uses in investment activities (tangible and financial investments). Cash flows related with financing activities represent resources that the Group uses for financing activities and the reimbursements of such resources.

#### s. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

#### t. Related Parties

In accordance with TAS 24 "Related Party Disclosures" shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 9).



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## 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets held for trading:

As at 31 December 2014 and 31 December 2013, details of financial assets held for trading are as follows:

	31 December 2	31 December 2014		2013
	TRY	FC	TRY	FC
Debt securities issued by private sector	400	-	-	-
Mutual funds	59	-	-	-
	459	-	-	-

Maturity of debt securities issued by private sector is 16 November 2016.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TRY 59 (31 December 2013: none).

Derivative Financial Assets and Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

	31 Decembe	er 2014	31 Decemb	er 2013
	TRY	FC	TRY	FC
Derivative Financial Assets Held For Trading				
Forwards	-	482	-	-
Currency swaps	204	20.904	-	-
	204	21.386	-	-
	31 Decembe	er 2014	31 Decemb	er 2013
	TRY	FC	TRY	FC
Derivative Financial Liabilities Held For Trading				
Forwards	-	-	-	486
Currency swaps	1.197	35.429	-	122.209
	1.197	35.429	-	122.695



## 5. BANKS

As at 31 December 2014 and 31 December 2013, the details of the banks are as follows:

	31 December	er 2014	31 Decemb	per 2013
	TRY	FC	TRY	FC
Demand Deposits	1.739	4.985	10.995	2.744
Time Deposits	-	173.412	250	218.783
Interest Accrual	-	81	-	21
	1.739	178.478	11.245	221.548

The details of the time deposits as at 31 December 2014 are as follows:

Currency	Interest Rate %	Maturity	31 December 2014
USD	0,50 %-1,80 %	02.01.2015	22.420
Euro	0,07 %-1,80 %	02.01.2015 - 16.01.2015	151.073
			173.493

The details of the time deposits as at 31 December 2013 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2013
TRY	3,50%	02.01.2014	251
USD	0,07%-2,85%	02.01.2014 - 27.01.2014	57.832
Euro	1,60%-2,60%	02.01.2014	160.971
			219.054

As at 31 December 2014, TRY 144.969 portion of total foreign currency deposits (31 December 2013: TRY 192.103) and TRY 1.655 portion of total TRY deposits (31 December 2013: TRY 1.239) consist of accounts at the Company's main shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying consolidated statement of financial position and the statement of cash flow is as follows:

	31 December 2014	31 December 2013
Demand deposits	6.724	13.739
Time deposits (1-3 months) (excluding accrual)	173.412	219.034
Cash and cash equivalents	180.136	232.773

As at 31 December 2014 and 31 December 2013, there is no blockage on cash and cash equivalents.



## 6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2014 and 31 December 2013, details of financial assets available for sale are as follows:

				Ownersh	nip Rate (%)	Carrying	Amount
			Voting	31	31	31	31
		Incorporation	right	December	December	December	December
Name of the investment	Core business	and location	(%)	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Quoted Investments:							
İş Yatırım Menkul	Investment and						
Değerler A.Ş. (İş Yatırım)	Securities Services	İstanbul	4,86	4,86	4,86	18.574	19.335
lş Girişim Sermayesi							
Yatırım Ortaklığı A.Ş.	Private Equity	Istanbul	0,89	0,89	0,89	1.467	1.534
Unquoted investments:							
Camiş Menkul Değerler	Investment and						
A.Ş. (*)	Securities Services	İstanbul	-	-	0,05	-	4
Yatırım Finansman	Investment and						
Menkul Değerler A.Ş.	Securities Services	İstanbul	0,06	0,06	0,06	39	38
İş Net Elektronik Bilgi							
Üretim Dağ. Tic. ve	Inf. Comm. and						
İletişim Hiz. A.Ş. (İş Net)	Techn. Services	İstanbul	1,00	1,00	1,00	302	302
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	2.000	2.000
TOTAL						22.382	23.213

(\*) İş Yatırım Menkul Değerler A.Ş. and owned 100 % of the capital of Camiş Menkul Değerler A.Ş. are merged through the acquisition, under the Capital Market Board regulation No. II-23.2 "Mergers and Divisions". Registration was completed on 30 June 2014.

## 7. FACTORING RECEIVABLES

As at 31 December 2014 and 31 December 2013, details of factoring receivables are as follows:

	31 December 2014	31 December 2013
Short-term factoring receivables (*)		
Domestic factoring receivables	1.207.500	798.780
Export and import factoring receivables	228.314	151.402
Factoring interest income accrual	9.672	3.260
Unearned interest income	(12.276)	(7.332)
	1.433.210	946.110
Non-performing factoring receivables (**)	24.348	13.969
Provision for non-performing factoring receivables (**)	(24.348)	(13.969)
	1.433.210	946.110

(\*) Consists of factoring receivables of the subsidiary, İş Faktoring, which is owned by the Company with the ownership percentage of 78,23%.

(\*\*) Presented under the non-performing receivables in the accompanying consolidated statement of financial position.



## 7. FACTORING RECEIVABLES (Continued)

EUR 20.910.180, USD 23.772.647, GBP 1.288.178 and TRY 91.857 of factoring receivables have variable rates (31 December 2013: EUR 680.742, GBP 63.870 and TRY 126.879) while EUR 32.060.343, USD 37.302.155, GBP 705.662 and TRY 1.043.413 of factoring receivables have fixed rates (31 December 2013: EUR 36.173.336, USD 20.395.914, GBP 22.783 and TRY 667.174).

As at 31 December 2014, the average interest rates applicable for the factoring receivables are 12,53 % for TRY, 4,81 % for USD and 5,57 % for EUR and 6,67 % for GBP (31 December 2013: 11,71 % for TRY, 5,80 % for USD and 5,59 % for EUR and 6,50 % for GBP ).

The details of the factoring receivables based on types of factoring transactions are as follows:

	31 December 2014	31 December 2013
Domestic irrevocable	684.808	371.080
Foreign irrevocable	9.938	11.967
Domestic revocable	518.360	422.973
Foreign revocable	220.104	140.090
	1.433.210	946.110

Except for its non-performing receivables for which 100 % provision provided, the Group has no overdue factoring receivables as at the reporting date. The carrying amount of the Group's restructured factoring receivables amounts to TRY 1.322 (31 December 2013: TRY 476). The Group has contractual sureties as collateral for such receivables.

The Group's collaterals for factoring receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

Collateral type Letters of guarantee	31 December 2014 32 32	31 December 2013 8.632 8.632
The aging of non-performing factoring receivables is as follows:	31 December 2014	31 December 2013
Up to 90 days	-	926
Between 90 – 180 days	2.308	658
Between 180 – 360 days	5.668	1.851
Over 360 days	16.372	10.534
	24.348	13.969

The Group has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of provision for non-performing factoring receivables is as follows:

	1 January-	1 January-
	31 December 2014	31 December 2013
Provision at the beginning of the period	(13.969)	(10.902)
Provision set during the period	(11.690)	(3.411)
Collections	1.311	344
Provision at the end of the period	(24.348)	(13.969)



## 8. LEASE RECEIVABLES

As at 31 December 2014 and 31 December 2013, details of finance lease receivables are as follows:

31 December 2014	Short Term	Long Term	Total
Invoiced finance lease receivables	32.660	-	32.660
Non-performing finance lease receivables (*)	104.487	30.903	135.390
Uninvoiced finance lease receivables	1.011.735	2.119.269	3.131.004
Less: Unearned interest income	(197.423)	(277.643)	(475.066)
Leasing contracts in progress (**)	-	44.935	44.935
Advances given for lease transactions	-	52.259	52.259
Specific provisions (*)	(61.850)	(18.292)	(80.142)
Net finance lease receivables	889.609	1.951.431	2.841.040
31 December 2013	Short Term	Long Term	Total
Invoiced finance lease receivables	32.817	-	32.817
Non-performing finance lease receivables (*)	107.512	2.073	109.585
Uninvoiced finance lease receivables	768.032	1.465.063	2.233.095
Less: Unearned interest income	(130.690)	(163.309)	(293.999)
Leasing contracts in progress (**)	-	157.526	157.526
Advances given for lease transactions	-	45.640	45.640
Specific provisions (*)	(51.657)	(996)	(52.653)
Net finance lease receivables	726.014	1.505.997	2.232.011

(\*) Presented as non-performing receivables in the accompanying consolidated statement of financial position.

(\*\*) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2014 and 31 December 2013, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

As at 31 December 2014, analysis of finance lease receivables according to their maturities is as follows:

						2020 and	
	2015 (**)	2016	2017	2018	2019	after	Total
Finance lease							
receivables (gross) (*)	1.099.643	745.028	560.132	419.160	218.660	176.289	3.218.912
Unearned interest	(197.423)	(123.158)	(75.570)	(40.785)	(18.209)	(19.921)	(475.066)
Finance lease							
receivables (net)	902.220	621.870	484.562	378.375	200.451	156.368	2.743.846

(\*) Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled to payment plans yet.

(\*\*) Non-performing finance lease receivables amounting to TRY 55.248 are presented in 2015 column since their collection dates are not certain.



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

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

## 8. LEASE RECEIVABLES (Continued)

As at 31 December 2013, analysis of finance lease receivables according to their maturities is as follows:

						2019 and	
	2014 (**)	2015	2016	2017	2018	after	Total
Finance lease							
receivables (gross) (*)	857.781	553.534	380.470	266.421	183.882	80.756	2.322.844
Unearned interest	(130.690)	(80.781)	(45.701)	(23.937)	(9.440)	(3.450)	(293.999)
Finance lease							
receivables (net)	727.091	472.753	334.769	242.484	174.442	77.306	2.028.845

(\*) Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled by the payment plans yet.

(\*\*) Non-performing finance lease receivables amounting to TRY 56.932 are presented in 2014 column since their collection dates are not certain.

As at 31 December 2014, the average compound interest rates applicable for the finance lease receivables are 13,92 % for TRY, 6,07 % for USD, and 6,53 % for EUR (31 December 2013: 13,70 % for TRY, 6,13 % for USD and 6,96 % for EUR).

As at 31 December 2014, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest
USD	415.920.685	964.478	56.025.121	129.917
EUR	300.561.328	847.793	49.300.928	139.063
TRY	-	931.575	-	206.086
Total		2.743.846		475.066

As at 31 December 2013, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest
USD	395.135.604	843.338	57.790.849	123.343
EUR	243.747.415	715.766	30.275.573	88.904
TRY	-	469.741	-	81.752
Total		2.028.845		293.999

(\*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.



## 8. LEASE RECEIVABLES (Continued)

USD 68.546.309 and Euro 13.483.506 portion of the Group's finance lease receivables have variable rates (31 December 2013: USD 60.437.216 and Euro 22.670.799) while USD 347.374.376, Euro 287.077.822 and TRY 931.575 portion of its finance lease receivables have fixed rates (31 December 2013: USD 334.698.388, Euro 221.076.616 and TRY 469.742).

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

Collateral type:	31 December 2014	31 December 2013
Mortgages	219.282	197.866
Letters of guarantee	20.732	6.262
Pledged shares	17.900	-
Cash blockages	12.748	8.747
Equity securities	2.450	2.450
Guarantors	506	27
	273.618	215.352

In addition to collaterals above, the Group also has pledged vehicles amounting to TRY 34.881 and pledged machines amounting to TRY 128 (31 December 2013: pledged vehicles amounting to TRY 15.409, pledged machines amounting to TRY 582).

As at the reporting date, the Group did not record provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TRY 13.837 (31 December 2013: TRY 16.049) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

	31 December 2014	31 December 2013
Up to 30 days	7.357	8.916
Between 30 – 60 days	3.470	3.345
Between 60 – 90 days	1.992	1.506
Between 90 – 150 days	1.018	2.282
Total overdue	13.837	16.049
Not due amount	285.819	176.616
	299.656	192.665

Details of the collaterals obtained by Group for overdue lease receivables mentioned above are as follows:

Collateral type	31 December 2014	31 December 2013
Mortgages	116.835	26.848
Letters of guarantee	666	106
Cash blockages	100	140
	117.601	27.094

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 3.120 and pledged machines amounting to TRY 128 (31 December 2013: pledged vehicles amounting to TRY 1.265 and pledged machines amounting to TRY 202).



## 8. LEASE RECEIVABLES (Continued)

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 40.

Starting from 24 December 2013, the Group measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA.

As at 31 December 2014 and 31 December 2013, the aging of non-performing finance lease receivables is as follows:

	31 December 2014	31 December 2013
Between 150 – 240 days	8.221	5.776
Between 240 – 360 days	1.746	3.725
Over 360 days	41.307	37.890
Uninvoiced non-performing finance lease receivables	93.460	63.184
Unearned interest of non-performing finance lease receivables	(9.344)	(990)
	135.390	109.585

Collaterals obtained for non-performing finance lease receivables as at 31 December 2014 and 31 December 2013 are as follows:

Guarantee type:	31 December 2014	31 December 2013
Mortgages	11.796	7.800
Cash blockages	-	2.302
	11.796	10.102

In addition to the above collaterals, leased equipments amounting to TRY 22.981 and pledged assets (vehicles) amounting to TRY 485 are considered in the provision calculation (31 December 2013: leased equipments amounting to TRY 41.210 and pledged assets (vehicles) amounting to TRY 376).

The movement of provision for non-performing finance lease receivables is as follows:

Movement of specific provisions:	1 January-	1 January-
	31 December 2014	31 December 2013
Provision at the beginning of the period	(52.653)	(57.966)
Provision set during the period	(28.042)	(13.650)
Write off (*)	-	18.782
Collections	553	181
Provision at the end of the period	(80.142)	(52.653)

(\*) Consists of the portfolio formed within non-performing finance lease receivables and written off through sales to Türkasset Varlık Yönetim A.Ş.



## 9. RELATED PARTIES

As at 31 December 2014 and 31 December 2013, details of related party balances are as follows:

	31 December 2014	31 December 2013
Finance lease receivables from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	25.586	31.338
Avea İletişim Hizmetleri A.Ş.	1.791	2.382
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	1.082	-
Numnum Yiyecek ve İçecek A.Ş.	1.057	309
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	782	1.399
Bankalararası Kart Merkezi A.Ş.	616	-
Anadolu Cam Sanayii A.Ş.	108	394
Nemtaş Nemrut Liman İşletmeleri A.Ş.		25
Total	31.022	35.847
Factoring receivables from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	9.990	16.920
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	3.037	-
Kültür Yayınları İş-Türk Ltd. Şti.	-	139
Total	13.027	17.059
Payables to related parties		
Anadolu Anonim Türk Sigorta Şirketi (Insurance premium)	11.817	10.262
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	388	27
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	6
İş Merkezleri Yönetim ve İşletim A.Ş.	-	5
Avea İletişim Hizmetleri A.Ş.	5	3
Others	-	1
Total	12.210	10.304
Deposits placed to related parties		
Türkiye İş Bankası A.Ş. Demand Deposits	5.371	3.725
Türkiye İş Bankası A.Ş. Time Deposits	141.253	189.617
Total	146.624	193.342
Derivative financial liabilities held for trading from related parties		
Türkiye İş Bankası A.Ş.	7.238	69.920
Total	7.238	69.920
Derivative financial assets held for trading from related parties		
Türkiye İş Bankası A.Ş.	10.701	-
Total	10.701	-



## 9. RELATED PARTIES (Continued)

As at 31 December 2014 and 31 December 2013, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2014
TRY	1,00 %-13,24 %	02.01.2015-15.06.2018	448.484
USD	2,62 %-4,14 %	27.03.2015-30.09.2016	139.952
EUR	2,50 %-4,00 %	17.06.2015-26.12.2016	71.650
			660.086
Currency	Interest Rate %	Maturity	31 December 2013
TRY	1,00 %-13,24 %	02.01.2014-15.06.2018	370.285
USD	2,80 %-6,92 %	02.01.2014-30.09.2016	199.308
EUR	3,40 %-4,25 %	03.01.2014-26.12.2016	107.378
			676.971
İşbank AG			
Currency	Interest Rate %	Maturity	31 December 2014
EUR	1,80 %	Overdraft	1.109
			1.109

Currency	Interest Rate %	Maturity	31 December 2013	
EUR	2,25 %	Overdraft	10.971	
			10.971	

### Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2014
USD	2,85 %-2,87 %	15.05.2015-17.06.2017	32.289
EUR	2,70 %-2,71 %	15.06.2017-17.12.2021	37.767
			70.056
Currency	Interest Rate %	Maturity	31 December 2013
USD	2,41%-2,87%	15.07.2014-15.06.2017	57.129
EUR	2,26%-2,91%	15.07.2014-18.12.2018	28.952
			86.081


### 9. RELATED PARTIES (Continued)

For the years ended 31 December 2014 and 31 December 2013, finance income and expenses from related parties are as follows:

	31 December 2014	31 December 2013
Finance lease interest income from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.679	1.924
Ortopro Tibbi Aletler Sa.nve Tic.A.Ş.	142	218
Bankalararası Kart Merkezi A.Ş.	67	-
Numnum Yiyecek ve İçecek A.Ş.	61	10
Avea İletişim Hizmetleri A.Ş.	58	78
Anadolu Cam Sanayii A.Ş.	46	97
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	14	-
Nemtaş Nemrut Liman İşletmeleri A.Ş	1	4
İş Yatırım Menkul Değerler A.Ş.	-	5
Other	-	1
Total	2.068	2.337
Interest income from related parties		
Türkiye İş Bankası A.Ş.	1.214	4.329
İş Bank AG	117	-
Total	1.331	4.329
Dividend income from related parties		
İş Yatırım Menkul Değerler A.Ş.	2.238	2.166
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	178	351
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	30	56
Yatırım Finansman Menkul Değerler A.Ş.	1	-
Total	2.447	2.573
Finance expense		
Türkiye İş Bankası A.Ş.	45.160	34.097
Türkiye Sınai Kalkınma Bankası A.Ş.	2.190	2.508
İş Yatırım Menkul Değerler A.Ş.	494	347
İşbank AG	265	2.471
Şişe Cam Dış Tic.AŞ.	69	-
Arap Türk Bankası A.Ş.	12	128
Total	48.190	39.551
Rent expense		
Türkiye İş Bankası A.Ş	2.910	2.262
Total	2.910	2.262
Commission income		
Anadolu Anonim Türk Sigorta Şirketi	3.240	2.746
Total	3.240	2.746



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

### 9. RELATED PARTIES (Continued)

Factoring commission income from related parties	31 December 2014	31 December 2013
Şişe Cam Dış Tic.AŞ.	102	104
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	78	-
Kültür Yayınları İş-Türk Ltd.Şti.	-	7
Total	180	111
Factoring interest income from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.580	1.414
Kültür Yayınları İş-Türk Ltd. Şti.	-	39
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	529	-
Total	2.109	1.453
Mutual fund income		
Türkiye İş Bankası A.Ş	36	16
Total	36	16

Financial assets of related parties in the Group's portfolio are presented in Note 4.

As at 31 December 2014 and 31 December 2013, nominal values of derivative transactions with related parties are as follows:

	31 December	31 December 2014		r 2013
	Purchase	Sale Purchase		Sale
Forward Transactions	8.230	7.275	8.230	7.574
Swap Transactions	365.883	332.580	545.022	551.592
Total	374.113	339.855	553.252	559.166

As at 31 December 2014 and 31 December 2013, the amount of the Company's issued debt securities (with maturities of 3 April 2015, 25 February 2016, 14 April 2016 and 1 November 2016) in related parties' portfolio are as follows:

	31 December 2014	31 December 2013
Türkiye Sınai Kalkınma Bankası A.Ş.	20.464	27.982
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	14.387	4.943
Millî Reasürans T.A.Ş.	4.544	5.431
İş Yatırım Ortaklığı A.Ş.	10.587	4.696
İş Portföy Yönetimi A.Ş.	4.918	4.575
İş Yatırım Menkul Değerler A.Ş.	1.308	5.976
Türkiye İş Bankası A.Ş.	110	7.040
Anadolu Anonim Türk Sigorta Şirketi	5.077	-
Total	61.395	60.643



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

### 9. RELATED PARTIES (Continued)

### Renumeration of key management (\*)

For the years ended 31 December 2014 and 31 December 2013, the remuneration of the key management during year comprised the following:

Remuneration of the key management (*)	31 December 2014	31 December 2013
Salaries and other short-term benefits (**)	5.013	4.228
	5.013	4.228

(\*) Key management consists of members of the board of directors, general manager and assistant general managers.

(\*\*) Consists of monetary benefits such as; salaries, bonuses and premiums along with vehicle rentals and other associated expenses.



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

### 10. TANGIBLE ASSETS

For the periods ended 31 December 2014 and 31 December 2013, movements in tangible assets are as follows:

		Furniture and	Other Tangible	Real	Leasehold	
	Vehicles	Fixtures	Assets	Estate	Improvements	Total
Cost						
Opening balance at 1 January 2014	179	2.888	1.867	-	3.197	8.131
Additions	-	837	-	15.732	349	16.918
Disposals	(179)	-	-	-	-	(179)
Closing balance at 31 December 2014	-	3.725	1.867	15.732	3.546	24.870
Accumulated depreciation						
Opening balance at 1 January 2014	(93)	(2.213)	(1.867)	-	(2.264)	(6.437)
Depreciation for the period	-	(345)	-	(52)	(274)	(671)
Disposals	93	-	-	-	-	93
Closing balance at 31 December 2014	-	(2.558)	(1.867)	(52)	(2.538)	(7.015)
Carrying amounts at 31 December 2014		1.167		15.680	1.008	17.855

	Vehicles	Furniture and Fixtures	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost		_				
Opening balance at 1 January 2013	179	2.888	1.867	-	2.541	7.475
Additions	-	207	-	-	688	895
Disposals	-	(207)	-	-	(32)	(239)
Closing balance at 31 December 2013	179	2.888	1.867	-	3.197	8.131
Accumulated depreciation Opening balance at 1 January 2013 Depreciation for the period	(57) (36)	(2.161) (258)	(1.867)	-	(2.046) (218)	(6.131) (512)
Disposals	-	206	-	-	(_ · · ·)	206
Closing balance at 31 December 2013	(93)	(2.213)	(1.867)	-	(2.264)	(6.437)
Carrying amounts at 31 December 2013	86	675	-	-	933	1.694

As at 31 December 2014 and 31 December 2013, there is no restriction on the tangible assets of the Group.



### 11. INTANGIBLE ASSETS

For the periods ended 31 December 2014 and 31 December 2013, movements in intangible assets are as follows:

	31 December 2014	31 December 2013
Cost		
Opening balance at 1 January	1.999	1.799
Additions	545	200
Disposals	-	-
Closing balance at the end of the period	2.544	1.999
Amortization		
Opening balance at 1 January	(1.345)	(1.095)
Amortization for the period	(342)	(250)
Disposals	-	-
Closing balance at the end of the period	(1.687)	(1.345)
Carrying amounts	857	654

### 12. GOODWILL

The Company has purchased nominal shares of İş Factoring amounting to TRY 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TRY 166 on purchased equity of TRY 16.603. As at 31 December 2014, net amount of goodwill is TRY 166 (31 December 2013: TRY 166). Based on TFRS 3, for the annual periods beginning on or after 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

As at 31 December 2014 and 31 December 2013, the Group tested impairment by comparing the goodwill from the acquisition of İş Factoring with the values in use of the cash generating units and concluded that no impairment exists.



### 13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2014 and 31 December 2013, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	31 December 2014	31 December 2013
Temporary differences subject to deferred tax		
Investment incentive – with witholding tax	191.588	174.912
Investment incentive – without witholding tax	91.766	55.143
Allowance for doubtful finance lease receivables	73.831	53.057
Valuation differences on financial instruments	15.036	122.695
Unearned factoring income	12.276	7.332
Employee bonus accrual	2.407	1.580
Reserve for employee benefits	2.191	1.759
Provision for lawsuit	1.265	1.221
Unused vacation	843	655
Prepaid expenses	436	(56)
Expense accruals	233	251
Tax base differences in tangible and intangible assets	(1.216)	(944)
Finance lease adjustment	(2.039)	(6.382)
Finance lease income accruals	(19.048)	(16.837)
Other	115	115
	369.684	394.501

	31 December 2014	31 December 2013
Deferred tax assets / (liabilities)		
Investment incentive – with witholding tax	383	350
Investment incentive – without witholding tax	18.352	11.028
Allowance for doubtful finance lease receivables	14.766	10.611
Valuation differences on financial instruments	3.007	24.539
Unearned factoring income	2.455	1.466
Employee bonus accrual	481	316
Reserve for employee benefits	438	352
Provision for lawsuit	253	244
Unused vacation	169	131
Prepaid expenses	88	(11)
Expense accruals	47	50
Tax base differences in tangible and intangible assets	(243)	(189)
Finance lease adjustment	(408)	(1.276)
Finance lease income accruals	(3.810)	(3.367)
Other	24	24
Deferred tax asset	36.002	44.268





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

### 13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Tax rate used in computation of deferred tax assets and liabilities is 0.2 % for "Investment incentives with witholding tax" and 20 % for the other items (31 December 2013: 0.2 % and 20 %).

### Investment Incentive:

The statement "limited to 2006, 2007 and 2008 only" in the 69th Article of the Income Tax Law No. 193, which was cancelled by the Constitutional Court decision No. 2009/144 and published in the Official Gazette on 8 January 2010, was re-regulated by the Law No. 6009 Article 5, published in the Official Gazette No. 27659, dated 1 August 2010. This new legislation enabled without any year limitation the continued utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%. The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25 % of related income" which has been added to first clause of the temporary 69th article of Law No:193 with the 5<sup>th</sup> article of Law No:6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decision of the Constitutional Court dated 9 February 2012 no. 2012/9. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25 % limit into account. The Group may utilise TRY 283.354 (31 December 2013: TRY 230.055) of its unused investment allowances as offset against its future profits. The Group has TRY 18.735 (31 December 2013: TRY 11.378) of deferred tax assets comprising of unused investment allowances, which may be offset against future profits. Partial or whole recoverable amounts of deferred tax asset are estimated based on current conditions. Future profit projections and potential tax planning strategies have been taken into consideration for valuation purposes.

Movements in deferred tax assets/(liabilities) are as follows:

31 December 2014	31 December 2013
44.268	51.370
(8.277)	(7.020)
11	(82)
36.002	44.268
	44.268 (8.277) 11

### 14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2014 and 31 December 2013, details of assets held for sale and discontinued operations are as follows:

	31 December 2	31 December 2014		2013
	TRY	FC	TRY	FC
Assets held for sale (*)	572	-	444	-
	572	-	444	-

(\*) Consist of properties acquired as a result of the legal proceedings in relation to its non-performing receivables.



### 15. OTHER RECEIVABLES AND OTHER ASSETS

As at 31 December 2014 and 31 December 2013, details of other receivables are as follows:

	31 December 2014		31 December 2013	
	TRY	FC	TRY	FC
Insurance receivables	2.224	2.133	1.110	2.131
Others	712	48	685	13
	2.936	2.181	1.795	2.144

As at 31 December 2014 and 31 December 2013, prepaid expenses are as follows:

	31 December	31 December 2014		31 December 2013	
	TRY	FC	TRY	FC	
Prepaid expenses	19.131	-	6.996	-	
	19.131	-	6.996	-	

As at 31 December 2014 and 31 December 2013, details of other assets are as follows:

	31 December	31 December 2014		2013
	TRY	FC	TRY	FC
Advanced given	23	-	31	-
Others	1.729	35	208	49
	1.752	35	239	49

### 16. FUNDS BORROWED

As at 31 December 2014 and 31 December 2013, details of funds borrowed are as follows:

	31 December 2014		31 December 20	
	TRY	FC	TRY	FC
Short-term borrowings	1.393.483	630.771	927.944	389.267
Short-term portion of long-term borrowings	18.996	95.351	29.040	109.154
Total short-term borrowings	1.412.479	726.122	956.984	498.421
Long-term borrowings	372.287	876.653	382.869	627.616
Total long-term borrowings	372.287	876.653	382.869	627.616
Total borrowings	1.784.766	1.602.775	1.339.853	1.126.037



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

### 16. FUNDS BORROWED (Continued)

As at 31 December 2014 and 31 December 2013, maturity analysis of borrowings is as follows:

Maturity analysis of borrowings	31 December 2014	31 December 2013
Within 1 year	2.138.601	1.455.405
Within 1-2 years	710.897	526.568
Within 2-3 years	197.109	363.558
Within 3-4 years	147.174	64.465
Within 4-5 years	123.374	43.844
5 years and over	70.385	12.050
TOTAL	3.387.541	2.465.890

As at 31 December 2014 and 31 December 2013, details of short term borrowings based on types of currency are as follows:

Currency (*)	Interest rate %	Original Currency Amount	31 December 2014
TRY	1 %-12,00 %	-	1.327.348
USD	1,80 %-4,25 %	201.650.837	467.608
Euro	1,60 %-3,75 %	54.512.362	153.763
GBP	4,50 %	595.952	2.143
Interest accruals			73.392
TOTAL			2.024.254
Currency (*)	Interest rate %	Original Currency Amount	31 December 2013
TRY	1 %- 11,02 %	-	815.383
USD	1,5 % - 6,92 %	97.112.182	207.267
Euro	1,99 % -5,04 %	91.853.185	269.727
GBP	4,50 %	72.593	255
Interest accruals			24.579
TOTAL			1.317.211

(\*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated statement of financial position.

As at 31 December 2014 and 31 December 2013, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

Currency	Interest rate %	Original Currency Amount	31 December 2014
TRY	11,48 %-15,39 %	-	327.469
USD	1,51 %-4,26 %	140.249.996	325.226
Euro	1,08 %-4,34 %	251.920.736	710.592
TOTAL			1.363.287



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

### 16. FUNDS BORROWED (Continued)

Currency	Interest rate %	Original Currency Amount	31 December 2013
TRY	7,11 % - 13,24 %	-	335.993
USD	1,51 % - 4,26 %	229.702.405	490.254
Euro	1,33 % - 4,01 %	109.801.403	322.432
TOTAL			1.148.679

As at 31 December 2014 and 31 December 2013, compounded interest rates have been presented.

As at 31 December 2014 and 31 December 2013, details of borrowings based on types of interest rate are as follows:

	31 December 2014		31 December 2013	
	TRY	FC	TRY	FC
Fixed rate	1.704.211	821.271	555.305	504.541
Variable rate	80.555	781.504	784.548	621.496
	1.784.766	1.602.775	1.339.853	1.126.037

Fair values of the funds borrowed are presented in Note 40.

As at 31 December 2014, the Group has available TRY 3.974.250 of unused credit lines for which all precedent conditions were met (31 December 2013: TRY 3.987.927).

### 17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2014 and 31 December 2013, details of miscellaneous payables are as follows:

	31 December 2014		31 December 2013	
	TRY	FC	TRY	FC
Payables to suppliers for lease transactions	10.930	14.289	4.300	50.575
Other payables (*)	6.543	6.765	5.219	6.554
	17.473	21.054	9.519	57.129

(\*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in instalments. Other payables consist of the Group's insurance premium payables and payables to suppliers resulting from intercorporate daily operations of the Group.

The Group purchases generally in cash from the suppliers. The Group has a financial risk management policy that enables the Group to pay all its payables at their maturities.



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

### 17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES (Continued)

As at 31 December 2014 and 31 December 2013, details of other liabilities are as follows:

	31 Decembe	31 December 2014		er 2013
	TRY	FC	TRY	FC
Advances received (*)	11.056	20.699	6.458	13.708
Others	2.015	2.107	221	504
	13.071	22.806	6.679	14.212

(\*) Advances received consist of advances received from lessees in accordance with the leasing agreements for machinery and equipments that are not readily in use of the customers.

### 18. FINANCE LEASE OBLIGATIONS

None.

### 19. DEBT SECURITIES ISSUED

	31 December	31 December 2014		2013
	TRY	FC	TRY	FC
Bills bonds	95.504	-	-	-
Bonds issued	300.000	-	200.000	-
Interest accruals	7.918	-	2.405	-
	403.422	-	202.405	-

Bills issued by İş Faktoring A.Ş. having nominal value of TRY 95.504 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 18/557 dated 13 June 2014). Bill is issued on 4 September 2014 having a maturity of 6 March 2015 and interest rate of 9.60 %.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 45/T-611 dated 05 June 2012). Issuance of bond was held on 05 April 2013. The floating rate quarterly coupon bond have a maturity of 3 April 2015 and the eighth coupon annual compound interest rate of 2,30 % (1<sup>st</sup> coupon interest rate is 1,92 %, 2<sup>nd</sup> coupon interest rate is 2,25%, 3<sup>rd</sup> coupon interest rate is 2,40 %, 4<sup>th</sup> coupon interest rate is 2,81 %, 5<sup>th</sup> coupon rate is 2,92%, 6<sup>th</sup> coupon rate is 2,37 %, 7<sup>th</sup> coupon rate is 2,74 %).

Date of first coupon payment (*)	5 July 2013
Date of second coupon payment (*)	4 October 2013
Date of third coupon payment(*)	3 January 2014
Date of fourth coupon payment(*)	4 April 2014
Date of fifth coupon payment(*)	4 July 2014
Date of sixth coupon payment(*)	3 October 2014
Date of seventh coupon payment(*)	2 January 2015
Date of eighth coupon payment	3 April 2015

(\*) The first coupon payment of bond was made on 5 July 2013, the second coupon on 4 October 2013, the third coupon on 3 January 2014, the fourth coupon on 4 April 2014, the fifth coupon on 4 July 2014, the sixth coupon on 3 October 2014, the seventh coupon on 2 January 2015.



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

### 19. DEBT SECURITIES ISSUED (Continued)

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 100.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 33/1102 dated 03 October 2013). Issuance of bond was held on 27 February 2014. The floating rate quarterly coupon bond have a maturity of 25 February 2016 and the fourth coupon annual compound interest rate of 2,35 %. (1<sup>st</sup> coupon interest rate is 3,08 %, 2<sup>nd</sup> coupon interest rate is 2,54%, 3<sup>rd</sup> coupon interest rate is 2,64 %)

Date of first coupon payment (*)	29 May 2014
Date of second coupon payment (*)	28 August 2014
Date of third coupon payment (*)	27 November 2014
Date of fourth coupon payment	26 February 2015
Date of fifth coupon payment	28 May 2015
Date of sixth coupon payment	27 August 2015
Date of seventh coupon payment	26 November 2015
Date of eighth coupon payment	25 February 2016

(\*) The first coupon payment of bond was made on 29 May 2014, the second coupon payment of bond was made on 28 August 2014, the third coupon payment of bond was made on 27 November 2014.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 100.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 33/1102 dated 03 October 2013). Issuance of bond was held on 17 April 2014. The floating rate quarterly coupon bond have a maturity of 14 April 2016 and the fourth coupon annual compound interest rate of 2,31 % . (1<sup>st</sup> coupon interest rate is 2,90 %, 2<sup>nd</sup> coupon interest rate is 2,49 %, 3<sup>rd</sup> coupon interest rate is 2,76%)

Date of first coupon payment (*)	17 July 2014
Date of second coupon payment (*)	16 October 2014
Date of third coupon payment (*)	15 January 2015
Date of fourth coupon payment	16 April 2015
Date of fifth coupon payment	16 July 2015
Date of sixth coupon payment	15 October 2015
Date of seventh coupon payment	14 January 2016
Date of eighth coupon payment	14 April 2016

(\*) The first coupon payment of bond was made on 17 July 2014, the second coupon payment of bond was made on 16 October 2014 and the third coupon payment of bond was made on 15 January 2015.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 25/794 dated 19 August 2014). Issuance of bond was held on 4 November 2014. The floating rate quarterly coupon bond have a maturity of 1 November 2016 and the first coupon annual compound interest rate of 2,47 %.

Date of first coupon payment	3 February 2015
Date of second coupon payment	5 May 2015
Date of third coupon payment	4 August 2015
Date of fourth coupon payment	3 November 2015
Date of fifth coupon payment	2 February 2016
Date of sixth coupon payment	3 May 2016
Date of seventh coupon payment	2 August 2016
Date of eighth coupon payment	1 November 2016



### 20. TAXES AND DUTIES PAYABLE

As at 31 December 2014 and 31 December 2013, details of taxes and duties payable are as follows:

	31 December	2014	31 December	2013
	TRY	FC	TRY	FC
Banking and Insurance Transaction Tax	468	-	415	-
Income Tax	380	-	288	-
Social Security Premium	326	-	245	-
Value Added Tax	39	-	219	-
Other Tax and Liabilities	252	-	21	-
	1.465	-	1.188	-

### 21. PROVISIONS

As at 31 December 2014 and 31 December 2013, other provisions are as follows:

	31 December 2014	31 December 2013
General provision for financial lease receivables	2.275	2.449
Provision for lawsuits	510	1.221
Provision for general administrative expenses	233	252
	3.018	3.922

Movements in provisions for the years ended 31 December 2014 and 31 December 2013 are as follows:

31 December 2014	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
At the beginning of the period	(2.449)	(1.221)	(252)
Additions	(206)	(44)	(233)
Cancellations	380	755	252
At the end of the period	(2.275)	(510)	(233)

31 December 2013	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
At the beginning of the period	(1.902)	(923)	(205)
Additions	(547)	(692)	(252)
Cancellations	-	394	205
At the end of the period	(2.449)	(1.221)	(252)



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### 22. EMPLOYEE BENEFITS

As at 31 December 2014 and 31 December 2013, reserve for employee benefits are as follows:

	31 December 2014	31 December 2013
Reserve for employee severance indemnity	2.191	1.759
Employee bonus accrual	2.407	1.580
Unused vacation provision	843	655
	5.441	3.994

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

TAS 19 – "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2014	31 December 2013
Discount rate	3,30 %	3,29%
Inflation	6,00 %	6,5%
Probability of retirement	100 %	100%

For the periods ended 31 December 2014 and 31 December 2013, movements in reserve for employee severance indemnity are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	1.759	2.001
Charge for the period	152	153
Cost of services	224	206
Amounts paid	(2)	(208)
Cancellations	2	17
Actuarial difference	56	(410)
Balance at the end of the period	2.191	1.759

The movement of the provision for unused vacation for the years ended 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	655	477
Provision set during the period	188	178
Balance at the end of the period	843	655

The movement of the provision for employee bonus accrual for the years ended 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	1.580	750
Provision set during the period	2.406	1.580
Reversals	(267)	-
Payment made during the period	(1.312)	(750)
Balance at the end of the period	2.407	1.580



### 23. CURRENT PERIOD TAX PAYABLE

As at 31 December 2014 and 31 December 2013, details of corporate tax provision and prepaid taxes are as follows:

	31 December 2014	31 December 2013
Current period corporate tax provision (Note:37)	4.712	3.835
Corporation taxes paid in advance during the year	(3.026)	(2.525)
Corporate tax provision (net)	1.686	1.310

For the period ended 31 December 2014 and 31 December 2013, movements of corporate tax provision are as follows:

	31 December 2014	31 December 2013
Corporate tax provision at the beginning of the period	1.310	1.211
Total income tax expense (Note:37)	4.712	3.835
Corporation taxes paid during the year	(4.336)	(3.736)
Corporate tax provision (net)	1.686	1.310

### 24. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring. As at 31 December 2014, the non-controlling interests amounting to TRY 16.568 (31 December 2013: TRY 15.109) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TRY 1.688 (31 December 2013: TRY 2.600) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the years ended 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Balance at the beginning of the period	15.109	13.004
Fair value changes of marketable securities	(229)	(495)
Profit for the period	1.688	2.600
Balance at the end of the period	16.568	15.109



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

### 25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2014 nominal capital of the Company is TRY 461.503. The share capital of the Company consists of 46.150.300.000 shares Kurus 1 price.

As at 31 December 2014 and 31 December 2013, shareholders and their ownership percentages are as follows:

		31 December		31 December
Shareholders	(%)	2014	(%)	2013
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	131.805	28,56	121.199
Türkiye İş Bankası A.Ş.	27,79	128.271	27,79	117.948
Camiş Yatırım Holding A.Ş.	0,83	3.847	0,83	3.537
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	352	0,08	324
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,07	306	0,07	282
Publicly traded	42,67	196.922	42,67	181.075
TOTAL	100,00	461.503	100,00	424.365

The Company has increased its share capital by TRY 37.138 to TRY 461.503. The increase comprises of TRY 37.138 of bonus shares from previous year's profit. Capital increase was registered on 4 July 2014.

Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

Shareholders	31 December 2014	31 December 2013
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Nemtaş Nemrut Liman İşletmeleri A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

### CAPITAL RESERVES

As at 31 December 2014 and 31 December 2013, details of capital reserves are as follows:

31 December 2014	31 December 2013
1.938	1.938
1.938	1.938
	1.938



### 25. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

	31 December 2014	31 December 2013
Accumulated Other Comprehensive Income/Expenditure Not		
Reclassified in Profit/Loss	283	328
Accumulated Other Comprehensive Income/Expenditure		
Reclassified in Profit/Loss	2.243	3.962
Total	2.526	4.290

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

### 26. PROFIT RESERVES

As at 31 December 2014 and 31 December 2013, details of profit reserves are as follows:

	31 December 2014	31 December 2013
Legal reserves	24.202	21.291
Extraordinary reserves (*)	81.450	78.280
Total	105.652	99.571

(\*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TRY 44.622 classified in extraordinary reserves which will not be distributed as at 31 December 2014 (31 December 2013: TRY 51.251).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5 % per annum, until the total reserve reaches 20 % of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10 % per annum of all cash dividend distributions. Legal reserves, if less than 50 % of the paid-in capital, can only be used to net-off the losses.

### 27. PRIOR YEARS' PROFIT/LOSS

The Group has TRY 146 previous year profit as at 31 December 2014 (31 December 2013: 18.776).



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

### 28. COMMITMENTS AND CONTINGENCIES

As at 31 December 2014, TRY 4.914 of letters of guarantee are given to customs, authorities and banks (31 December 2013: TRY 3.823).

As at 31 December 2014, the total risk of litigations filed and currently pending against the Group amounting to approximately TRY 7.464 (31 December 2013: TRY 8.595). The Group has provided a provision amounting to TRY 510 for litigations (31 December 2013: TRY 1.221) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2014, the Group has letter of credit commitments of USD 5.316.391, EUR 6.605.656, GBP 49.000 and JPY 75.090.000. (31 December 2013: USD 4.920.958, EUR 23.414.568).

As at 31 December 2014, the Group has lease commitments of USD 11.028.362, EUR 22.715.385, TRY 50.117 (31 December 2013: USD 15.737.602, EUR 65.958.986, TRY 26.386).

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

As at 31 December 2014 details of derivatives are as follows:

	31 December 2014	
	Amount as	
	Original Currency	TRY
Currency Swap Purchases:		
USD	25.000.000	57.973
EUR	44.185.986	124.635
TRY		884.454
		1.067.062
Currency Swap Sales:		
USD	183.426.191	425.347
EUR	158.370.540	446.716
TRY		161.387
		1.033.450

	31 December 2014	
	Amount as	
	Original Currency	TRY
Forward Purchase Transactions:		
TRY		8.230
		8.230
	—	
Forward Sales Transactions:		
EUR	2.579.106	7.275
		7.275



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

### 28. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2013 details of derivatives are as follows:

	31 December 2013	
	Amount as	
	Original Currency	TRY
Currency Swap Purchases:		
TRY		843.920
		843.920
Currency Swap Sales:		
USD	157.182.425	335.474
EUR	189.759.339	557.229
		892.703
	31 December 2013	
	Amount as	

	Amount as	
	Original Currency	TRY
Forward Purchase Transactions:		
TRY		8.230
		8.230
Forward Sales Transactions:		
EUR	2.579.106	7.574
		7.574

Derivative transactions performed with related parties are presented in Note 9.

The Group has TRY 36.626 of unrealized loss and TRY 21.590 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2014 (Note 4) (31 December 2013: TRY 122.695 loss).

As at 31 December 2014, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	565.225	501.837	1.067.062
Currency Swap Sales	578.325	455.125	1.033.450
Forward Purchase Transactions	8.230	-	8.230
Forward Sales Transactions	7.275	-	7.275

As at 31 December 2013, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	388.254	455.666	843.920
Currency Swap Sales	438.843	453.860	892.703
Forward Purchase Transactions	-	8.230	8.230
Forward Sales Transactions	-	7.574	7.574



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

### 29. SEGMENT REPORTING

Information regarding the Group's operating business segments is based on the Group's management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

### **Business segments**

The Group comprises the following main business segments:

Leasing	Includes the Group's finance lease activities
<ul> <li>Factoring operations</li> </ul>	Includes the Group's factoring activities

31 December 2014	Leasing	Factoring	Consolidation Adjustments	Consolidated
Total assets	3.161.195	1.454.609	(35.382)	4.580.422
Total liabilities	2.535.172	1.378.431	-	3.913.603
Net profit	72.421	7.753	(1.688)	78.486
			Consolidation	
31 December 2013	Leasing	Factoring	Consolidation Adjustments	Consolidated
<u>31 December 2013</u> Total assets	Leasing	Factoring 971.615		Consolidated 3.492.581
<u> </u>		<u> </u>	Adjustments	
Total assets	2.556.348	971.615	Adjustments	3.492.581



### 29. SEGMENT REPORTING (Continued)

31 December 2014			Consolidation	
	Leasing	Factoring	Adjustments	Total
Operating Income	186.567	89.248	-	275.815
Financial Expenses (-)	(141.742)	(58.743)	-	(200.485)
Gross Profit / Loss	44.825	30.505	-	75.330
Operating Expense (-)	(26.638)	(13.702)	-	(40.340)
Gross Operating Profit/Loss	18.187	16.803	-	34.990
Other Operating Income	150.277	10.593	-	160.870
Provision for Losses on Non-Performing				
Receivables (-)	(28.248)	(11.690)	-	(39.938)
Other operating Expenses (-)	(58.305)	(4.454)	-	(62.759)
Net Operating Profit / Loss	81.911	11.252	-	93.163
Profit or Loss from Continuing Operations	81.911	11.252	-	93.163
Provision for Taxes from Continuing				
Operations (±)	(9.490)	(3.499)	-	(12.989)
Net Profit or Loss from Continuing Operations	72.421	7.753	-	80.174
Non-controlling Interests	-	-	(1.688)	(1.688)
Net Profit or Loss for the Period	72.421	7.753	(1.688)	78.486
Fixed Asset Additions	16.955	508	-	17.463
Depreciation and Amortisation	(738)	(275)	-	(1.013)

### 31 December 2013

	Leasing	Factoring	Adjustments	Total
Operating Income	125.745	58.489	-	184.234
Financial Expenses (-)	(80.188)	(35.260)	-	(115.448)
Gross Profit / Loss	45.557	23.229	-	68.786
Operating Expense (-)	(21.686)	(8.758)	-	(30.444)
Gross Operating Profit/Loss	23.871	14.471	-	38.342
Other Operating Income	187.298	4.200	(18.776)	172.722
Provision for Losses on Non-Performing				
Receivables (-)	(14.197)	(3.411)	-	(17.608)
Other operating Expenses (-)	(140.412)	-	-	(140.412)
Net Operating Profit / Loss	56.560	15.260	(18.776)	53.044
Profit or Loss from Continuing Operations	56.560	15.260	(18.776)	53.044
Provision for Taxes from Continuing				
Operations (±)	(7.539)	(3.316)	-	(10.855)
Net Profit or Loss from Continuing Operations	49.021	11.944	(18.776)	42.189
Non-controlling Interests	-	-	(2.600)	(2.600)
Net Profit or Loss for the Period	49.021	11.944	(21.376)	39.589
Fixed Asset Additions	883	212	-	1.095
Depreciation and Amortisation	(570)	(192)	-	(762)



Consolidation

### 30. EVENTS AFTER REPORTING PERIOD

None.

### 31. OPERATING INCOME

For the periods ended 31 December 2014 and 31 December 2013, details of operating income are as follows:

31 December 2014	31 December 2013
186.567	125.745
89.248	58.489
275.815	184.234
	186.567 89.248

### 32. OPERATING EXPENSES

For the periods ended 31 December 2014 and 31 December 2013, operating expenses are as follows:

	31 December 2014	31 December 2013
Personnel expenses	(23.429)	(17.284)
Office rent expenses	(3.302)	(2.500)
Consultancy expenses	(1.731)	(1.668)
Board of Directors attendance fee	(1.643)	(1.239)
Information technology expenses	(1.589)	(1.186)
Travel and car expenses	(1.218)	(908)
Depreciation and amortisation expense	(1.013)	(762)
Office contribution expenses	(954)	(901)
BRSA fee	(540)	(334)
Litigation expenses	(397)	(161)
Provision for employee severance indemnity	(378)	(541)
Advertising expense	(271)	(118)
Capital increase expense	(217)	(210)
Other general administrative expenses	(3.658)	(2.632)
- ·	(40.340)	(30.444)

### 33. OTHER OPERATING INCOME

For the periods ended 31 December 2014 and 31 December 2013, details of other operating income are as follows:

	31 December 2014	31 December 2013
Income from derivative financial transactions	141.873	18.730
Foreign exchange gains, net	10.626	132.501
Interest income	6.103	9.610
Commission income	3.240	2.746
Dividend income	2.447	2.573
Collections from non-performing receivables	1.854	525
Others	13.643	6.037
	179.796	172.722



### 34. FINANCE EXPENSES

For the periods ended 31 December 2014 and 31 December 2013, details of financial expenses are as follows:

	31 December 2014	31 December 2013
Interest expense on funds borrowed	(164.770)	(95.603)
Interest expense on debt securities issued	(29.799)	(15.625)
Fees and commissions expense	(5.916)	(4.220)
	(200.485)	(115.448)

### 35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2014 and 31 December 2013, details of provision for non-performing receivables are as follows:

	31 December 2014	31 December 2013
Specific provision expenses	(39.732)	(17.061)
General provision expenses (*)	(206)	(547)
	(39.938)	(17.608)

(\*) In addition to the specific provision for non-performing receivables, the Group management provided an additional provision for finance lease receivables having overdue less than legal terms but regarded as risky by the management.

### 36. OTHER OPERATING EXPENSES

For the periods ended 31 December 2014 and 31 December 2013, details of other operating expenses are as follows:

	31 December 2014	31 December 2013
Losses from derivative financial transactions	(78.226)	(137.402)
Foreign exchange losses	-	-
Impairment losses on assets held for sale	(3)	-
Other	(3.456)	(3.010)
	(81.685)	(140.412)

Derivative financial instruments with a view to direct the Group's financial risks (forward and currency swap contracts) consist of combination of more than one sub-transaction as time or spot. Entire such transactions are not trading and are preferred due to economic worth occurred at the maturity. Although, entire such transactions do not cover all conditions for hedge accounting, buy-sell spot transactions at the transaction date are recorded at initial amounts, buy-sell transactions that held to maturity date are recorded in fair values.



### 36. OTHER OPERATING EXPENSES (Continued)

Measurement differences of such sub-transactions which are integrated and fixed by the initial date economic worth at the maturity date on initial measurement of buy-sell transactions and measurement at the maturity date of buy-sell transactions cause the differences on income/expense components in the interim periods.

The difference as foreign currency expense difference between income/loss is at amounting TRY 7.012 from measurement difference of such transactions in the Group's financial statements as at 31 December 2014 (31 December 2013: TRY 22.466). The difference is expected to be substantially expired at the maturity of transactions.

### 37. TAXATION

For the periods ended 31 December 2014 and 31 December 2013, details of income tax expense are as follows:

Provision for taxes	31 December 2014	31 December 2013
Current tax charge	(4.712)	(3.835)
Deferred tax benefit	(8.277)	(7.020)
	(12.989)	(10.855)

The reported income tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

		1 January- 31 December		1 January- 31 December
	%	2014	%	2013
Net profit for the period		80.174		42.189
Total tax income		12.989		10.855
Profit before tax	-	93.163		53.044
Income tax using the Company's tax rate	20,00	18.633	20,00	10.609
Non-deductible expenses	7,66	7.138	7,20	3.820
Tax exempt income	(0,55)	(508)	(0,97)	(515)
Investment incentives	(10,37)	(9.661)	(1,39)	(736)
Other	(2,80)	(2.613)	(4,38)	(2.323)
Total income tax expense / (income)	13,94	12.989	20,46	10.855



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

### 37. TAXATION (Continued)

### Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2014, corporate income tax rate is 20 % (31 December 2013: 20 %).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20 % (31 December 2013: 20 %). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1<sup>st</sup> and 25<sup>th</sup> of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 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 resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10 % period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8 % is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. After this date, companies can deduct 40 % of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the companies. There is no withholding tax on the investments incentive certificates.

### Investment Incentives

Temporary Article 69 added to the Income Tax Law numbered 193 with Law no 5479, which became effective starting from 1 January 2006, upon being promulgated in Official Gazette no 26133 dated 8 April 2006, stating that taxpayers can deduct the investment allowance exemption amounts which were present according to legislative provisions effective on 31 December 2005 (and by taking into account the corporate tax legislation in that date) only from the corporate profits of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or totally in three years was not allowed to be transferred to following years and became unavailable as of 31 December 2008. On the other side, Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of Article 2 and Article 15 of the Law no 5479 and the right of investment allowance became unavailable during the period of 1 January 2006 and 8 April 2006.



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

### 37. TAXATION (Continued)

However, on 15 October 2009, Turkish Constitutional Court decided to cancel the clause numbered (2) of the Article 15 of the Law 5479 and expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as at 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, time limitations for carried forward investment allowance gained in the previous period of mentioned date and limitations related to investments commenced between the dates of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation of investment allowance become effective with promulgation of decision on the official gazette and the decision of Turkish Constitutional Court was promulgated in Official Gazette no 27456 dated 8 January 2010.

According to the decision mentioned above, investment allowances transferred to 2006 due to lack of profit and investment allowances gained by the investments that are commenced before 1 January 2006 and continued after that date constituting economic and technical integrity will not be only used in 2006, 2007 and 2008, but also in the following years. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year according to amendments to the Income Tax Law promulgated in Official Gazette no 27659 dated 1 August 2010. With this amendment, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30 %.

The statement "the amount of investment allowance to be utilized may not exceed 25 % of earnings for the year" was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25 % limit into account.

### Transfer Pricing

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

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



### 38. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. 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 assessed 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.

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Weighted average number of outstanding shares (*) Net profit for the period (TRY)	46.150.300.000 78.486	42.436.500.000 39.589
Basic earnings per share (full Kurus) (**)	0,17	0,09

(\*) As at 31 December 2014, the share capital of the Company consists of 46.150.300.000 shares having Kurus 1 nominal price.

	31 December 2014	31 December 2013
Number of shares at beginning of the period	42.436.500.000	42.436.500.000
Capital increase (**)	3.713.800.000	-
Number of shares at end of the period	46.150.300.000	42.436.500.000

(\*\*) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share figure.

## 39. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.





### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

### (a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2014, the debt/equity ratio is 18 % (31 December 2013: 24 %). As at 31 December 2014 and 31 December 2013, the leverage ratios are as follows:

	31 December 2014	31 December 2013
Funds borrowed	3.387.541	2.465.890
Debt securities issued	403.422	202.405
Miscellaneous payables	38.527	66.648
Other liabilities	35.877	20.891
Total liabilities	3.865.367	2.755.834
Banks (-)	(180.217)	(232.793)
Net liabilities	3.685.150	2.523.042
Total shareholders' equity	666.819	603.638
Shareholders' equity / liabilities	18 %	24 %

According to the credit rating reports of Fitch issued at 23 July 2014, credit ratings of the Company are as follows:

Foreign Currency	
Long term	BBB -
Short term	F3
Outlook	Stable
TRY	
Long term	BBB -
Short term	F3
Outlook	Stable
National	
Long term	AA+ (tur)
Outlook	Stable
Support	2
oupport	2

### (b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 "Significant accounting policies".



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 December 2014	31 December 2013
Financial Assets		
Banks	180.217	232.793
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	459	-
-Derivative financial assets held for trading	21.590	-
Finance lease receivables and non-performing receivables, net	2.841.040	2.232.011
Factoring receivables and non-performing factoring receivables, net	1.433.210	946.110
Insurance receivables (*)	4.357	3.241
Other receivables (*)	760	695
Financial assets available for sale	22.382	23.213
Financial Liabilities:		
Derivative financial liabilities held for trading	(36.626)	(122.695)
Miscellaneous payables and other liabilities	(74.404)	(87.539)
Funds borrowed	(3.387.541)	(2.465.890)
Debt securities issued	(403.422)	(202.405)

(\*) Included in other receivables.

(d) Financial risk management objectives

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Group does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

In order to minimize potential risks, the Group reports monthly to the risk management committee which is in charge of monitoring risks and the policies applied.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group's income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- "Forward foreign exchange contracts" to hedge the exchange rate risk arising from operations.
- "Currency swaps" to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.



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### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

There has been no change in the Group's exposure to market risks or the method it uses to manage and measure such risks.

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

As at 31 December 2014 and 31 December 2013, details of foreign currency denominated assets and liabilities are as follows:

31 December 2014 (*)	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	TRY Equivalent
Banks	10.791	54,403	-	-	27	178.478
Finance lease receivables	415.921	300.561	-	-	-	1.812.271
Factoring receivables	61.075	52.970	-	1.994	-	298.209
Advances given for lease transactions	4.955	8.338	-	147	-	35.536
Leasing contracts in progress	2.030	5.951	-	-	-	21.492
Other receivables	234	581	-	-	-	2.181
Other assets	7	6	-	-	-	35
Total assets (**)	495.013	422.810	-	2.141	27	2.348.202
Funds borrowed	(344.267)	(309.273)	-	(596)	-	(1.672.831)
Miscellaneous payables and other liabilities	(4.812)	(11.527)	-	(49)	(412)	(43.860)
Other provisions	(968)	-	-	-	-	(2.245)
Total liabilities (**)	(350.047)	(320.800)	-	(645)	(412)	(1.718.936)
Balance sheet position	144.966	102.009	-	1.496	(385)	629.266
Off balance sheet position	(158.426)	(116.764)	-	-	-	(696.730)
Net foreign currency position	(13.460)	(14.755)	-	1.496	(385)	(67.464)

(\*) As at 31 December 2014, foreign currency indexed borrowings amounting to USD 13.924.014 and EUR 13.389.310 (Total: TRY 70.056) and foreign currency indexed factoring receivables amounting to USD 12.614.910 and EUR 13.796.130 (Total: TRY 68.167) are presented in TRY column in the accompanying consolidated statement of financial position.

(\*\*) As at 31 December 2014, accruals of derivative assets amounting to TRY 21.386 and derivative liabilities amounting to TRY 35.429 are not included.



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (f) Currency risk management (Continued)

31 December 2013 (*)	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	TRY Equivalent
Banks	27.585	55.380	-	14	26	221.548
Finance lease receivables	395.136	243.747	-	-	-	1.559.101
Factoring receivables	55.306	61.571	-	87	-	299.179
Advances given for lease transactions	9.216	8.309	-	-	-	44.069
Leasing contracts in progress	5.575	46.556	-	-	-	148.609
Other assets	276	530	-	-	-	2.144
Other receivables	20	2	-	-	-	49
Total assets (**)	493.114	416.095	-	101	26	2.274.700
Funds borrowed	(328.485)	(202.626)	-	(73)	-	(1.296.353)
Miscellaneous payables and other liabilities	(4.303)	(21.134)	(9)	(8)	(887)	(71.341)
Other provisions	(1.148)	-	-	-	-	(2.449)
Total liabilities (**)	(333.936)	(223.760)	(9)	(81)	(887)	(1.370.143)
Balance sheet position	159.178	192.335	(9)	20	(861)	904.557
Off balance sheet position	(157.182)	(192.338)	-	-	-	(900.276)
Net foreign currency position	1.996	(3)	(9)	20	(861)	4.281

(\*) As at 31 December 2013, foreign currency indexed borrowings amounting to USD 32.701.595 and EUR 34.231.437 (Total: TRY 170.316) and foreign currency indexed factoring receivables amounting to USD 34.924.776 and EUR 24.717.020 (Total: TRY 147.121) are presented in TRY column in the accompanying consolidated statement of financial position.

(\*\*) As at 31 December 2013, accruals of derivative liabilities amounting to TRY 122.695 are not included.

### Foreign currency sensitivity

The Group is mainly exposed to USD and EUR exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15 % of change in such exchange rates. The Group uses 15 % of rate change when it reports its foreign currency risk to the top management and this rate represents the top management's expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Group's exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

Foreign currency sensitivity (Continued)	Profit	: / (Loss)		Equity(*)
	Appreciation	Depreciation	Appreciation	Depreciation
	of foreign	of foreign	of foreign	of foreign
31 December 2014	currency	currency	currency	currency
15% change of the USD against TRY				
1- Net USD asset/liability	50.424	(50.424)	50.424	(50.424)
2- Hedged portion of TRY against USD risk (-)	(55.106)	55.106	(55.106)	55.106
3- Net effect of USD (1+2)	(4.682)	4.682	(4.682)	4.682
15% change of the Euro against TRY				
4- Net Euro asset/liability	43.161	(43.161)	43.161	(43.161)
5- Hedged portion of TRY against Euro risk (-)	(49.403)	49.403	(49.403)	49.403
6- Net effect of Euro (4+5)	(6.242)	6.242	(6.242)	6.242
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	524	(524)	524	(524)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	524	(524)	524	(524)
TOTAL (3+6+9)	(10.400)	10.400	(10.400)	10.400
(*) Includes profit/loss effect.				
	Profit	: / <b>(Loss)</b>		Equity(*)
	Appreciation	Depreciation	Appreciation	Depreciation
	of foreign	of foreign	of foreign	of foreign
31 December 2013	currency	currency	currency	currency
15% change of the USD against TRY				
1- Net USD asset/liability	50.960	(50.960)	50.960	(50.960)
2- Hedged portion of TRY against USD risk (-)	(50.321)	50.321	(50.321)	50.321
3- Net effect of USD (1+2)	639	(639)	639	(639)
15% change of the Euro against TRY				
4- Net Euro asset/liability	84.719	(84.719)	84.719	(84.719)
5- Hedged portion of TRY against Euro risk (-)	(84.720)	84.720	(84.720)	84.720
6- Net effect of Euro (4+5)	(1)	1	(1)	1
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	1	(1)	1	(1)
$\Omega$ Hadrad partian of TDV against other surranging risk ()	-	-	-	-
8- Hedged portion of TRY against other currencies risk (-)				(1)
<ul> <li>9- Net effect of other foreign currencies (7+8)</li> </ul>	1	(1)	1	(1)

(\*) Includes profit/loss effect.



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

### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

### (g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

### Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group's exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 31 December 2014 and 31 December 2013, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets:		
Banks	173.493	219.054
Finance lease receivables (*)	2.546.861	1.833.282
Factoring receivables	1.222.883	817.008
Financial liabilities:		
Funds borrowed	2.525.482	1.958.691
Debt securities issued	98.367	-
Variable rate instruments		
Financial assets:		
Finance lease receivables (*)	196.985	195.564
Factoring receivables	210.327	129.102
Financial liabilities:		
Borrowings	862.059	507.199
Debt securities issued	305.055	202.405

(\*) Leasing contracts in progress and advances given are not included in the balances above.



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

### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (g) Interest rate risk management (Continued)

### Interest rate sensitivity (Continued)

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

• Interest income from finance leases with variable interest rates would be higher at an amount of TRY 1.943 (31 December 2013: TRY 1.827)

• Interest income from factoring transactions with variable interest rates would be higher at an amount of TRY 2.074 (31 December 2013: TRY 1.273)

• Interest expense on funds borrowed with variable interest rates would be higher at an amount of TRY 8.053 (31 December 2013: TRY 16.465)

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

### Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15 % higher / lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 598 (31 December 2013: TRY 321).

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Finance lease receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Sectoral allocation of finance lease receivables is as follows:

	31 December 2014 (%)	31 December 2013 (%)
Construction	20,55	20,75
Metal industry	16,87	14,17
Transportation	11,28	16,17
Food and beverage	6,92	3,81
Textile	5,96	5,82
Tourism	5,48	6,96
Rubber and plastic	4,74	2,67
Mining	3,16	3,21
Healthcare	3,13	5,75
Forestry products and paper	2,98	4,44
Finance	2,76	3,30
Machinery and equipment	2,32	1,70
Agriculture and forestry	2,01	3,03
Retail and wholesale	1,91	2,05
Other	9,93	6,17
	100,00	100,00

Leased asset allocation of finance lease receivables is as follows:

	31 December 2014 (%)	31 December 2013 (%)
Real estate	37,94	28,98
Machinery and equipment	27,00	22,03
Building and construction machinery	13,05	17,91
Air transportation equipments	4,32	6,28
Textile machinery	4,16	4,39
Sea transport vessels	2,73	4,50
Electronic and optical equipment	2,63	3,47
Tourism equipment	2,02	2,08
Medical equipment	1,88	3,57
Printing machinery	1,22	2,08
Road transportation equipments	1,05	1,52
Office equipments	0,77	1,18
Other	1,23	2,01
	100,00	100,00





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# 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

## (i) Credit risk management (Continued)

As at 31 December 2014, exposure to credit risk based on categories of financial instruments is as follows:

		Receivables	bles						
	Finance Leas	Finance Lease Receivables	Factoring	Factoring Receivables		in C			
						through	Assets		
	Related	Third	Related	Third		profit/loss	Available	Insurance	Other
31 December 2014	party	party	party	party	Deposits	financial assets	For Sale	receivables	Receivables
Exposure to maximum credit risk as at reporting date $(*)$	31.022	2.810.018	13.027	1.420.183	180.217	22.049	22.382	4.357	711
- The portion of maximum risk covered by guarantee		285.414		32			ı		
A. Net carrying value of financial assets which are neither impaired nor overdue	31.022	2.455.114	13.027	1.418.861	180.217	22.049	22.382	4.357	711
- The portion covered by guarantee		156.017		32	·		ı	'	
B. Net carrying value of financial assets that are restricted, otherwise which will be									
regarded as overdue or impaired		1		1.322	ı	·	ı	'	
C. Net carrying value of financial assets which are overdue but not impaired	'	299.656	·	'	ı	ı	ı	ı	ı
- The portion covered by guarantee	ı	117.601	·	ı	·		ı	·	
D. Net carrying value of impaired assets		55.248		ı	ı			·	
- Overdue (gross book value)	'	135.166	,	24.348	ı		ı	'	
- Impairment (-)		(83.619)	1	(24.348)	ı	ı	ı	ı	ı
- Covered portion of net book value (with letter of guarantee etc) (**)	'	11.796	ı	'	ı	ı	ı	ı	ı
- Not past due (gross book value)	'	224	,	ı	ı		ı	'	
- Impairment (-)		3.477		ı	ı		ı	'	
- Covered portion of net book value (with letter of guarantee etc.) (**)	ı	ı					ı	ı	
E. Off balance sheet items with credit risks	I	•			•		'	ı	ı
(*) Gurarantees received are not taken into account in the calculation									
(**) Includes collaterals for the assets impaired but not overdue.									

FINANCIAL STATEMENTS

# 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

## (i) Credit risk management (Continued)

As at 31 December 2013, exposure to credit risk based on categories of financial instruments is as follows:

Receivables

			0012						
	Finance Leas	Finance Lease Receivables	Factoring	Factoring Receivables					
						Fair value	Financial		
						through	Assets		
	Related	Third	Related	Third		profit/loss	Available	Insurance	Other
31 December 2013	party	party	party	party	Deposits	<u>financial assets</u>	For Sale	receivables	<u>Receivables</u>
Exposure to maximum credit risk as at reporting date $(*)$	35.847	2.193.899	17.059	927.551	232.793		23.213	3.241	214
- The nortion of maximum risk covered by culturantee		225 454		8 632			,		
A. Net carrying value of financial assets which are neither impaired nor overdue	35.847	1.944.302	17.059	926.559	232.793		23.213	3.241	214
- The portion covered by guarantee		188.258	I	8.632		I	I	I	ı
B. Net carrying value of financial assets that are restricted, otherwise which will be									
regarded as overdue or impaired	ı	ı	ı	992	I	ı	ı	I	ı
C. Net carrying value of financial assets which are overdue but not impaired	·	192.665	ı	ı		ı	ı	ı	ı
- The portion covered by guarantee	ı	27.094		ı	ı	I		ı	ı
D. Net carrying value of impaired assets	,	56.932	I	I	I	ı	ı	ı	,
- Overdue (gross book value)	ı	103.241		13.969	ı			ı	
- Impairment (-)	ı	(20.000)	ı	(13.969)	ı		'	1	
<ul> <li>Covered portion of net book value (with letter of guarantee etc) (**)</li> </ul>		10.102	1		·		'		
- Not past due (gross book value)	ı	6.344	1		ı				
- Impairment (-)	I	(2.653)	ı	ı	I			ı	
<ul> <li>Covered portion of net book value (with letter of guarantee etc.) (**)</li> </ul>	ı	·	ı	·	ı		'		
E. Off balance sheet items with credit risks	ı	I	I	I	ı	ı	ı	ı	I
(*) Or intersections receipting and are not tologo into construct in the color lotical									
$(x^{*})$ includes collaterals for the assets impaired but not overdue.									



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (i) Credit risk management (Continued)

As at 31 December 2014 and 31 December 2013, details of finance lease receivables rating in terms of internal rating information:

		31 December 2014 (%)	31 December 2013 (%)
Internal ratin	g results:		
A+	(Perfect)	2,51	0,10
А	(Very good)	3,97	4,80
A-	(Good)	11,00	9,10
B+	(Satisfactory)	26,19	19,40
В	(Close Monitoring)	27,28	29,90
B-	(Insufficient)	17,53	14,20
C+	(Doubtful)	9,85	16,80
С	(Loss)	1,63	3,10
Not rated		0,04	2,60
Total		100,00	100,00

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 13,81 % as at 30 December 2014 (31 December 2013: 13,74%).

As at 31 December, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	31 December 2014 (%)
High	36,65
Medium	54,78
Low	8,57
Total	100,00

As at 31 December 2013, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	31 December 2013 (%)
High	33,99
Medium	56,61
Low	9,40
Total	100,00

The aging analysis of overdue finance lease receivables is disclosed in Note 8. The Group does not have overdue financial assets other than finance lease receivables.



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

### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	31 December	2014	31 December 2	2013
	Nominal	Fair	Nominal	Fair
	Value	Value (*)	Value	Value (*)
Other mortgages	688.465	231.078	593.577	205.666
Letters of guarantee	33.361	20.764	31.984	14.894
Pledged shares	17.900	17.900	-	-
Cash blockages	15.280	12.748	14.038	11.049
Ship mortgage	5.797	-	5.336	-
Equities securities	2.450	2.450	2.450	2.450
Guarantors	1.620	506	1.275	27
	764.873	285.446	648.660	234.086

(\*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (j) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

### Liquidity risk table

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group's assets and liabilities have also been included in the table below.

### 31 December 2014

						More
		Contractual	Less than	3-12	1-5	than 5
	Carrying	Cash Flows	3 Months	Months	Years	Years
Contractual Maturities	Amount	( +  +   + V)	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>	(IV)
Non-derivative Financial Assets:						
Banks	180.217	180.289	180.289	-	-	-
Financial Assets Held For Trading	459	459	59	-	400	-
Finance Lease Receivables (*)	2.743.846	3.199.864	300.123	749.570	1.973.301	16.870
Factoring Receivables	1.433.210	1.461.828	1.048.662	407.146	6.020	-
Insurance Receivables	4.357	4.357	4.357	-	-	-
Other Receivables	760	760	760	-	-	-
Total Assets	4.362.849	4.847.557	1.534.250	1.156.716	1.979.721	176.870
Non-derivative Financial Liabilities:						
Funds Borrowed	3.387.541	3.562.866	1.228.332	957.548	1.304.109	72.877
Debt Securities Issued	403.422	439.089	107.554	69.375	262.160	-
Miscellaneous Payables and Other Liabilities	74.404	74.404	69.206	1.967	3.231	-
Total Liabilities	3.865.367	4.076.359	1.405.092	1.028.890	1.569.500	72.877

(\*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.



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### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (j) Liquidity risk management (Continued)

### 31 December 2013

<u>Contractual Maturities</u> Non-derivative Financial Assets:	Carrying <u>Amount</u>	Contractual Cash Flows <u>(I+II+III+IV)</u>	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
Banks	232.793	232.847	232.847	-	-	-
Financial Assets Held For Trading	-	-	-	-	-	-
Finance Lease Receivables (*)	2.028.845	2.306.009	261.523	577.350	1.386.379	80.757
Factoring Receivables	946.110	960.230	655.179	304.624	427	
Insurance Receivables	3.241	3.241	3.241	-	-	-
Other Receivables	695	695	695	-	-	-
Total Assets	3.211.684	3.503.022	1.153.485	881.974	1.386.806	80.757
Non-derivative Financial Liabilities:						
Funds Borrowed	2.465.890	2.618.961	901.560	594.386	1.123.015	-
Debt Securities Issued	202.405	213.395	103.750	56.835	52.810	-
Miscellaneous Payables and Other Liabilities	87.539	87.539	83.653	969	2.917	-
Total Liabilities	2.755.834	2.919.895	1.088.963	652.190	1.178.742	

(\*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2014 and 31 December 2013.

31 December 2014 Contractual Maturities	Carrying <u>Amount</u>	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
Cash inflows from derivatives Cash outflows from derivatives	34.567 -	1.075.292 (1.040.725)	276.390 (278.226)	297.065 (307.374)	501.837 (455.125)	-
31 December 2013 Contractual Maturities	Carrying <u>Amount</u>	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
Cash inflows from derivatives Cash outflows from derivatives	(48.128)	852.150 (900.276)	56.534 (59.518)	331.719 (379.326)	463.897 (461.432)	-



4       ADDITIONAL INFORMATION OF International protocol international assets and relative activity around of the francial assets and relative activity around of the francial assets and relative activity around of the francial assets and relative activity around of the francial instruments is determined by the benchmarket.         7       Far value of francial instruments is determined based on the relative activity around of the francial assets or by assumption methods which includes disconting future each lows with current interest rates.         1       Far value of the francial instruments is determined based on the relative activity around instruments is determined based on the relative activity around instruments is determined by the thermolal assets is a francial assets in the francial instruments is determined by the thermolal asset or by assumption methods which includes disconting future each lows with current interest rates.         1       Farebal below whether on point or any or and francial asset or by assumption methods which are arrived asset or by assumption methods wheth are arrived asset in the francial asset or by assumption method by the benchmarket.         1       Farebal below whether on point or any or and francial asset or and and asset or the molecular asset or any around asset or the molecular asset or any or and and and and and and and and and and		~	İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS	VANSAL KIRAL CONSOLIDATE	İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECE	İRKETİ AND TATEMENTS	ITS SUBSIDIAF	SUBSIDIARY AT 31 DECEMBER 2014			
				(Amounts are express	ed in thousands of Turkish	Lira ("TRY") unless c	therwise stated.)				
		40.		3UMENTS (Continu	led)						
Coopt for the lense below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.       Financial assets and liabilities approximate to their fair value.         Fir value of the financial instruments is determined based on the reliable data monoid and the values of financial instruments with current interest rates. <ul> <li>The table below refers to the comparison of carrying amounts and fair values of financial instruments with current interest rates.</li> <li>The table below refers to the comparison of carrying amounts and fair values of financial instruments with current interest rates.</li> </ul> The table below refers to the comparison of carrying amounts and fair values of financial instruments with current interest rates.              monoid attack is a monoid attack is a monoid attack is a monoid of the financial instruments with current interest rates.              monoid attack is a monoid a	Ecopio for the financial assets and includes deporting turner static arraying arround of the financial assets and includes deporting turner cash flow with current interest rates.         Financial is the manufactor of the financial asset of the financial asset of the financial asset of the ancient asset and the ancient asset and the ancint asset and the ancient asset and the an	R	Fair value of financial instruments								
Fit value of the financial instruments is determined based on the reliable data provided from financial markets in Lurkey. Fair value of other financial assets is determined by the benchmarking turue cash flows with current interest rates.         The table below refers to the comparison of carrying amounts and fair values of financial instruments which markets in Lurkey. Fair value in the financial assets is determined by the benchmarking turue cash flows with current interest rates.         The table below refers to the comparison of carrying amounts and fair values of financial assets in the random labelies of the market values of the market values of the market value provided from financial assets in the random labelies of the market value provided from table for sale       Immonial assets in the financial assets in the random labelies of the market values from of target of the market value provided from table for sale       Immonial assets in the financial asset in the financial assets nancial asset in the financial asset in the financial asset in the financia	Financial markets in Lurkey. Fair value of the functial assets is determined based on the reliable data provided from financial markets in Lurkey. Fair value of the functial assets is determined based on the reliable data provided from financial markets in Lurkey. Fair value of the functial assets is determined based on the reliable data provided from reliable data provided fr		Except for the items below, the Group management es	stimates that the carr	rying amount of the fi	inancial assets a	nd liabilities approx	imate to their fair valu	ue.		
			Fair value of the financial instruments is determined bas market value of a similar financial asset or by assumpti	sed on the reliable dation methods which i	ata provided from final ncludes discounting :	incial markets in future cash flow	Turkey. Fair value of s with current intere	other financial assets st rates.	s is determined	by the bench	marking
$ \begin{array}{c ccccc} Financial assets & Inancial assets & Loans and & Available for sale & Financial assets & Loans and & Available for sale & Financial assets & Loans and & Available for sale & financial liabilities & Cartying & at amortized cost & at amortized cost & amorti & Filtwalle & Financial assets & Loans and & Available for sale & financial liabilities & Cartying & at amortized cost & at amortized cost & amorti & Filtwalle & Filtwa$	Financial assets Held for trading all amortized costFinancial assets tamortized costLeans and tradicial assetsLeans and tradicial assetsLeans and tradicial assetsFinancial allabilities tamortized costCanying tamortized costHeld for tradingat amortized costteamortized costteamortized costteamortized costteamortized costteamortized costHeld for tradingat amortized costteamortized costteamortized costteamortized costteamortized costteamortized costAt 3045021.500180.217teamortized costteamortized costteamortized costteamortized costAt 3021.50021.5001433.210teamortized costteamortized costteamortized costteamortized costAt 3021.50021.5001433.210teamortized costteamortized costteamortized costteamortized costAt 3021.50021.5001433.210teamortized costteamortized costteamortized costteamortized costAt 3021.50021.5001433.210teamortized costteamortized costteamortized costteamortized costAt 3021.50021.50021.50021.50021.50021.50021.500At 3021.50021.30021.300teamortized costteamortized costteamortized costAt 3021.50021.30021.300teamortized costteamortized costteamortized costAt 3021.30021.30021.30021.300 <t< th=""><th></th><th>The table below refers to the comparison of carrying ar</th><th>mounts and fair valu</th><th>es of financial instrun</th><th>ments which are</th><th>carried at other tha</th><th>n their fair value in th</th><th>e financial stat</th><th>ements.</th><th></th></t<>		The table below refers to the comparison of carrying ar	mounts and fair valu	es of financial instrun	ments which are	carried at other tha	n their fair value in th	e financial stat	ements.	
$ \begin{array}{llllllllllllllllllllllllllllllllllll$	$ \begin{array}{llllllllllllllllllllllllllllllllllll$		31 December 2014	Financial assets	Financial assets	Loans and	Available for sale	Financial liabilities	Carrying		
				Held for trading	at amortized cost	receivables	financial assets	at amortized cost	amount	<u>Fair value</u>	Notes
- $130.217$ $130.21$ $130.22$ $130.22.23$ $1$	180.217 $180.217$		Financial Assets								
	$ \begin{array}{llllllllllllllllllllllllllllllllllll$		Banks		180.217		·	•	180.217	180.217	2J
459       459       459       459       459         ding $21.590$ $21.666$ $26.666$ $36.626$	459         450         21:590         21:500		Financial assets at fair value through profit or loss				I				
ding $21.590$ $21.590$ $21.590$ $21.590$ $21.590$ $21.590$ ming lease receivables $2.841.040$ - $2.894.010$ factoring receivables $1.433.210$ $2.841.040$ $2.894.010$ factoring receivables $4.357$ $4.357$ $4.357$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $1.433.210$ $1.433.210$ $1.433.210$ $1$ $2.841.040$ $2.2382$ $2.2382$ $2.2382$ $26.666$ $2.2382$ - $2.36.626$ $36.626$ $36.626$ $2.404$ $74.04$ $74.04$ $2.387.541$ $3.387.541$ $3.387.541$ $3.03.422$ $403.422$	ding $21,500$ <t< td=""><th></th><td>- Financial assets held for trading</td><td>459</td><td></td><td></td><td></td><td></td><td>459</td><td>459</td><td>4</td></t<>		- Financial assets held for trading	459					459	459	4
ming lease receivables     -     2.841.040     -     2.841.040     2.884.010       flactoring receivables     -     -     1.433.210     -     1.433.210     1.433.210       1     -     -     -     1.433.210     -     -     1.433.210     1.433.210       1     -     -     -     -     4.357     -     -     4.357     4.357       1     -     -     -     -     -     -     -     -     -     -       1     -     -     -     -     -     -     -     -     -     -     -       1     - <t< td=""><td>ning lease receivables<math>2.841,040</math><math>2.844,010</math>factoring receivables<math>1.433,210</math><math>1.433,210</math><math>1.433,210</math><math>1</math><math>1.433,210</math><math>1.433,210</math><math>1.433,210</math><math>1.433,210</math><math>1</math><math>7.80</math><math>7.60</math><math>7.60</math><math>7.60</math><math>1</math><math>7.80</math><math>7.60</math><math>7.60</math><math>7.60</math><math>1</math><math>2.2382</math><math>2.2382</math><math>2.2382</math><math>2.8626</math><math>7.4,04</math><math>7.4,04</math><math>3.6.626</math><math>7.4,04</math><math>7.4,04</math><math>1</math><math>7.4,04</math><math>7.4,04</math><math>1</math><math>3.36,541</math><math>3.36,7541</math><math>3.402,368</math><math>1</math><math>7.4,04</math><math>1</math><math>7.4,04</math><math>1</math><math>7.4,04</math><math>7.4,04</math><math>1</math><math>7.4,04</math><math>7.4,04</math><math>1</math><math>7.4,04</math><math>7.4,04</math><math>1</math><t< td=""><th></th><td>- Derivative financial assets held for trading</td><td>21.590</td><td></td><td></td><td></td><td></td><td>21.590</td><td>21.590</td><td>4</td></t<></td></t<>	ning lease receivables $2.841,040$ $2.844,010$ factoring receivables $1.433,210$ $1.433,210$ $1.433,210$ $1$ $1.433,210$ $1.433,210$ $1.433,210$ $1.433,210$ $1$ $7.80$ $7.60$ $7.60$ $7.60$ $1$ $7.80$ $7.60$ $7.60$ $7.60$ $1$ $2.2382$ $2.2382$ $2.2382$ $2.8626$ $7.4,04$ $7.4,04$ $3.6.626$ $7.4,04$ $7.4,04$ $1$ $7.4,04$ $7.4,04$ $1$ $3.36,541$ $3.36,7541$ $3.402,368$ $1$ $7.4,04$ $1$ $7.4,04$ $1$ $7.4,04$ $7.4,04$ $1$ $7.4,04$ $7.4,04$ $1$ $7.4,04$ $7.4,04$ $1$ <t< td=""><th></th><td>- Derivative financial assets held for trading</td><td>21.590</td><td></td><td></td><td></td><td></td><td>21.590</td><td>21.590</td><td>4</td></t<>		- Derivative financial assets held for trading	21.590					21.590	21.590	4
factoring receivables-1.433.2101.433.2101.433.210 $4.357$ $4.357$ $4.357$ $760$ 76076076022.382-2.38222.3822.3822.38222.382-76022.3822.3822.38222.382-2.38222.382-2.38222.38222.38222.38222.382 <td< td=""><td>factoring receivables       -       <math>1.433.210</math>       -       <math>1.433.210</math> <math>1.433.210</math> <math>1.433.210</math> <math>1.433.210</math>         -       -       -       <math>4.357</math>       -       <math>4.357</math> <math>4.357</math> <math>4.357</math> <math>4.357</math>         -       -       -       <math>760</math>       -       -       <math>4.357</math> <math>4.357</math> <math>4.357</math>         -       -       -       -       760       -       -       <math>4.357</math> <math>4.357</math>         -       -       -       -       -       -       <math>4.357</math> <math>4.357</math> <math>4.357</math>         -       -       -       -       -       -       <math>22.382</math>       -       <math>2.36.626</math> <math>36.626</math>         -       -       -       -       -       22.382       -       <math>2.337.541</math> <math>3.402.386</math>         -       -       -       -       -       -       -       -       <math>2.403.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math> <math>4.03.422</math></td><th></th><td>Finance lease receivables and non-performing lease receivables</td><td></td><td></td><td>2.841.040</td><td>·</td><td></td><td>2.841.040</td><td>2.894.010</td><td>8</td></td<>	factoring receivables       - $1.433.210$ - $1.433.210$ $1.433.210$ $1.433.210$ $1.433.210$ -       -       - $4.357$ - $4.357$ $4.357$ $4.357$ $4.357$ -       -       - $760$ -       - $4.357$ $4.357$ $4.357$ -       -       -       -       760       -       - $4.357$ $4.357$ -       -       -       -       -       - $4.357$ $4.357$ $4.357$ -       -       -       -       -       - $22.382$ - $2.36.626$ $36.626$ -       -       -       -       -       22.382       - $2.337.541$ $3.402.386$ -       -       -       -       -       -       -       - $2.403.422$ $4.03.422$ $4.03.422$ $4.03.422$ $4.03.422$ $4.03.422$ $4.03.422$ $4.03.422$ $4.03.422$		Finance lease receivables and non-performing lease receivables			2.841.040	·		2.841.040	2.894.010	8
.     4.357     .     4.357     .     4.357     4.357     4.357       .     .     .     .     760     .     760     760       .     .     .     .     .     .     760     760       .     .     .     .     .     .     22.382     2.382       .     .     .     .     .     .     23.382       .     .     .     .     .     .     1.40       .     .     .     .     .     .     2.382       .     .     .     .     .     .     2.382       .     .     .     .     .     .     2.382       .     .     .     .     .     .     2.382       .     .     .     .     .     .     .       .     .     .     .     .     .     .       .     .     .     .     .     .     .       .     .     .     .     .     .     .       .     .     .     .     .     .     .     .       .     .     .     .     .     .     .	.       .       4.357       .       4.357       .       4.357       .       4.357       .       4.357       .       4.357       .       4.357       .       4.357       .       4.357       .       .       .       .       .       .       .       .       .       4.357       .       4.357       . <td< td=""><th></th><td>Factoring receivables and non-performing factoring receivables</td><td>•</td><td></td><td>1.433.210</td><td></td><td>•</td><td>1.433.210</td><td>1.433.210</td><td>7</td></td<>		Factoring receivables and non-performing factoring receivables	•		1.433.210		•	1.433.210	1.433.210	7
.     760     760     760       .     .     .     .     760     760       .     .     .     .     .     .     760     760       .     .     .     .     .     .     .     760     760       .     .     .     .     .     .     .     .     .     760       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     .     .     .     .     .       .     .     .     .     .     .     . <td< td=""><td>.       760       760       760       760         .       .       .       .       .       760       760         .       .       .       .       .       .       .       760       760         .<th></th><td>Insurance receivables</td><td></td><td></td><td>4.357</td><td>I</td><td></td><td>4.357</td><td>4.357</td><td>15</td></td></td<>	.       760       760       760       760         .       .       .       .       .       760       760         .       .       .       .       .       .       .       760       760         . <th></th> <td>Insurance receivables</td> <td></td> <td></td> <td>4.357</td> <td>I</td> <td></td> <td>4.357</td> <td>4.357</td> <td>15</td>		Insurance receivables			4.357	I		4.357	4.357	15
.      .     .     .	Image: Second second		Other Receivables			760	ı		760	760	15
36.626 36.626 36.626 36.626 36.626 36.626 36.626	36.626     -     -     36.626     36.626       -     -     -     -     36.626     36.626       -     -     -     -     -     36.626     36.626       -     -     -     -     -     36.626     36.626       -     -     -     -     -     36.751     74.404     74.404       -     -     -     -     -     -     74.404     74.404       -     -     -     -     -     -     36.7541     3.402.308       -     -     -     -     -     -     403.422     403.422     403.422		Available for sale financial assets	ı			22.382		22.382	22.382	9
36.626     -     -     -     36.626     36.626        -     -     -     -     36.626     36.626        -     -     -     -     36.626     36.626        -     -     -     -     36.626     36.626        -     -     -     -     74.404     74.404        -     -     -     -     74.404     74.404        -     -     -     -     3.37.541     3.402.398        -     -     -     -     403.422     403.422     403.422	36.626     -     -     -     36.626     36.626       -     -     -     -     -     36.626     36.626       -     -     -     -     -     36.626     36.626       -     -     -     -     -     36.621     36.626       -     -     -     -     -     74.404     74.404       -     -     -     -     -     74.404     74.404       -     -     -     -     -     74.404     74.404       -     -     -     -     -     74.404     74.404       -     -     -     -     -     3.37.541     3.402.398       -     -     -     -     -     -     403.422     403.422		Financial liabilities								
ayables and other liabilities     -     -     -     74.404     74.404     74.404       -     -     -     -     -     74.404     74.404     74.404       -     -     -     -     -     74.404     74.404     74.404       -     -     -     -     -     74.404     74.404     74.404       -     -     -     -     -     3.387.541     3.387.541     3.402.398       ssued     -     -     -     -     -     403.422     403.422	ayables and other liabilities     -     -     -     74,404     74,404     74,404       -     -     -     -     -     -     74,404     74,404       -     -     -     -     -     3.387,541     3.387,541     3.402.398       -     -     -     -     -     -     3.387,541     3.402.398       ssued     -     -     -     -     403.422     403.422     403.422		Derivative financial assets held for trading	36.626		ı	I		36.626	36.626	4
3.387.541 3.387.541 3.402.398 ssued 403.422 403.422 403.422	3.387.541 3.387.541 3.402.398 ssued 403.422 403.422 403.422		Miscellaneous payables and other liabilities					74.404	74.404	74.404	17
403.422 403.422 403.422	403.422 403.422 403.422		Funds borrowed				I	3.387.541	3.387.541	3.402.398	16
			Debt securities issued	•				403.422	403.422	403.422	19

	IS FINANSAL KIRALAMA ANONIM NOTES TO THE CONSOLIDATED FINANCIAL	IANSAL KIRAL	İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECE	IRKETİ AND FATEMENTS	ŞİRKETİ AND ITS SUBSIDIARY STATEMENTS AS AT 31 DECEMBER 2014	የ EMBER 2014			
		(Amounts are express	(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)	Lira ("TRY") unless o	herwise stated.)				
40.	ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continue	UMENTS (Continu	led)						
Ŕ	Fair value of financial instruments (Continued)								
	Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.	timates that the car	rying amount of the fir	nancial assets a	nd liabilities approxi	imate to their fair val	ue.		
	Fair value of the financial instruments is determined based on the reliable data provided from financial markets in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.	ed on the reliable da on methods which i	ata provided from finar ncludes discounting f	ncial markets in <sup>1</sup> future cash flows	urkey. Fair value of with current interes	other financial asset st rates.	s is determined	by the benchm	Jarking
	The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements	nounts and fair valu	les of financial instrum	nents which are	carried at other thar	their fair value in th	le financial state	ments.	
	31 December 2013	Financial assets Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
	Financial Assets								
	Banks		232.793				232.793	232.793	Ð
	Financial assets at fair value through profit or loss								
	- Financial assets held for trading						·		4
	- Derivative financial assets held for trading						ı	·	4
	Finance lease receivables and non-performing lease receivables	ı		2.232.011			2.232.011	2.214.885	8
	Factoring receivables and non-performing factoring receivables			946.110	•	•	946.110	946.110	7
	Insurance receivables			3.241			3.241	3.241	15
	Other Receivables	I		695			695	695	15
	Available for sale financial assets	I	ı	I	23.213	ı	23.213	23.213	9
	Financial liabilities								
	Derivative financial assets held for trading	122.695					122.695	122.695	4
	Miscellaneous payables and other liabilities					87.539	87.539	87.539	17
	Funds borrowed					2.465.890	2.465.890	2.453.259	16
	Debt securities issued					202.405	202.405	202.405	19



### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (I) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	400	59	-	459
Derivative financial assets held for trading	-	21.590	-	21.590
Available-for-sale financial assets (*)	20.041	-	302	20.343
Total financial assets carried at fair value	20.441	21.649	302	42.392
Derivative financial liabilities held for trading	-	36.626	-	36.626
Total financial liabilities carried at fair value	-	36.626	-	36.626

(\*) As at 31 December 2014, securities that are not publicly traded amounting to TRY 2.039 have been measured at cost.

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	-	-	-
Available-for-sale financial assets (*)	20.869	-	302	21.171
Total financial assets carried at fair value	20.869	-	302	21.171
Derivative financial liabilities held for trading	-	122.695	-	122.695
Total financial liabilities carried at fair value	-	122.695	-	122.695

(\*) As at 31 December 2013, securities that are not publicly traded amounting to TRY 2.042 have been measured at cost.





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