

**İş Finansal Kiralama  
Anonim Şirketi and Its Subsidiary**

Consolidated Financial Statements  
As at and for the nine-month ended  
30 September 2014

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014 (STATEMENT OF FINANCIAL POSITION)

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

BALANCE SHEET-ASSETS		Notes	Unaudited Current Period 30 September 2014			Audited Prior Period 31 December 2013		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>CASH</b>		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>4</b>	<b>756</b>	<b>8.704</b>	<b>9.460</b>	-	-	-
2.1	Financial Assets Held for Trading		724	-	724	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		32	8.704	8.736	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>5</b>	<b>938</b>	<b>379.143</b>	<b>380.081</b>	<b>11.245</b>	<b>221.548</b>	<b>232.793</b>
<b>IV.</b>	<b>RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>6</b>	<b>22.362</b>	-	<b>22.362</b>	<b>23.213</b>	-	<b>23.213</b>
<b>VI.</b>	<b>FACTORING RECEIVABLES</b>	<b>7</b>	<b>1.187.392</b>	<b>188.346</b>	<b>1.375.738</b>	<b>794.053</b>	<b>152.057</b>	<b>946.110</b>
6.1	Discounted Factoring Receivables		322.000	-	322.000	303.081	-	303.081
6.1.1	Domestic		328.534	-	328.534	310.413	-	310.413
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(6.534)	-	(6.534)	(7.332)	-	(7.332)
6.2	Other Factoring Receivables		865.392	188.346	1.053.738	490.972	152.057	643.029
6.2.1	Domestic		865.392	-	865.392	490.972	-	490.972
6.2.2	Foreign		-	188.346	188.346	-	152.057	152.057
<b>VII.</b>	<b>FINANCING LOANS</b>		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
<b>VIII.</b>	<b>LEASE RECEIVABLES</b>	<b>8</b>	<b>734.747</b>	<b>1.914.877</b>	<b>2.649.624</b>	<b>428.585</b>	<b>1.746.494</b>	<b>2.175.079</b>
8.1	Lease Receivables		710.667	1.801.199	2.511.866	418.097	1.553.816	1.971.913
8.1.1	Finance Lease Receivables		869.263	2.071.753	2.941.016	499.849	1.766.063	2.265.912
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		(158.596)	(270.554)	(429.150)	(81.752)	(212.247)	(293.999)
8.2	Leasing Contracts in Progress		22.019	67.604	89.623	8.917	148.609	157.526
8.3	Advances Given for Lease Transactions		2.061	46.074	48.135	1.571	44.069	45.640
<b>IX.</b>	<b>OTHER RECEIVABLES</b>	<b>15</b>	<b>2.949</b>	<b>2.915</b>	<b>5.864</b>	<b>1.795</b>	<b>2.144</b>	<b>3.939</b>
<b>X.</b>	<b>NON-PERFORMING RECEIVABLES</b>	<b>7, 8</b>	<b>43.241</b>	<b>1.834</b>	<b>45.075</b>	<b>51.647</b>	<b>5.285</b>	<b>56.932</b>
10.1	Non-Performing Factoring Receivables		23.133	-	23.133	13.969	-	13.969
10.2	Non-Performing Financing Loans		-	-	-	-	-	-
10.3	Non-Performing Lease Receivables		99.218	5.665	104.883	98.416	11.169	109.585
10.4	Specific Provisions (-)		(79.110)	(3.831)	(82.941)	(60.738)	(5.884)	(66.622)
<b>XI.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
<b>XII.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV.</b>	<b>JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>10</b>	<b>2.001</b>	-	<b>2.001</b>	<b>1.694</b>	-	<b>1.694</b>
<b>XVII.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>11, 12</b>	<b>987</b>	-	<b>987</b>	<b>820</b>	-	<b>820</b>
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		821	-	821	654	-	654
<b>XVIII.</b>	<b>PREPAID EXPENSES</b>	<b>15</b>	<b>19.833</b>	-	<b>19.833</b>	<b>6.996</b>	-	<b>6.996</b>
<b>IXX.</b>	<b>CURRENT PERIOD TAX ASSETS</b>		-	-	-	-	-	-
<b>XX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>13</b>	<b>30.069</b>	-	<b>30.069</b>	<b>44.268</b>	-	<b>44.268</b>
<b>XXI.</b>	<b>OTHER ASSETS</b>	<b>15</b>	<b>1.494</b>	<b>32</b>	<b>1.526</b>	<b>244</b>	<b>49</b>	<b>293</b>
	<b>SUBTOTAL</b>		<b>2.046.769</b>	<b>2.495.851</b>	<b>4.542.620</b>	<b>1.364.560</b>	<b>2.127.577</b>	<b>3.492.137</b>
<b>XXII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>14</b>	<b>400</b>	-	<b>400</b>	<b>444</b>	-	<b>444</b>
22.1	Assets Held For Sale		400	-	400	444	-	444
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	<b>TOTAL ASSETS</b>		<b>2.047.169</b>	<b>2.495.851</b>	<b>4.543.020</b>	<b>1.365.004</b>	<b>2.127.577</b>	<b>3.492.581</b>

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014 (STATEMENT OF FINANCIAL POSITION)

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

	BALANCE SHEET-LIABILITIES	Notes	Unaudited Current Period 30 September 2014			Audited Prior Period 31 December 2013		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>4</b>	-	41.733	41.733	-	122.695	122.695
<b>II.</b>	<b>FUNDS BORROWED</b>	<b>16</b>	1.769.737	1.650.290	3.420.027	1.339.853	1.126.037	2.465.890
<b>III.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IV.</b>	<b>LEASE OBLIGATIONS</b>	<b>18</b>	-	-	-	-	-	-
4.1	Finance Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>V.</b>	<b>DEBT SECURITIES ISSUED (Net)</b>	<b>19</b>	350.200	-	350.200	202.405	-	202.405
5.1	Bills		96.057	-	96.057	-	-	-
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		254.143	-	254.143	202.405	-	202.405
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>	<b>17</b>	7.582	19.280	26.862	9.519	57.129	66.648
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>17</b>	16.691	23.597	40.288	6.679	14.212	20.891
<b>VIII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
<b>IX.</b>	<b>TAXES AND DUTIES PAYABLE</b>	<b>20</b>	10.145	-	10.145	1.188	-	1.188
<b>X.</b>	<b>PROVISIONS</b>	<b>21, 22</b>	6.188	2.205	8.393	5.467	2.449	7.916
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits		4.303	-	4.303	3.994	-	3.994
10.3	Other Provisions		1.885	2.205	4.090	1.473	2.449	3.922
<b>XI.</b>	<b>DEFERRED INCOME</b>		-	-	-	-	-	-
<b>XII.</b>	<b>CURRENT PERIOD TAX LIABILITY</b>	<b>23</b>	1.458	-	1.458	1.310	-	1.310
<b>XIII.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED LOANS</b>		-	-	-	-	-	-
	<b>SUBTOTAL</b>		<b>2.162.001</b>	<b>1.737.105</b>	<b>3.899.106</b>	<b>1.566.421</b>	<b>1.322.522</b>	<b>2.888.943</b>
<b>XV.</b>	<b>PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1	Held For Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>643.914</b>	-	<b>643.914</b>	<b>603,638</b>	-	<b>603,638</b>
16.1	Paid-in Capital	<b>25</b>	461.503	-	461.503	424.365	-	424.365
16.2	Capital Reserves	<b>25</b>	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	<b>25</b>	328	-	328	328	-	328
16.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	<b>25</b>	2.227	-	2.227	3.962	-	3.962
16.5	Profit Reserves	<b>26</b>	105.652	-	105.652	99.571	-	99.571
16.5.1	Legal Reserves		24.202	-	24.202	21.291	-	21.291
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		81.450	-	81.450	78.280	-	78.280
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		56.625	-	56.625	58.365	-	58.365
16.6.1	Prior Periods Profit/Loss		146	-	146	18.776	-	18.776
16.6.2	Current Period Profit/Loss		56.479	-	56.479	39.589	-	39.589
16.7	Non-Controlling Interests	<b>24</b>	15.641	-	15.641	15.109	-	15.109
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.805.915</b>	<b>1.737.105</b>	<b>4.543.020</b>	<b>2.170.059</b>	<b>1.322.522</b>	<b>3.492.581</b>

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 SEPTEMBER 2014

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 30 September 2014			Audited Prior Period 31 December 2013		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		29.889	8.633	38.522	30.106	13.264	43.370
<b>II.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		78.026	16.412	94.438	85.143	40.239	125.382
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	40	441.547	230.115	671.662	422.136	226.524	648.660
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	28	3.783	-	3.783	3.823	-	3.823
<b>V.</b>	<b>COMMITMENTS</b>		47.902	180.694	228.596	26.386	306.537	332.923
5.1	Irrevocable Commitments		-	49.911	49.911	-	79.260	79.260
5.2	Revocable Commitments		47.902	130.783	178.685	26.386	227.277	253.663
5.2.1	Lease Commitments		47.902	130.783	178.685	26.386	227.277	253.663
5.2.1.1	Finance Lease Commitments		47.902	130.783	178.685	26.386	227.277	253.663
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		845.314	812.367	1.657.681	852.150	900.277	1.752.427
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading	28	845.314	812.367	1.657.681	852.150	900.277	1.752.427
6.2.1	Forward Foreign Currency Purchases/Sales	28	8.230	7.457	15.687	8.230	7.574	15.804
6.2.2	Swap Purchases/Sales	28	837.084	804.910	1.641.994	843.920	892.703	1.736.623
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
<b>VII.</b>	<b>ITEMS HELD IN CUSTODY</b>		1.980.412	325.566	2.305.978	1.216.026	299.704	1.515.730
	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		3.426.873	1.573.787	5.000.660	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 INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

	INCOME STATEMENT	Notes	Unaudited Current Period 01.01- 30.09.2014	Unaudited Current Period 01.07- 30.09.2014	Unaudited Current Period 01.01- 30.09.2013	Unaudited Current Period 01.07- 30.09.2013
<b>I.</b>	<b>OPERATING INCOME</b>	<b>31</b>	<b>194.146</b>	<b>71.097</b>	<b>130.707</b>	<b>46.142</b>
	<b>FACTORING INCOME</b>		<b>61.987</b>	<b>20.920</b>	<b>41.963</b>	<b>14.039</b>
1.1	Factoring Interest Income		56.989	19.531	38.028	12.776
1.1.1	Discounted		26.101	8.859	13.653	4.276
1.1.2	Other		30.888	10.672	24.375	8.500
1.2	Factoring Commission Income		4.998	1.389	3.935	1.263
1.2.1	Discounted		2.230	601	1.205	557
1.2.2	Other		2.768	788	2.730	706
	<b>LEASE INCOME</b>		<b>132.159</b>	<b>50.177</b>	<b>88.744</b>	<b>32.103</b>
1.3	Finance Lease Income		132.159	50.177	88.744	32.103
1.4	Operational Lease Income		-	-	-	-
1.5	Fees and Commission Income on Lease Operations		-	-	-	-
<b>II.</b>	<b>FINANCING EXPENSES (-)</b>	<b>34</b>	<b>(141.920)</b>	<b>(48.386)</b>	<b>(77.033)</b>	<b>(30.871)</b>
2.1	Interest Expense on Funds Borrowed		(117.705)	(39.865)	(64.299)	(25.519)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-	-	-
2.4	Interest Expense on Securities Issued		(20.261)	(6.963)	(10.382)	(4.246)
2.5	Other Interest Expenses		-	-	-	-
2.6	Fees and Commissions Paid		(3.954)	(1.558)	(2.352)	(1.106)
<b>III.</b>	<b>GROSS PROFIT / LOSS (I-II)</b>		<b>52.226</b>	<b>22.711</b>	<b>53.674</b>	<b>15.271</b>
				<b>(10.584)</b>		
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>32</b>	<b>(29.369)</b>	<b>( )</b>	<b>(22.033)</b>	<b>(7.778)</b>
4.1	Personal Expenses		(16.491)	(5.906)	(12.832)	(4.620)
4.2	Employee Severance Indemnity Expense		(369)	(85)	(331)	(63)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administration Expenses		(12.509)	(4.593)	(8.870)	(3.095)
4.5	Other		-	-	-	-
<b>V.</b>	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		<b>22.857</b>	<b>12.127</b>	<b>31.641</b>	<b>7.493</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>33</b>	<b>138.935</b>	<b>6.858</b>	<b>112.362</b>	<b>64.336</b>
6.1	Interest Income on Bank Deposits		4.485	1.318	8.063	1.838
6.2	Interest Income on Reverse Repurchase Agreements		-	-	-	-
6.3	Interest Income on Securities Portfolio		20	8	60	5
6.3.1	Interest Income on Financial Assets Held for Trading		20	8	60	5
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
6.3.3	Interest Income on Financial Assets Available For Sale		-	-	-	-
6.3.4	Interest Income on Financial Assets Held to Maturity		-	-	-	-
6.4	Dividend Income		2.447	-	2.454	-
6.5	Trading Account Income		108.449	(10.179)	15.150	8.180
6.5.1	Income From Derivative Financial Instruments		108.449	(10.179)	15.150	8.180
6.5.2	Other		-	-	-	-
6.6	Foreign Exchange Gains		11.610	11.610	79.549	50.682
6.7	Others		11.924	4.101	7.086	3.631
<b>VII.</b>	<b>PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)</b>	<b>35</b>	<b>(19.749)</b>	<b>(4.191)</b>	<b>(10.431)</b>	<b>(4.534)</b>
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>36</b>	<b>(67.510)</b>	<b>1.107</b>	<b>(75.828)</b>	<b>(39.999)</b>
8.1	Impairment Losses on Securities Portfolio		(3)	-	-	-
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	Impairment Losses on Non-Current Assets		-	-	-	-
8.2.1	Impairment Losses on Tangible Assets		-	-	-	-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-	-	-
8.2.3	Impairment Losses on Goodwill		-	-	-	-
8.2.4	Impairment Losses on Other Intangible Assets		-	-	-	-
8.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-	-	-
8.3	Losses From Derivative Financial Instruments		(65.180)	(10.181)	(73.455)	(39.377)
8.4	Foreign Exchange Losses		-	12.185	-	-
8.5	Other		(2.327)	(897)	(2.373)	(622)
<b>IX.</b>	<b>NET OPERATING PROFIT / LOSS (V+.....+VIII)</b>		<b>74.533</b>	<b>15.901</b>	<b>57.744</b>	<b>27.296</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGER</b>		-	-	-	-
<b>XI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XII.</b>	<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		<b>74.533</b>	<b>15.901</b>	<b>57.744</b>	<b>27.296</b>
<b>XIII.</b>	<b>INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>	<b>37</b>	<b>(17.289)</b>	<b>(3.924)</b>	<b>(10.613)</b>	<b>(5.347)</b>
13.1	Current Tax Charge		(3.090)	(1.464)	(2.523)	(1.012)
13.2	Deferred Tax Charge (-)		(14.199)	(2.460)	(8.090)	(4.335)
13.3	Deferred Tax Benefit (+)		-	-	-	-
<b>XIV.</b>	<b>NET PROFIT FROM CONTINUING OPERATIONS (XII=XIII)</b>		<b>57.244</b>	<b>11.977</b>	<b>47.131</b>	<b>21.949</b>
<b>XV.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
15.1	Income from Assets Held for Sale		-	-	-	-
15.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
15.3	Other Income from Discontinued Operations		-	-	-	-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
16.1	Expense on Assets Held for Sale		(3)	-	-	-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
16.3	Other Expenses from Discontinued Operations		-	-	-	-
<b>XVII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)</b>		-	-	-	-
<b>XVIII.</b>	<b>INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
18.1	Current Tax Charge		-	-	-	-
18.2	Deferred Tax Charge (-)		-	-	-	-
18.3	Deferred Tax Benefit (+)		-	-	-	-
<b>XIX.</b>	<b>NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)</b>		-	-	-	-
<b>XX.</b>	<b>NET PROFIT FOR THE PERIOD</b>		<b>57.244</b>	<b>11.977</b>	<b>47.131</b>	<b>21.949</b>
<b>20.1</b>	<b>NON-CONTROLLING INTERESTS</b>		<b>(765)</b>	<b>(892)</b>	<b>(2.038)</b>	<b>(537)</b>
<b>20.2</b>	<b>EQUITY HOLDERS OF THE COMPANY</b>		<b>56.479</b>	<b>11.085</b>	<b>45.093</b>	<b>21.412</b>
	<b>EARNINGS PER SHARE</b>	<b>38</b>	<b>0,12</b>	<b>0,02</b>	<b>0,11</b>	<b>0,06</b>
	Earnings Per Share from Continued Operations		0,12	0,02	0,11	0,06
	Earnings Per Share from Discontinued Operations		-	-	-	-
	<b>DILUTED EARNINGS PER SHARE</b>		<b>0,12</b>	<b>0,02</b>	<b>0,11</b>	<b>0,06</b>
	Earnings Per Share from Continued Operations		0,12	0,02	0,11	0,06
	Earnings Per Share from Discontinued Operations		-	-	-	-

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 AND OTHER COMPREHENSIVE INCOME**

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Unaudited	Unaudited	Unaudited	Unaudited
	Current Period	Current Period	Prior Period	Prior Period
	01.01-30.09.2014	01.07-30.09.2014	01.01-30.09.2013	01.07-30.09.2013
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>57.244</b>	<b>11.977</b>	<b>47.131</b>	<b>21.949</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(1.968)</b>	<b>(1.332)</b>	<b>(2.261)</b>	<b>(1.023)</b>
<b>2.1 Items that will not be Reclassified to Profit or Loss</b>	-	-	-	-
2.1.1 Tangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.2 Intangible Assets Revaluation Increases/Decreases	-	-	-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	-	-	-	-
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	-	-	-	-
2.1.5.1 Current Tax Income/Expense	-	-	-	-
2.1.5.2 Deferred Tax Income/Expense	-	-	-	-
<b>2.2 Items that may be Reclassified subsequently to Profit or Loss</b>	<b>(1.968)</b>	<b>(1.332)</b>	<b>(2.261)</b>	<b>(1.023)</b>
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	(1.968)	(1.332)	(2.261)	(1.023)
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	-	-	-	-
Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or	-	-	-	-
2.2.6 Loss	-	-	-	-
2.2.6.1 Current Tax Income/Expense	-	-	-	-
2.2.6.2 Deferred Tax Income/Expense	-	-	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>55.276</b>	<b>10.645</b>	<b>44.870</b>	<b>20.926</b>

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

	CHANGES IN EQUITY	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
							1	2	3	4	5	6										
	<b>Prior Period (01.01 – 30.09.2013) (Unaudited)</b>																					
I.	Balance at the Beginning of the Period (31.12.2012)	389.000	-	-	-	1.938	-	-	-	8.144	-	112.907	19.251	-	93.656	-	40.805	40.805	-	13.004	565.798	
II.	Correction Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I-II)	389.000	-	-	-	1.938	-	-	-	8.144	-	112.907	19.251	-	93.656	-	40.805	40.805	-	13.004	565.798	
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	(2.062)	-	-	-	-	-	-	-	-	-	(199)	(2.261)	
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase from internal reserves	35.365	-	-	-	-	-	-	-	-	-	(35.365)	-	-	-	-	(35.365)	-	-	-	-	
VII.	Paid-in-Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increases / Decreases due to other changes	-	-	-	-	-	-	-	-	-	-	(18.775)	-	-	(18.775)	-	18.775	18.775	-	-	-	
XI.	Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45.093	-	45.093	2.038	47.131	
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	40.804	2.040	-	3.399	35.365	(40.805)	(40.805)	-	-	(1)	
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	40.805	2.040	-	3.400	35.365	(40.805)	(40.805)	-	-	-	
12.3	Other	-	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	-	-	-	-	(1)	
	<b>Balance at the End of the Period (30.09.2013)</b>	<b>424.365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.082</b>	<b>-</b>	<b>99.571</b>	<b>21.291</b>	<b>-</b>	<b>78.280</b>	<b>-</b>	<b>63.868</b>	<b>18.775</b>	<b>45.093</b>	<b>14.843</b>	<b>610.667</b>	
	<b>Current Period (01.01. –30.09.2014) (Unaudited)</b>																					
I.	Balance at the Beginning of the Period (31.12.2013)	424.365	-	-	-	1.938	-	328	-	3.962	-	99.571	21.291	-	78.280	-	58.365	18.776	39.589	15.109	603.638	
II.	Correction Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I-II)	424.365	-	-	-	1.938	-	328	-	3.962	-	99.571	21.291	-	78.280	-	58.365	18.776	39.589	15.109	603.638	
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	(1.735)	-	-	-	-	-	-	-	-	-	(233)	(1.968)	
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase from internal reserves	37.138	-	-	-	-	-	-	-	-	-	(37.138)	-	-	-	-	(37.138)	-	-	-	-	
VII.	Paid-in-Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increases / Decreases due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.479	-	56.479	765	57.244	
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	43.219	2.911	-	3.170	37.138	(58.219)	(18.630)	(39.589)	-	(15.000)	
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15.000)	-	(15.000)	-	(15.000)	
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	43.219	2.911	-	3.170	37.138	(43.219)	(18.630)	(24.589)	-	-	
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<b>Balance at the End of the Period (30.09.2014)</b>	<b>461.503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.938</b>	<b>-</b>	<b>328</b>	<b>-</b>	<b>2.227</b>	<b>-</b>	<b>105.652</b>	<b>24.202</b>	<b>-</b>	<b>81.450</b>	<b>-</b>	<b>56.625</b>	<b>146</b>	<b>56.479</b>	<b>15.641</b>	<b>643.914</b>	

- 1, Revaluation increase/decrease of property and equipment,
- 2, Employee benefits re-measuring income/loss,
- 3, Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
- 4, Foreign currency translation differences for foreign operations,
- 5, Net change in fair value of available-for-sale financial assets,
- 6, Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

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



# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

		Reviewed Current Period	Reviewed Prior Period
	Notes	01.01-30.09.2014	01.01-30.09.2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>33.674</b>	<b>146.747</b>
1.1.1 Interests Received/Lease Income		185.014	133.173
1.1.2 Interest Paid / Lease Expenses		(103.219)	(71.342)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		1.329	1.160
1.1.5 Fees and Commissions Received		4.998	3.935
1.1.6 Other Income		27.366	81.167
1.1.7 Collections from Non-performing Receivables	33	3.329	530
1.1.8 Payments to Personnel and Service Suppliers		(15.190)	(11.832)
1.1.9 Taxes Paid		(2.942)	(2.733)
1.1.10 Others		(67.011)	12.689
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(17.561)</b>	<b>(249.655)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(437.342)	100.441
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(522.160)	(636.689)
1.2.4 Net (Increase) Decrease in Other Assets		(25.379)	(54.770)
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		-	-
1.2.7 Net Increase (Decrease) in Funds Borrowed		971.808	275.531
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		(4.488)	65.832
<b>I. Net Cash Provided from / (Used in) Operating Activities</b>		<b>16.113</b>	<b>(102.908)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	(1.192)	(1.031)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10	-	33
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Other		-	-
<b>II. Net cash used in investing activities</b>		<b>(1.192)</b>	<b>(1.998)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash obtained from funds borrowed and securities issued		295.504	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		-	-
<b>III. Net Cash Used in Financing Activities</b>		<b>130.504</b>	<b>50.000</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>1.824</b>	<b>(167)</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>147.249</b>	<b>(55.073)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>5</b>	<b>232.773</b>	<b>316.118</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	<b>5</b>	<b>380.022</b>	<b>261.776</b>

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

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

## 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 30 September 2014, the Company and its subsidiary (“the Group”) has 210 employees (31 December 2013: 179 employees).

### Dividend Payable

As at 30 September 2014, the Company does not have any dividend payable.

### Approval of the Financial Statements

The consolidated financial statements as at 30 September 2014 have been approved by the Board of Directors of the Company and authorized for issue as at 30 October 2014. 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 and on Financial Statements to be announced to Public” published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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)

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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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)

##### 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 3 (b) and (c) – Useful lives of tangible and intangible assets

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 30 September 2014 and 31 December 2013 are as follows:

<u>Subsidiary</u>	<u>Establishment and operation location</u>	<u>Shareholding rate %</u>	<u>Voting right rate %</u>	<u>Core business</u>
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 30 September 2014 and 31 December 2013, the Company owns 78,23% of İş Faktoring. As the Company has the power to control the operations of the İş Faktoring, the financial statements of İş Faktoring have been fully consolidated in the accompanying consolidated financial statements.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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. Intra-group 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 non-controlling 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 30 September 2014 in preparing these financial statements.

The material changes in accounting policies are applied on a retrospective basis and the comparative financial statements have been restated where applicable. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- TFRS 13 *Fair Value Measurement* (see note (i))
- TAS 1 *Presentation of Financial Statements* (Amendments) (see note (ii))
- TAS 19 *Employee Benefits* (2011) (see note (iii))

The nature and effects of the changes are explained below.

##### (i) *Fair Value Measurement*

TFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other TFRSs.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

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

#### 2.2 Changes in Accounting Policies

##### (i) *Fair Value Measurement (continued)*

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including TFRS 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of TFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company’s assets and liabilities.

##### (ii) *Presentation of items of other comprehensive income*

As a result of the amendments to TAS 1, the Company has modified the presentation of items of Other Comprehensive Income (“OCI”) in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

The amendments to TAS 1 had no significant impact on the profit or loss and other comprehensive income and assets and liabilities.

##### (iii) *Employee benefits*

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As they do not have significant impact on the comparative financial statements for the year ended 30 September 2013, they have not been restated.

##### (iv) *Changes in the format requirements of the financial statements*

As a result of new format requirements by “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 by BRSA, the below mentioned classifications have been made in the comparative financial statements for the year ended 30 September 2013 presented in the accompanying statement of financial position:

Interest paid on “operating profit before changes in operating assets and liabilities-other” amounting to TL 71.342 on the Group’s consolidated financial statements as at 30 September 2013 are re-classified to “operating profit before changes in operating assets and liabilities-interest paid” in the comparative 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

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

#### 2.4 Changes in Standards and Interpretations

The Group applied all of the relevant and required standards promulgated by TASB as at 30 September 2014.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 September 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

##### **IFRS 9 – Financial instruments**

IFRS 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 *IFRS 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 *IFRS 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 IFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this IFRS 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. Revenue

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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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(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:

<u>Definition</u>	<u>Years</u>
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).



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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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)

##### 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

(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 for their Receivables” 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 240 days not exceeding 360 days; and 100%, 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 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.

##### 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 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 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
USD	2,2789	2,1343
EUR	2,8914	2,9365
GBP	3,6933	3,5114
CHF	2,3895	2,3899
100 JPY	2,0757	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. Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior years’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

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. Subsequent Events

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

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l. 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. Segment Reporting

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. Taxes on Income

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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 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 deductible 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:

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



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

(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).

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

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

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.

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
<b><u>Derivative Financial Assets</u></b>				
Forwards	-	117	-	-
Currency swaps	32	8.587	-	-
	<b>32</b>	<b>8.704</b>	<b>-</b>	<b>-</b>
	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
<b><u>Derivative Financial Liabilities</u></b>				
Forwards	-	-	-	486
Currency swaps	-	41.733	-	122.209
	<b>-</b>	<b>41.733</b>	<b>-</b>	<b>122.695</b>

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 5. BANKS

As at 30 September 2014 and 31 December 2013, the details of the banks are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
	TRY	FC	TRY	FC
Demand Deposits	938	6.078	10.995	2.744
Time Deposits	-	373.006	250	218.783
Interest Accrual	-	59	-	21
	<b>938</b>	<b>379.143</b>	<b>11.245</b>	<b>221.548</b>

The details of the time deposits as at 30 September 2014 are as follows:

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2014</u>
USD	1,75%-1,85%	01.10.2014	67.120
Euro	0,20%-1,95%	01.10.2014-30.10.2014	305.945
			<b>373.065</b>

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

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2013</u>
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
			<b>219.054</b>

As at 30 September 2014, TRY 302.278 portion of total foreign currency deposits (31 December 2013: TRY 192.103) and TRY 914 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:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Demand deposits	7.016	13.739
Time deposits (1-3 months) (excluding accrual)	373.006	219.034
<b>Cash and cash equivalents</b>	<b>380.022</b>	<b>232.773</b>

As at 30 September 2014 and 31 December 2013, there is no blockage on cash and cash equivalents.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 30 September 2014 and 31 December 2013, details of financial assets available for sale are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				30 September 2014	31 December 2013	30 September 2014	31 December 2013
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	18.574	19.335
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.447	1.534
<u>Unquoted investments:</u>							
Camiş Menkul Değerler A.Ş. (*)	Investment and Securities Services	İstanbul	-	-	0,05	-	4
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	38
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and 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
<b>TOTAL</b>						<b>22.362</b>	<b>23.213</b>

(\*) 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 30 September 2014 and 31 December 2013, details of factoring receivables are as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
<u>Short-term factoring receivables (*)</u>		
Domestic factoring receivables (net)	1.188.615	798.780
Export and import factoring receivables	186.041	151.402
Factoring interest income accrual	7.616	3.260
Unearned interest income	(6.534)	(7.332)
	<u>1.375.738</u>	<u>946.110</u>
Non-performing factoring receivables (**)	23.133	13.969
Provision for non-performing factoring receivables (**)	(23.133)	(13.969)
	<u><b>1.375.738</b></u>	<u><b>946.110</b></u>

(\*) 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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 7. FACTORING RECEIVABLES (Continued)

EUR 3.494.379, USD 2.204.561 and TRY 22.804 of factoring receivables have variable rates (31 December 2013: EUR 680.742, GBP 63.870 and TRY 126.879) while EUR 29.179.520, USD 37.377.211, GBP 993.678 and TRY 1.164.588 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 30 September 2014, the average interest rates applicable for the factoring receivables are 10,76% for TRY, 5,44% for USD and 5,68% for EUR and 7,00% for GBP (31 December 2013: 11,71% for TRY, 5,80% for USD and 5,59% for EUR , 6,50% for GBP ).

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

	<u>30 September 2014</u>	<u>31 December 2013</u>
Domestic irrevocable	787.978	371.080
Foreign irrevocable	18.731	11.967
Domestic revocable	399.414	422.973
Foreign revocable	169.615	140.090
	<u><b>1.375.738</b></u>	<u><b>946.110</b></u>

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 1.221 (31 December 2013: TRY 476). The Group has contractual securities 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):

<u>Collateral type</u>	<u>30 September 2014</u>	<u>31 December 2013</u>
Letters of guarantee	590	8.632
Mortgages	463	-
	<u><b>1.053</b></u>	<u><b>8.632</b></u>

The aging of non-performing factoring receivables is as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Up to 90 days	-	926
Between 90 – 180 days	1.529	658
Between 180 – 360 days	9.461	1.851
Over 360 days	12.143	10.534
	<u><b>23.133</b></u>	<u><b>13.969</b></u>

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:

	<u>1 January- 30 September 2014</u>	<u>1 January- 30 September 2013</u>
Provision at the beginning of the period	(13.969)	(10.902)
Provision set during the period	(12.069)	(2.729)
Collections	2.905	350
Provision at the end of the period	<u><b>(23.133)</b></u>	<u><b>(13.281)</b></u>

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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

**8. LEASE RECEIVABLES**

As at 30 September 2014 and 31 December 2013, details of finance lease receivables are as follows:

<b><u>30 September 2014</u></b>	<b><u>Short Term</u></b>	<b><u>Long Term</u></b>	<b><u>Total</u></b>
Invoiced finance lease receivables	44.703	-	44.703
Non-performing finance lease receivables (*)	104.422	461	104.883
Uninvoiced finance lease receivables	932.533	1.963.780	2.896.313
Less: Unearned interest income	(180.578)	(248.572)	(429.150)
Leasing contracts in progress (**)	-	89.623	89.623
Advances given for lease transactions	-	48.135	48.135
Specific provisions (*)	(59.545)	(263)	(59.808)
Net finance lease receivables	<u>841.535</u>	<u>1.853.164</u>	<u>2.694.699</u>

  

<b><u>31 December 2013</u></b>	<b><u>Short Term</u></b>	<b><u>Long Term</u></b>	<b><u>Total</u></b>
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	<u>726.014</u>	<u>1.505.997</u>	<u>2.232.011</u>

(\*) 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 30 September 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 30 September 2014, analysis of finance lease receivables according to their maturities is as follows:

	<b><u>2014 (**)</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019 and after</u></b>	<b><u>Total</u></b>
Finance lease receivables (gross) (*)	351.798	875.111	647.878	470.704	346.157	294.443	2.986.091
Unearned interest	(52.037)	(162.808)	(98.543)	(58.387)	(30.292)	(27.083)	(429.150)
<b>Finance lease receivables (net)</b>	<b><u>299.761</u></b>	<b><u>712.303</u></b>	<b><u>549.335</u></b>	<b><u>412.317</u></b>	<b><u>315.865</u></b>	<b><u>267.360</u></b>	<b><u>2.556.941</u></b>

(\*) 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 45.075 are presented in 2014 column since their collection dates are not certain.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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:

	<u>2014 (**)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 and after</u>	<u>Total</u>
Finance lease receivables (gross) (*)	857.782	553.533	380.470	266.421	183.882	80.756	2.322.844
Unearned interest	<u>(130.690)</u>	<u>(80.781)</u>	<u>(45.701)</u>	<u>(23.937)</u>	<u>(9.440)</u>	<u>(3.450)</u>	<u>(293.999)</u>
<b>Finance lease receivables (net)</b>	<b><u>727.092</u></b>	<b><u>472.752</u></b>	<b><u>334.769</u></b>	<b><u>242.484</u></b>	<b><u>174.442</u></b>	<b><u>77.306</u></b>	<b><u>2.028.845</u></b>

(\*) 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 30 September 2014, the average compound interest rates applicable for the finance lease receivables are 14,28% for TRY, 6,11 % for USD, and 6,70 % for EUR (31 December 2013: 13,70% for TRY, 6,13 % for USD and 6,96% for EUR).

As at 30 September 2014, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest</u>
USD	423.125.661	964.261	59.839.484	136.368
EUR	290.091.948	838.772	46.408.568	134.186
TRY	-	753.908	-	158.596
<b>Total</b>		<b><u>2.556.941</u></b>		<b><u>429.150</u></b>

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

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest</u>
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
<b>Total</b>		<b><u>2.028.845</u></b>		<b><u>293.999</u></b>

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

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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### 8. LEASE RECEIVABLES (Continued)

USD 172.555.218 and Euro 51.416.076 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 250.570.443, Euro 238.675.872 and TRY 753.908 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):

<b>Collateral type:</b>	<b>30 September 2014</b>	<b>31 December 2013</b>
Mortgages	197.906	197.866
Pledged shares	17.900	-
Cash blockages	12.571	8.747
Letters of guarantee	8.007	6.262
Equity securities	2.450	2.450
Guarantors	407	27
	<b>239.241</b>	<b>215.352</b>

In addition to collaterals above, the Group also has pledged vehicles amounting to TRY 29.931 and pledged machines amounting to TRY 156 (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 23.650 (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:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Up to 30 days	9.243	8.916
Between 30 – 60 days	4.338	3.345
Between 60 – 90 days	3.313	1.506
Between 90 – 150 days	6.756	2.282
Total overdue	23.650	16.049
Not due amount	314.604	176.616
	<b>338.254</b>	<b>192.665</b>

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

<b>Collateral type</b>	<b>30 September 2014</b>	<b>31 December 2013</b>
Mortgages	49.283	26.848
Letters of guarantee	933	106
Cash blockages	377	140
	<b>50.593</b>	<b>27.094</b>

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 2.562 and pledged machines amounting to TRY 156 (31 December 2013: pledged vehicles amounting to TRY 1.265 and pledged machines amounting to TRY 202).



## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 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 1 January 2008, 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 30 September 2014 and 31 December 2013, the aging of non-performing finance lease receivables is as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Between 150 – 240 days	1.049	5.776
Between 240 – 360 days	2.117	3.725
Over 360 days	42.452	37.890
Uninvoiced non-performing finance lease receivables	59.577	63.184
Unearned interest of non-performing finance lease receivables	(312)	(990)
	<b>104.883</b>	<b>109.585</b>

Collaterals obtained for non-performing finance lease receivables as at 30 September 2014 and 31 December 2013 are as follows:

<b><u>Guarantee type:</u></b>	<b>30 September 2014</b>	<b>31 December 2013</b>
Mortgages	6.340	7.800
Cash blockages	2.393	2.302
	<b>8.733</b>	<b>10.102</b>

In addition to the above collaterals, leased equipments amounting to TRY 33.402 and pledged assets (vehicles) amounting to TRY 487 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:

<b><u>Movement of specific provisions:</u></b>	<b>1 January- 30 September 2014</b>	<b>1 January- 30 September 2013</b>
Provision at the beginning of the period	(52.653)	(57.966)
Provision set during the period	(7.579)	(7.376)
Collections	424	180
<b>Provision at the end of the period</b>	<b>(59.808)</b>	<b>(65.162)</b>

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### 9. RELATED PARTIES

As at 30 September 2014 and 31 December 2013, details of related party balances are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
<u>Finance lease receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	26.050	31.338
Avea İletişim Hizmetleri A.Ş.	1.748	2.382
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	941	1.399
Bankalararası Kart Merkezi A.Ş.	675	-
Numnum Yiyecek ve İçecek A.Ş.	539	309
Anadolu Cam Sanayii A.Ş.	185	394
Nemtaş Nemrut Liman İşletmeleri A.Ş.	5	25
<b>Total</b>	<b>30.143</b>	<b>35.847</b>
<u>Factoring receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	10.000	16.920
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	5.850	-
Kültür Yayınları İş-Türk Ltd. Şti.	-	139
<b>Total</b>	<b>15.850</b>	<b>17.059</b>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance premium)	10.747	10.262
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	19	27
İş Merkezleri Yönetim ve İşletim A.Ş.	7	5
Avea İletişim Hizmetleri A.Ş.	-	3
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	6
Others	1	1
<b>Total</b>	<b>10.774</b>	<b>10.304</b>
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. Time Deposits	296.636	189.617
Türkiye İş Bankası A.Ş. Demand Deposits	6.556	3.725
<b>Total</b>	<b>303.192</b>	<b>193.342</b>
<u>Derivative financial liabilities held for trading</u>		
Türkiye İş Bankası A.Ş.	14.430	69.920
<b>Total</b>	<b>14.430</b>	<b>69.920</b>
<u>Derivative financial assets held for trading</u>		
Türkiye İş Bankası A.Ş.	827	-
<b>Total</b>	<b>827</b>	<b>-</b>

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### 9. RELATED PARTIES (Continued)

As at 30 September 2014 and 31 December 2013, details of borrowings from related parties are as follows:

#### Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2014</u>
TRY	1,00%-13,24%	01.10.2014 - 15.06.2018	827.565
USD	2,62%-6,92%	12.12.2014 - 30.09.2016	179.932
EUR	2,50%-4,00%	16.06.2015 - 26.12.2016	108.767
			<b>1.116.264</b>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2013</u>
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
			<b>676.971</b>

#### İşbank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2014</u>
EUR	1,80%	Overdraft	11.627
			<b>11.627</b>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2013</u>
EUR	2,25%	Overdraft	10.971
			<b>10.971</b>

#### Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2014</u>
USD	2,84%-2,86%	15.05.2015 - 17.06.2017	43.232
EUR	2,84%-2,86%	15.06.2017 - 18.12.2020	22.593
			<b>65.825</b>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2013</u>
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
			<b>86.081</b>

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

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#### 9. RELATED PARTIES (Continued)

For the years ended 30 September 2014 and 31 December 2013, finance income and expenses from related parties are as follows:

	<u>01.01.2014-</u> <u>30.09.2014</u>	<u>01.07.2014-</u> <u>30.09.2014</u>	<u>01.01.2013-</u> <u>30.09.2013</u>	<u>01.07.2013-</u> <u>30.09.2013</u>
<u>Finance lease interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.280	391	1.424	519
Ortopro Tıbbi Aletler San.ve Tic.A.Ş.	113	33	169	52
Avea İletişim Hizmetleri A.Ş.	45	14	57	20
Bankalararası Kart Merkezi A.Ş.	43	43	-	-
Anadolu Cam Sanayii A.Ş.	40	10	75	22
Numnum Yiyecek ve İçecek A.Ş.	28	11	4	4
Nemtaş Nemrut Liman İşletmeleri A.Ş.	1	-	3	1
İş Yatırım Menkul Değerler A.Ş.	-	-	5	5
Other	-	-	334	101
<b>Total</b>	<b>1.550</b>	<b>502</b>	<b>2.071</b>	<b>724</b>
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	829	326	4.228	85
İş Bank AG	117	117	-	-
<b>Total</b>	<b>946</b>	<b>443</b>	<b>4.228</b>	<b>85</b>
<u>Dividend income from related parties</u>				
İş Yatırım Menkul Değerler A.Ş.	2.238	-	2.166	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	178	-	232	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	30	-	56	-
Yatırım Finansman Menkul Değerler A.Ş.	1	-	-	-
<b>Total</b>	<b>2.447</b>	<b>-</b>	<b>2.454</b>	<b>-</b>
<u>Finance expense</u>				
Türkiye İş Bankası A.Ş.	33.049	11.069	19.276	10.109
Türkiye Sınai Kalkınma Bankası A.Ş.	1.716	498	1.870	617
İş Yatırım Menkul Değerler A.Ş.	259	100	260	87
İşbank AG	226	70	2.174	831
Şişe Cam Dış Tic.A.Ş.	57	57	-	-
Arap Türk Bankası A.Ş.	12	-	127	93
<b>Total</b>	<b>35.319</b>	<b>11.794</b>	<b>23.707</b>	<b>11.737</b>
<u>Rent Expense</u>				
Türkiye İş Bankası A.Ş.	2.156	715	1.612	576
<b>Total</b>	<b>2.156</b>	<b>715</b>	<b>1.612</b>	<b>576</b>

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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### 9. RELATED PARTIES (Continued)

	<b>01.01.2014- 30.09.2014</b>	<b>01.07.2014- 30.09.2014</b>	<b>01.01.2013- 30.09.2013</b>	<b>01.07.2013- 30.09.2013</b>
<u>Commission income</u>				
Anadolu Anonim Türk Sigorta Şirketi	2.395	924	1.861	832
<b>Total</b>	<b>2.395</b>	<b>924</b>	<b>1.861</b>	<b>832</b>
<u>Factoring commission income</u>				
Şişe Cam Dış Tic.AŞ.	83	30	81	26
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	55	5	-	-
Kültür Yayınları İş-Türk Ltd.Şti.	-	-	3	-
<b>Total</b>	<b>138</b>	<b>35</b>	<b>84</b>	<b>26</b>
<u>Factoring interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.286	331	1.150	265
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	322	53	-	-
Kültür Yayınları İş-Türk Ltd. Şti.	-	-	26	1
<b>Total</b>	<b>1.608</b>	<b>384</b>	<b>1.176</b>	<b>266</b>
<u>Mutual Fund income</u>				
Türkiye İş Bankası A.Ş.	21	9	11	5
<b>Total</b>	<b>21</b>	<b>9</b>	<b>11</b>	<b>5</b>

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

As at 30 September 2014 and 31 December 2013, nominal values of derivative transactions with related parties are as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>Purchase</b>	<b>Sale</b>	<b>Purchase</b>	<b>Sale</b>
Forward Transactions	8.230	7.457	8.230	7.574
Swap Transactions	366.629	348.750	545.022	551.592
<b>Total</b>	<b>374.859</b>	<b>356.207</b>	<b>553.252</b>	<b>559.166</b>

As at 30 September 2014 and 31 December 2013, the amount of the Company’s issued debt securities (with maturities of 10 June 2014, 3 April 2015, 25 February 2016 and 14 April 2016) in related parties’ portfolio are as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Türkiye Sınai Kalkınma Bankası A.Ş.	20.405	27.982
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	13.395	4.943
Millî Reasürans T.A.Ş.	8.434	5.431
İş Yatırım Ortaklığı A.Ş.	6.529	4.696
İş Portföy Yönetimi A.Ş.	3.445	4.575
İş Yatırım Menkul Değerler A.Ş.	2.300	5.976
Türkiye İş Bankası A.Ş.	-	7.040
<b>Total</b>	<b>54.508</b>	<b>60.643</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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#### 9. RELATED PARTIES (Continued)

##### Remuneration of key management (\*)

For the years ended 30 September 2014 and 30 September 2013, the remuneration of the key management during year comprised the following:

<u>Key management personnel compensation (*)</u>	<u>01.01.2014- 30.09.2014</u>	<u>01.07.2014- 30.09.2014</u>	<u>01.01.2013- 30.09.2013</u>	<u>01.07.2013- 30.09.2013</u>
Salaries and other short-term benefits (**)	<u>3.856</u>	<u>1.225</u>	<u>3.173</u>	<u>942</u>
	<b><u>3.856</u></b>	<b><u>1.225</u></b>	<b><u>3.173</u></b>	<b><u>942</u></b>

(\*) 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.

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

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**10. TANGIBLE ASSETS**

For the periods ended 30 September 2014 and 30 September 2013, movements in tangible assets are as follows:

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2014	179	2.888	1.867	3.197	8.131
Additions	-	489	-	293	782
Disposals	-	-	-	-	-
Closing balance at 30 September 2014	<u>179</u>	<u>3.377</u>	<u>1.867</u>	<u>3.490</u>	<u>8.913</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2014	(93)	(2.213)	(1.867)	(2.264)	(6.437)
Depreciation for the period	(27)	(248)	-	(200)	(475)
Disposals	-	-	-	-	-
Closing balance at 30 September 2014	<u>(120)</u>	<u>(2.461)</u>	<u>(1.867)</u>	<u>(2.464)</u>	<u>(6.912)</u>
Carrying amounts at 30 September 2014	<u>59</u>	<u>916</u>	<u>-</u>	<u>1.026</u>	<u>2.001</u>

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2013	179	2.888	1.867	2.541	7.475
Additions	-	192	-	680	872
Disposals	-	(207)	-	(32)	(239)
Closing balance at 30 September 2013	<u>179</u>	<u>2.873</u>	<u>1.867</u>	<u>3.189</u>	<u>8.108</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2013	(57)	(2.161)	(1.867)	(2.046)	(6.131)
Depreciation for the period	(27)	(191)	-	(157)	(375)
Disposals	-	206	-	-	206
Closing balance at 30 September 2013	<u>(84)</u>	<u>(2.146)</u>	<u>(1.867)</u>	<u>(2.203)</u>	<u>(6.300)</u>
Carrying amounts at 30 September 2013	<u>95</u>	<u>727</u>	<u>-</u>	<u>986</u>	<u>1.808</u>

As at 30 September 2014 and 30 September 2013, there is no restriction on the tangible assets of the Group.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

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#### 11. INTANGIBLE ASSETS

For the periods ended 30 September 2014 and 30 September 2013, movements in intangible assets are as follows:

	<u>30 September 2014</u>	<u>30 September 2013</u>
<u>Cost</u>		
Opening balance at 1 January	1.999	1.799
Transfer	410	159
Additions	-	-
Closing balance at the end of the period	<u>2.409</u>	<u>1.958</u>
<u>Amortization</u>		
Opening balance at 1 January	(1.345)	(1.095)
Transfer	(243)	(186)
Amortization for the period	-	-
Closing balance at the end of the period	<u>(1.588)</u>	<u>(1.281)</u>
Carrying amounts	<u>821</u>	<u>677</u>

#### 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 30 September 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 30 September 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.



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**13. DEFERRED TAX ASSETS AND LIABILITIES**

As at 30 September 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:

	<b><u>30 September 2014</u></b>	<b><u>31 December 2013</u></b>
<b><u>Temporary differences subject to deferred tax</u></b>		
Investment incentive – with withholding tax	187.453	174.912
Investment incentive – without withholding tax	70.363	55.143
Allowance for doubtful finance lease receivables	55.872	53.057
Valuation differences on financial instruments	32.997	122.695
Unearned factoring income	6.534	7.332
Reserve for employee benefits	2.129	1.759
Employee bonus accrual	1.302	1.580
Provision for lawsuit	1.265	1.221
Unused vacation	872	655
Prepaid expenses	692	(56)
Expense accruals	589	251
Tax base differences in tangible and intangible assets	(904)	(944)
Finance lease adjustment	(2.292)	(6.382)
Finance lease income accruals	(21.062)	(16.837)
Other	115	115
	<b><u>335.925</u></b>	<b><u>394.501</u></b>
	<b><u>30 September 2014</u></b>	<b><u>31 December 2013</u></b>
<b><u>Deferred tax assets / (liabilities)</u></b>		
Investment incentive – with withholding tax	375	350
Investment incentive – without withholding tax	14.073	11.028
Allowance for doubtful finance lease receivables	11.174	10.611
Valuation differences on financial instruments	6.599	24.539
Unearned factoring income	1.307	1.466
Reserve for employee benefits	426	352
Employee bonus accrual	260	316
Provision for lawsuit	253	244
Unused vacation	174	131
Prepaid expenses	138	(11)
Expense accruals	118	50
Tax base differences in tangible and intangible assets	(181)	(189)
Finance lease adjustment	(458)	(1.276)
Finance lease income accruals	(4.212)	(3.367)
Other	23	24
<b>Deferred tax asset</b>	<b><u>30.069</u></b>	<b><u>44.268</u></b>

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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#### 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 withholding 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 69<sup>th</sup> 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 257.816 (31 December 2013: TRY 230.055) of its unused investment allowances as offset against its future profits. The Group has TRY 14.448 (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:

	<u>30 September 2014</u>	<u>30 September 2013</u>
Opening balance at 1 January	44.268	51.370
Deferred tax benefit	(14.199)	(8.090)
<b>Closing balance</b>	<b><u>30.069</u></b>	<b><u>43.280</u></b>

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

As at 30 September 2014 and 31 December 2013, details of assets held for sale and discontinued operations are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
	TRY	FC	TRY	FC
Assets held for sale (*)	400	-	444	-
	<b><u>400</u></b>	<b><u>-</u></b>	<b><u>444</u></b>	<b><u>-</u></b>

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

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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**15. OTHER RECEIVABLES AND OTHER ASSETS**

As at 30 September 2014 and 31 December 2013, details of other receivables are as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
Insurance receivables	2.139	2.861	1.110	2.131
Others	810	54	685	13
	<b>2.949</b>	<b>2.915</b>	<b>1.795</b>	<b>2.144</b>

As at 30 September 2014 and 31 December 2013, prepaid expenses are as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
Prepaid expenses	19.833	-	6.996	-
	<b>19.833</b>	<b>-</b>	<b>6.996</b>	<b>-</b>

As at 30 September 2014 and 31 December 2013, details of other assets are as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
Advanced given	88	1	31	-
Others	1.406	31	213	49
	<b>1.494</b>	<b>32</b>	<b>244</b>	<b>49</b>

**16. FUNDS BORROWED**

As at 30 September 2014 and 31 December 2013, details of funds borrowed are as follows:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	TRY	FC	TRY	FC
Short-term borrowings	1.388.350	525.783	927.944	389.267
Short-term portion of long-term borrowings	18.298	96.251	29.040	109.154
Total short-term borrowings	<b>1.406.648</b>	<b>622.034</b>	<b>956.984</b>	<b>498.421</b>
Long-term borrowings	363.089	1.028.256	382.869	627.616
Total long-term borrowings	<b>363.089</b>	<b>1.028.256</b>	<b>382.869</b>	<b>627.616</b>
<b>Total borrowings</b>	<b>1.769.737</b>	<b>1.650.290</b>	<b>1.339.853</b>	<b>1.126.037</b>

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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

**16. FUNDS BORROWED (Continued)**

As at 30 September 2014 and 31 December 2013, maturity analysis of borrowings is as follows:

<b><u>Maturity analysis of borrowings</u></b>	<b><u>30 September 2014</u></b>	<b><u>31 December 2013</u></b>
Within 1 year	2.028.682	1.455.405
Within 1-2 years	784.866	526.568
Within 2-3 years	247.966	363.558
Within 3-4 years	167.169	64.465
Within 4-5 years	129.127	43.844
5 years and over	62.217	12.050
<b>TOTAL</b>	<b>3.420.027</b>	<b>2.465.890</b>

As at 30 September 2014 and 31 December 2013, details of borrowings based on types of currency are as follows:

<b><u>Currency (*)</u></b>	<b><u>Interest rate %</u></b>	<b><u>Original Currency Amount</u></b>	<b><u>30 September 2014</u></b>
TRY	1% - 11,99%	-	1.331.668
USD	1,49% - 6,92%	144.986.607	330.410
Euro	1,70% - 3,85%	66.251.142	191.559
GBP	4,50%	937.117	3.461
Interest accruals			57.035
<b>TOTAL</b>			<b>1.914.133</b>

<b><u>Currency (*)</u></b>	<b><u>Interest rate %</u></b>	<b><u>Original Currency Amount</u></b>	<b><u>31 December 2013</u></b>
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
<b>TOTAL</b>			<b>1.317.211</b>

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

As at 30 September 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:

<b><u>Currency</u></b>	<b><u>Interest rate %</u></b>	<b><u>Original Currency Amount</u></b>	<b><u>30 September 2014</u></b>
TRY	11,48% -15,39%	-	328.214
USD	1,51% -4,26%	213.499.996	486.545
Euro	1,05% -4,34%	239.031.265	691.135
<b>TOTAL</b>			<b>1.505.894</b>

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 16. FUNDS BORROWED (Continued)

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2013</u>
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
<b>TOTAL</b>			<b>1.148.679</b>

As at 30 September 2014 and 31 December 2013, compounded interest rates have been presented.

As at 30 September 2014 and 31 December 2013, details of borrowings based on types of interest rate are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
Fixed rate	1.692.668	870.860	555.305	504.541
Variable rate	77.069	779.430	784.548	621.496
	<b>1.769.737</b>	<b>1.650.290</b>	<b>1.339.853</b>	<b>1.126.037</b>

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

As at 30 September 2014, the Group has available TRY 5.406.007 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 30 September 2014 and 31 December 2013, details of miscellaneous payables are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
Payables to suppliers for lease transactions	1.385	12.690	4.300	50.575
Other payables (*)	6.197	6.590	5.219	6.554
	<b>7.582</b>	<b>19.280</b>	<b>9.519</b>	<b>57.129</b>

(\*) 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 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.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

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

As at 30 September 2014 and 31 December 2013, details of other liabilities are as follows:

	30 September 2014		31 December 2013	
	TRY	FC	TRY	FC
Advances received (*)	13.372	22.829	6.458	13.708
Others	3.319	768	221	504
	<b>16.691</b>	<b>23.597</b>	<b>6.679</b>	<b>14.212</b>

(\*) 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

	30 September 2014		31 December 2013	
	TRY	FC	TRY	FC
Financial bonds	95.504	-	-	-
Bonds issued	250.000	-	200.000	-
Interest accruals	4.696	-	2.405	-
	<b>350.200</b>	<b>-</b>	<b>202.405</b>	<b>-</b>

Financial bonds 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). Financial bond 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 seventh coupon annual compound interest rate of 2,74 % (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% ).

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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

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(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 third coupon annual compound interest rate of 2,64 %. (1<sup>st</sup> coupon interest rate is 3,08%, 2<sup>nd</sup> coupon interest rate is 2,54%)

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.

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 third coupon annual compound interest rate of 2,76 % . (1<sup>st</sup> coupon interest rate is 2,90 %, 2<sup>nd</sup> coupon interest rate is 2,49 %)

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.

#### 20. TAXES AND DUTIES PAYABLE

As at 30 September 2014 and 31 December 2013, details of taxes and duties payable are as follows:

	30 September 2014		31 December 2013	
	TRY	FC	TRY	FC
Value Added Tax	9.101	-	219	-
Banking and Insurance Transaction Tax	382	-	415	-
Income Tax	339	-	288	-
Social Security Premium	302	-	245	-
Other Tax and Liabilities	21	-	21	-
	<b>10.145</b>	<b>-</b>	<b>1.188</b>	<b>-</b>

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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#### 21. PROVISIONS

As at 30 September 2014 and 31 December 2013, other provisions are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
General provision for financial lease receivables	2.236	2.449
Provision for lawsuits	1.265	1.221
Provision for general administrative expenses	589	252
	<u>4.090</u>	<u>3.922</u>

Movements in provisions for the years ended 30 September 2014 and 30 September 2013 are as follows:

	<b>General provision for financial lease receivables</b>	<b>Provision for lawsuits</b>	<b>Provision for general administrative expenses</b>
<b><u>30 September 2014</u></b>			
At the beginning of the period	(2.449)	(1.221)	(252)
Additions	(101)	(44)	(588)
Cancellations	314	-	251
<b>At the end of the period</b>	<u>(2.236)</u>	<u>(1.265)</u>	<u>(589)</u>

	<b>General provision for financial lease receivables</b>	<b>Provision for lawsuits</b>	<b>Provision for general administrative expenses</b>
<b><u>30 September 2013</u></b>			
At the beginning of the period	(1.902)	(923)	(205)
Additions	(325)	(692)	(333)
Cancellations	-	265	205
<b>At the end of the period</b>	<u>(2.227)</u>	<u>(1.350)</u>	<u>(333)</u>

#### 22. EMPLOYEE BENEFITS

As at 30 September 2014 and 31 December 2013, reserve for employee benefits are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Reserve for employee severance indemnity	2.129	1.759
Unused vacation provision	1.302	1.580
Employee bonus accrual	872	655
	<u>4.303</u>	<u>3.994</u>

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.



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#### 22. EMPLOYEE BENEFITS (Continued)

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:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Discount rate	%3,29	3,29%
Inflation	%6,5	6,5%
Probability of retirement	%100	100%

For the periods ended 30 September 2014 and 30 September 2013, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2014</u>	<u>30 September 2013</u>
Balance at the beginning of the period	1.759	2.001
Cost of interest	-	-
Cost of services	370	74
Amounts paid	-	-
Actuarial differences	-	-
<b>Balance at the end of the period</b>	<b><u>2.129</u></b>	<b><u>2.075</u></b>

The movement of the provision for unused vacation for the years ended 30 September 2014 and 30 September 2013 are as follows:

	<u>30 September 2014</u>	<u>30 September 2013</u>
Balance at the beginning of the period	655	477
Provision set during the period	217	102
<b>Balance at the end of the period</b>	<b><u>872</u></b>	<b><u>579</u></b>

The movement of the provision for employee bonus accrual for the years ended 30 September 2014 and 30 September 2013 are as follows:

	<u>30 September 2014</u>	<u>30 September 2013</u>
Balance at the beginning of the period	1.580	750
Provision set during the period	1.301	1.000
Reversals	(267)	-
Payment made during the period	(1.312)	(750)
<b>Balance at the end of the period</b>	<b><u>1.302</u></b>	<b><u>1.000</u></b>

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#### 23. CURRENT PERIOD TAX PAYABLE

As at 30 September 2014 and 31 September 2013, details of corporate tax provision and prepaid taxes are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Current period corporate tax provision (Note:37)	3.090	3.835
Corporation taxes paid in advance during the year	(1.632)	(2.525)
<b>Corporate tax provision (net)</b>	<b><u>1.458</u></b>	<b><u>1.310</u></b>

For the period ended 30 September 2014 and 30 September 2013, movements of corporate tax provision are as follows:

	<u>30 September 2014</u>	<u>30 September 2013</u>
Corporate tax provision at the beginning of the period	1.310	1.211
Total income tax expense (Note:37)	3.090	2.523
Corporation taxes paid during the year	(2.942)	(2.733)
<b>Corporate tax provision (net)</b>	<b><u>1.458</u></b>	<b><u>1.001</u></b>

#### 24. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring. As at 31 March 2014, the non-controlling interests amounting to TRY 15.641 (31 December 2013: TRY 15.109) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TRY 765 (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 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Balance at the beginning of the period	15.109	13.004
Fair value changes of marketable securities	(233)	(495)
Profit for the period	765	2.600
<b>Balance at the end of the period</b>	<b><u>15.641</u></b>	<b><u>15.109</u></b>

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

As at 30 September 2014 nominal capital of the Company is TRY 461.503. The share capital company consist of 46.150.300.000 shares Kurus 1 price.

As at 30 September 2014 and 31 December 2013, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September</u>		<u>31 December</u>	
		<u>2014</u>	<u>(%)</u>	<u>2013</u>	
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	
<b>TOTAL</b>	<b>100,00</b>	<b>461.503</b>	<b>100,00</b>	<b>424.365</b>	

The Group 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;

<u>Shareholders</u>	<u>30 September 2014</u>	<u>31 December 2013</u>
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
<b>Total</b>	<b>600.000.000</b>	<b>600.000.000</b>

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

#### CAPITAL RESERVES

As at 30 September 2014 and 31 December 2013, details of capital reserves are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.938	1.938
<b>Total</b>	<b>1.938</b>	<b>1.938</b>

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#### 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.

	<b>30 September 2014</b>	<b>31 December 2013</b>
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss	328	328
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss	2.227	3.962
<b>Total</b>	<b>2.555</b>	<b>4.290</b>

##### 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 30 September 2014 and 31 December 2013, details of profit reserves are as follows:

	<b>30 September 2014</b>	<b>31 December 2013</b>
Legal reserves	24.202	21.291
Extraordinary reserves (*)	81.450	78.280
<b>Total</b>	<b>105.652</b>	<b>99.571</b>

(\*) 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 30 September 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 30 September 2014 (31 December 2013: 18.776).



**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

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**28. COMMITMENTS AND CONTINGENCIES (Continued)**

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

	<b>31 December 2013</b>	
	Amount as Original Currency	TRY
Currency Swap Purchases:		
TRY		843.920
		<u>843.920</u>
Currency Swap Sales:		
USD	157.182.425	335.474
EUR	189.759.339	557.229
		<u>892.703</u>
	<b>31 December 2013</b>	
	Amount as Original Currency	TRY
Forward Purchase Transactions:		
TRY	-	8.230
		<u>8.230</u>
Forward Sales Transactions:		
EUR	2.579.106	7.574
		<u>7.574</u>

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

The Group has TRY 41.733 of unrealized loss and TRY 8.736 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 30 September 2014 (Note 4) (31 December 2013: TRY 122.695 loss).

As at 30 September 2014, analysis of derivatives according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	334.528	502.583	837.110
Currency Swap Sales	350.498	454.385	804.883
Forward Purchase Transactions	-	8.230	8.230
Forward Sales Transactions	-	7.457	7.457

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

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
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

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

(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
- Factoring operations Includes the Group’s factoring activities

<b><u>30 September 2014</u></b>	<b><u>Leasing</u></b>	<b><u>Factoring</u></b>	<b><u>Consolidation Adjustments</u></b>	<b><u>Consolidated</u></b>
Total assets	3.178.297	1.400.105	(35.382)	4.543.020
Total liabilities	2.570.915	1.328.191	-	3.899.106
Net profit	53.728	3.516	(765)	56.479

  

<b><u>31 December 2013</u></b>	<b><u>Leasing</u></b>	<b><u>Factoring</u></b>	<b><u>Consolidation Adjustments</u></b>	<b><u>Consolidated</u></b>
Total assets	2.556.348	971.615	(35.382)	3.492.581
Total liabilities	1.986.790	902.153	-	2.888.943
Net profit	49.020	11.945	(21.376)	39.589

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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

**29. SEGMENT REPORTING (Continued)**

**30 September 2014**

	<b><u>Leasing</u></b>	<b><u>Factoring</u></b>	<b><u>Consolidation Adjustments</u></b>	<b><u>Total</u></b>
Operating Income	132.159	61.987	-	194.146
Financial Expenses (-)	(102.454)	(39.466)	-	(141.920)
Gross Profit / Loss	29.705	22.521	-	52.226
Operating Expense (-)	(19.045)	(10.324)	-	(29.369)
Gross Operating Profit/Loss	10.660	12.197	-	22.857
Other Operating Income	132.415	6.520	-	138.935
Provision for Losses on Non-Performing Receivables (-)	(7.680)	(12.069)	-	(19.749)
Other operating Expenses (-)	(67.444)	(66)	-	(67.510)
Net Operating Profit / Loss	<u>67.951</u>	<u>6.582</u>	<u>-</u>	<u>74.533</u>
Profit or Loss from Continuing Operations	67.951	6.582	-	74.533
Provision for Taxes from Continuing Operations (±)	<u>(14.223)</u>	<u>(3.066)</u>	<u>-</u>	<u>(17.289)</u>
Net Profit or Loss from Continuing Operations	53.728	3.516	-	57.244
Non-controlling Interests	-	-	(765)	(765)
Net Profit or Loss for the Period	<u>53.728</u>	<u>3.516</u>	<u>(765)</u>	<u>56.479</u>
Fixed Asset Additions	754	438	-	1.192
Depreciation and Amortisation	(520)	(198)	-	(718)

**30 September 2013**

	<b><u>Leasing</u></b>	<b><u>Factoring</u></b>	<b><u>Consolidation Adjustments</u></b>	<b><u>Total</u></b>
Operating Income	88.744	41.963	-	130.707
Financial Expenses (-)	(52.817)	(24.216)	-	(77.033)
Gross Profit / Loss	35.927	17.747	-	53.674
Operating Expense (-)	(15.700)	(6.333)	-	(22.033)
Gross Operating Profit/Loss	20.227	11.414	-	31.641
Other Operating Income	127.901	3.237	(18.776)	112.362
Provision for Losses on Non-Performing Receivables (-)	(7.702)	(2.729)	-	(10.431)
Other operating Expenses (-)	(75.828)	-	-	(75.828)
Net Operating Profit / Loss	<u>64.598</u>	<u>11.922</u>	<u>(18.776)</u>	<u>57.744</u>
Profit or Loss from Continuing Operations	64.598	11.922	(18.776)	57.744
Provision for Taxes from Continuing Operations (±)	<u>(8.052)</u>	<u>(2.561)</u>	<u>-</u>	<u>(10.613)</u>
Net Profit or Loss from Continuing Operations	56.546	9.361	(18.776)	47.131
Non-controlling Interests	-	-	(2.038)	(2.038)
Net Profit or Loss for the Period	<u>56.546</u>	<u>9.361</u>	<u>(20.814)</u>	<u>45.093</u>
Fixed Asset Additions	879	152	-	-
Depreciation and Amortisation	(421)	(140)	-	-

**30. EVENTS AFTER REPORTING PERIOD**

None.



## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 31. OPERATING INCOME

For the periods ended 30 September 2014 and 30 September 2013, details of operating income are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Finance lease interest income	132.159	50.177	88.744	32.103
Factoring income	61.987	20.920	41.963	14.039
	<b>194.146</b>	<b>71.097</b>	<b>130.707</b>	<b>46.142</b>

#### 32. OPERATING EXPENSES

For the periods ended 30 September 2014 and 30 September 2013, operating expenses are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Personnel expenses	(16.491)	(5.906)	(12.832)	(4.620)
Office rent expenses	(2.448)	(814)	(1.785)	(635)
Consultancy expenses	(1.410)	(596)	(1.259)	(277)
Board of Directors attendance fee	(1.205)	(439)	(912)	(326)
Information technology expenses	(1.054)	(340)	(718)	(274)
Travel and car expenses	(910)	(312)	(627)	(229)
Depreciation and amortization expense	(718)	(248)	(561)	(200)
Office contribution expenses	(689)	(255)	(708)	(236)
Provision for employee severance indemnity	(369)	(85)	(331)	(63)
Litigation expenses	(345)	(49)	(149)	(79)
Capital increase expense	(217)	(56)	(210)	-
Advertising expense	(160)	(77)	(95)	-
Other general administrative expenses	(3.353)	(1.407)	(1.846)	(839)
	<b>(29.369)</b>	<b>(10.584)</b>	<b>(22.033)</b>	<b>(7.778)</b>

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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

**33. OTHER OPERATING INCOME**

For the periods ended 30 September 2014 and 30 September 2013, details of other operating income are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Income from derivative financial transactions	108.449	(10.179)	15.150	8.180
Foreign exchange gains, net	11.610	11.610	79.549	50.682
Interest income	4.505	1.326	8.123	1.843
Collections from non-performing receivables	3.329	(29)	530	211
Dividend income	2.447	-	2.454	-
Commission income	2.395	924	1.861	832
Others	6.200	3.206	4.695	2.588
	<b>138.935</b>	<b>6.858</b>	<b>112.362</b>	<b>64.336</b>

**34. FINANCE EXPENSES**

For the periods ended 30 September 2014 and 30 September 2013, details of financial expenses are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Interest expense on funds borrowed	(117.705)	(39.865)	(64.299)	(25.519)
Interest expense on debt securities issued	(20.261)	(6.963)	(10.382)	(4.246)
Fees and commissions expense	(3.954)	(1.558)	(2.352)	(1.106)
	<b>(141.920)</b>	<b>(48.386)</b>	<b>(77.033)</b>	<b>(30.871)</b>

**35. PROVISION FOR NON-PERFORMING RECEIVABLES**

For the periods ended 30 September 2014 and 30 September 2013, details of provision for non-performing receivables are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Specific provision expenses	(19.648)	(4.090)	(10.106)	(4.360)
General provision expenses (*)	(101)	(101)	(325)	(174)
	<b>(19.749)</b>	<b>(4.191)</b>	<b>(10.431)</b>	<b>(4.534)</b>

(\*) 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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 36. OTHER OPERATING EXPENSES

For the periods ended 30 September 2014 and 30 September 2013, details of other operating expenses are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Losses from derivative financial transactions	(65.180)	(10.181)	(73.455)	(39.377)
Foreign exchange losses, net	-	12.185	-	-
Impairment losses on assets held for sale	(3)	-	-	-
Other	(2.327)	(897)	(2.373)	(622)
	<b><u>(67.510)</u></b>	<b><u>1.107</u></b>	<b><u>(75.828)</u></b>	<b><u>(39.999)</u></b>

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.

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 12.820 from measurement difference of such transactions in the Group’s financial statements as at 30 September 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 30 September 2014 and 30 September 2013, details of income tax expense are as follows:

	<b>01.01.2014 - 30.09.2014</b>	<b>01.07.2014 - 30.09.2014</b>	<b>01.01.2013 - 30.09.2013</b>	<b>01.07.2013 - 30.09.2013</b>
Current tax charge (Note:20)	(3.090)	(1.464)	(2.523)	(1.012)
Deferred tax benefit/(loses)	(14.199)	(2.460)	(8.090)	(4.335)
	<b><u>(17.289)</u></b>	<b><u>(3.924)</u></b>	<b><u>(10.613)</u></b>	<b><u>(5.347)</u></b>

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:

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 37. TAXATION (Continued)

	1 January- 30 September 2014		1 January- 30 September 2013	
	%		%	
Net profit for the period		57.244		47.131
Total tax income		17.289		10.613
Profit before tax		74.533		57.744
Income tax using the Company's tax rate	20,00	14.907	20,00	11.549
Non-deductible expenses	10,28	7.662	2,64	1.527
Tax exempt income	(0,72)	(535)	(0,85)	(491)
Investment incentives	(3,86)	(2.879)	(1,69)	(978)
Other	(2,50)	(1.866)	(1,72)	(994)
Total income tax expense / (income)	<b>23,20</b>	<b>17.289</b>	<b>18,38</b>	<b>10.613</b>

#### 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 30 September 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 1st and 25th 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 incentives utilized without investment incentive certificates.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 37. TAXATION (Continued)

##### 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.

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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 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 30 September 2014 and 31 December 2013 are as follows:

	<b><u>1 January- 30 September 2014</u></b>	<b><u>1 January- 30 September 2013</u></b>
Weighted average number of outstanding shares (*)	46.150.300.000	42.436.500.000
Net profit for the period (TRY)	56.479	45.093
Basic earnings per share (full Kurus) (**)	0,12	0,10

(\*) As at 30 September 2014, the share capital of the Company consists of 46.150.300.000 shares having Kurus 1 nominal price.

	<b><u>30 September 2014</u></b>	<b><u>30 September 2013</u></b>
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	<b><u>46.150.300.000</u></b>	<b><u>42.436.500.000</u></b>

(\*\*) 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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 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 19% (31 December 2013: 24). As at 30 September 2014 and 31 December 2013, the leverage ratios are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Funds borrowed	3.420.027	2.465.890
Debt securities issued	350.200	202.405
Miscellaneous payables	26.862	66.648
Other liabilities	40.288	20.891
Total liabilities	<u>3.837.377</u>	<u>2.755.835</u>
Banks (-)	<u>(380.081)</u>	<u>(232.793)</u>
Net liabilities	<u>3.457.296</u>	<u>2.523.042</u>
Total shareholders' equity	643.914	603.638
Shareholders' equity / liabilities	% 19	% 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

##### (b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 “Significant accounting policies”.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (c) Categories of financial instruments

	<u>30 September</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
<u>Financial Assets:</u>		
Banks	380.081	232.793
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	724	-
-Derivative financial assets held for trading	8.736	-
Finance lease receivables and non-performing receivables, net	2.694.699	2.232.011
Factoring receivables and non-performing factoring receivables, net	1.375.738	946.110
Insurance receivables (*)	5.000	3.241
Other receivables (*)	864	695
Financial assets available for sale	22.362	23.213
<u>Financial Liabilities:</u>		
Derivative financial liabilities held for trading	(41.733)	(122.695)
Miscellaneous payables and other liabilities	(67.150)	(87.539)
Funds borrowed	(3.420.027)	(2.465.890)
Debt securities issued	(350.200)	(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.



**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014**

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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 30 September 2014 and 31 December 2013, details of foreign currency denominated assets and liabilities are as follows:

<b>30 September 2014 (*)</b>	<b>USD 000</b>	<b>EUR 000</b>	<b>CHF 000</b>	<b>GBP 000</b>	<b>JPY 000</b>	<b>TRY Equivalent</b>
Banks	30.548	107.051	-	-	26	379.143
Finance lease receivables	423.126	290.092	-	-	-	1.803.033
Factoring receivables	49.891	50.456	-	994	-	263.256
Advances given for lease transactions	6.096	10.668	-	51	55.250	46.074
Leasing contracts in progress	4.960	19.472	-	-	-	67.604
Other assets	424	674	-	-	-	2.915
Other receivables	7	6	-	-	-	32
<b>Total assets (**)</b>	<b>515.052</b>	<b>478.419</b>	<b>-</b>	<b>1.045</b>	<b>55.276</b>	<b>2.562.057</b>
Funds borrowed	(361.674)	(307.268)	-	(937)	-	(1.716.115)
Miscellaneous payables and other liabilities	(4.765)	(10.816)	-	(201)	(166)	(42.877)
Other provisions	(967)	-	-	-	-	(2.205)
<b>Total liabilities (**)</b>	<b>(367.406)</b>	<b>(318.084)</b>	<b>-</b>	<b>(1.138)</b>	<b>(166)</b>	<b>(1.761.197)</b>
<b>Balance sheet position</b>	<b>147.646</b>	<b>160.335</b>	<b>-</b>	<b>(93)</b>	<b>55.110</b>	<b>800.860</b>
<b>Off balance sheet position</b>	<b>(146.893)</b>	<b>(154.150)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(780.462)</b>
<b>Net foreign currency position</b>	<b>753</b>	<b>6.185</b>	<b>-</b>	<b>(93)</b>	<b>55.110</b>	<b>20.398</b>

(\*) As at 30 September 2014, foreign currency indexed borrowings amounting to USD 18.970.648 and EUR 7.813.892 (Total: TRY 65.825) and foreign currency indexed factoring receivables amounting to USD 10.309.164 and EUR 17.782.619 (Total: TRY 74.910) are presented in TRY column in the accompanying consolidated statement of financial position.

(\*\*) As at 30 September 2014, accruals of derivative assets amounting to TRY 8.704 and derivative liabilities amounting to TRY 41.733 are not included.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (f) Currency risk management (Continued)

<b>31 December 2013 (*)</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>GBP</b>	<b>JPY</b>	<b>TRY</b>
	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>Equivalent</b>
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	<b>1.996</b>	<b>(3)</b>	<b>(9)</b>	<b>20</b>	<b>(861)</b>	<b>4.281</b>

(\*) 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 assets and liabilities amounting to TRY 122.695, respectively, 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.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (f) Currency risk management (Continued)

##### Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>30 September 2014</b>				
15% change of the USD against TRY				
1- Net USD asset/liability	50.470	(50.470)	50.470	(50.470)
2- Hedged portion of TRY against USD risk (-)	(50.213)	50.213	(50.213)	50.213
3- Net effect of USD ( 1+ 2)	257	(257)	257	(257)
15% change of the Euro against TRY				
4- Net Euro asset/liability	69.538	(69.538)	69.538	(69.538)
5- Hedged portion of TRY against Euro risk (-)	(66.856)	66.856	(66.856)	66.856
6- Net effect of Euro (4+5)	2.682	(2.682)	2.682	(2.682)
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	138	(138)	138	(138)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	138	(138)	138	(138)
<b>TOTAL (3+6+9)</b>	<b>3.077</b>	<b>(3.077)</b>	<b>3.077</b>	<b>(3.077)</b>

(\*) Includes profit/loss effect.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2013</b>				
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)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	1	(1)	1	(1)
<b>TOTAL (3+6+9)</b>	<b>639</b>	<b>(639)</b>	<b>639</b>	<b>(639)</b>

(\*) Includes profit/loss effect.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

(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 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 30 September 2014 and 31 December 2013, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>30 September</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Banks	373.065	219.054
Finance lease receivables (*)	2.015.040	1.833.282
Factoring receivables	1.337.806	817.008
Financial liabilities:		
Funds borrowed	2.563.528	1.958.691
Debt securities issued	96.057	-
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	541.901	195.564
Factoring receivables	37.932	129.102
Financial liabilities:		
Borrowings	856.499	507.199
Debt securities issued	254.143	202.405

(\*) Leasing contracts in progress and advances given are not included in the balances above.

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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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 1.657 (30 September 2013: TRY 1.336)
- Interest income from factoring transactions variable interest rates would be higher at an amount of TRY 281 (30 June 2013: TRY 690)
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TRY 6.023 (30 June 2013: TRY 4.212)

#### (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 534 (30 September 2013: TRY 1.495).

#### (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.

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Sectoral allocation of finance lease receivables is as follows:

	<u>30 September 2014 (%)</u>	<u>31 December 2013 (%)</u>
Construction	18,53	20,75
Metal industry	16,76	14,17
Transportation	12,96	16,17
Food and beverage	6,55	3,81
Tourism	6,07	6,96
Textile	5,84	5,82
Chemical and plastic	5,06	2,67
Healthcare	3,62	5,75
Mining	3,59	3,21
Forestry products and paper	3,28	4,44
Finance	3,10	3,30
Retail and wholesale	2,13	2,05
Agriculture and forestry	2,11	3,03
Machinery and equipment	1,51	1,70
Other	8,89	6,17
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

	<u>30 September 2014 (%)</u>	<u>31 December 2013 (%)</u>
Real estate	35,44	28,98
Machinery and equipment	26,24	22,03
Building and construction machinery	14,56	17,91
Air transportation equipments	5,05	6,28
Textile machinery	4,02	4,39
Sea transport vessels	2,96	4,50
Electronic and optical equipment	2,65	3,47
Tourism equipment	2,30	2,08
Medical equipment	2,17	3,57
Printing machinery	1,37	2,08
Road transportation equipments	1,09	1,52
Office equipments	0,78	1,18
Other	1,37	2,01
	<u>100,00</u>	<u>100</u>

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (i) Credit risk management (Continued)

As at 30 September 2014, exposure to credit risk based on categories of financial instruments is as follows:

	<b>Receivables</b>				<b>Deposits</b>	<b>Fair value through profit/loss financial assets</b>	<b>Financial Assets Available For Sale</b>	<b>Insurance receivables</b>	<b>Other Receivables</b>
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>						
<b>30 September 2014</b>	<b>Related party</b>	<b>Third party</b>	<b>Related party</b>	<b>Third party</b>					
Exposure to maximum credit risk as at reporting date (*)	30.143	2.664.556	15.850	1.359.888	380.081	9.640	22.362	5.000	720
- The portion of maximum risk covered by guarantee	-	247.974	-	1.053	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	30.143	2.281.227	15.850	1.358.667	380.081	9.640	22.362	5.000	720
- The portion covered by guarantee	-	188.648	-	1.053	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	1.221	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	338.254	-	-	-	-	-	-	-
- The portion covered by guarantee	-	50.593	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	45.075	-	-	-	-	-	-	-
- Overdue (gross book value)	-	104.876	-	23.133	-	-	-	-	-
- Impairment (-)	-	(61.317)	-	(23.133)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	8.733	-	-	-	-	-	-	-
- Not past due (gross book value)	-	7	-	-	-	-	-	-	-
- Impairment (-)	-	1.509	-	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

(\*) Guarantees received are not taken into account in the calculation.

(\*\*) Includes collaterals for the assets impaired but not overdue.

# İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

### 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:

31 December 2013	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale	Insurance receivables	Other Receivables
	Finance Lease Receivables		Factoring Receivables						
	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	38.112	2.193.899	18.559	927.551	232.793	-	23.213	3.241	214
- The portion of maximum risk covered by guarantee	-	225.454	-	8.632	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	38.112	1.944.302	18.559	926.559	232.793	-	23.213	-	214
- The portion covered by guarantee	-	188.258	-	8.632	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	992	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	192.665	-	-	-	-	-	-	-
- The portion covered by guarantee	-	27.094	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	56.932	-	-	-	-	-	-	-
- Overdue (gross book value)	-	103.241	-	13.969	-	-	-	-	-
- Impairment (-)	-	(50.000)	-	(13.969)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	10.102	-	-	-	-	-	-	-
- Not past due (gross book value)	-	6.344	-	-	-	-	-	-	-
- Impairment (-)	-	(2.653)	-	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

(\*) Guarantees received are not taken into account in the calculation.

(\*\*) Includes collaterals for the assets impaired but not overdue.



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### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (i) Credit risk management (Continued)

As at 30 September 2014 and 31 December 2013, details of finance lease receivables rating in terms of internal rating information:

	<u>30 September 2014 (%)</u>	<u>31 December 2013 (%)</u>
Internal rating results:		
A+ (Perfect)	2,77	0,10
A (Very good)	4,47	4,80
A- (Good)	7,09	9,10
B+ (Satisfactory)	27,36	19,40
B (Close Monitoring)	27,46	29,90
B- (Insufficient)	18,11	14,20
C+ (Doubtful)	10,79	16,80
C (Loss)	1,91	3,10
Not rated	0,04	2,60
Total	<u>100</u>	<u>100</u>

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 13,76 % as at 30 September 2014 (31 December 2013: 13,74%).

As at 30 September 2014 and 31 December 2013, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>30 September 2014 (%)</u>	<u>31 December 2013 (%)</u>
High	35,92	33,99
Medium	55,48	56,61
Low	8,60	9,40
Total	<u>100</u>	<u>100</u>

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.

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Other mortgages	600.886	204.709	593.577	205.666
Letters of guarantee	27.412	8.597	31.984	14.894
Pledged shares	17.900	17.900	-	-
Cash blockages	15.800	14.964	14.038	11.049
Ship mortgage	5.697	-	5.336	-
Equities	2.450	2.450	2.450	2.450
Guarantors	1.517	407	1.275	27
	<u>671.662</u>	<u>249.027</u>	<u>648.660</u>	<u>234.086</u>

(\*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

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

**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.

**30 September 2014**

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
<b>Non-derivative Financial Assets:</b>						
Banks	380.081	380.205	380.205	-	-	-
Financial Assets Held For Trading	724	724	724	-	-	-
Finance Lease Receivables (*)	2.556.941	2.965.029	329.800	670.987	1.808.389	155.853
Factoring Receivables	1.375.738	1.393.193	1.107.150	285.840	203	-
Insurance Receivables	5.001	5.001	5.001	-	-	-
Other Receivables	864	864	864	-	-	-
<b>Total Assets</b>	<b>4.319.349</b>	<b>4.745.016</b>	<b>1.823.744</b>	<b>956.827</b>	<b>1.808.592</b>	<b>155.853</b>
<b>Non-derivative Financial Liabilities:</b>						
Funds Borrowed	3.420.027	3.614.663	1.314.278	774.526	1.461.267	64.592
Debt Securities Issued	350.200	387.196	6.315	168.240	212.641	-
Miscellaneous Payables and Other Liabilities	67.150	67.150	63.884	-	3.266	-
<b>Total Liabilities</b>	<b>3.837.377</b>	<b>4.069.009</b>	<b>1.384.477</b>	<b>942.766</b>	<b>1.677.174</b>	<b>64.592</b>

(\*) 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.

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

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**40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)**

(j) Liquidity risk management (Continued)

**31 December 2013**

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
<b>Non-derivative Financial Assets:</b>						
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	-	-	-
<b>Total Assets</b>	<b>3.211.684</b>	<b>3.503.022</b>	<b>1.153.485</b>	<b>881.974</b>	<b>1.386.806</b>	<b>80.757</b>
<b>Non-derivative Financial Liabilities:</b>						
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	-
<b>Total Liabilities</b>	<b>2.755.834</b>	<b>2.919.895</b>	<b>1.088.963</b>	<b>652.190</b>	<b>1.178.742</b>	<b>-</b>

(\*) 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 30 September 2014 and 31 December 2013.

<u>30 September 2014 Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Cash inflows from derivatives	33.000	845.340	45.692	288.835	510.813	-
Cash outflows from derivatives	-	(812.340)	(44.840)	(305.659)	(461.841)	-
<b>31 December 2013 Contractual Maturities</b>						
Cash inflows from derivatives	(48.128)	852.150	56.534	331.719	463.897	-
Cash outflows from derivatives	-	(900.276)	(59.518)	(379.326)	(461.432)	-

## İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (k) Fair value of financial instruments

Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets. 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.

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.

<b>30 September 2014</b>	<u>Financial assets Held for trading</u>	<u>Financial assets at amortized cost</u>	<u>Loans and receivables</u>	<u>Available for sale financial assets</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Notes</u>
<u>Financial Assets</u>								
Banks	-	380.081	-	-	-	380.081	380.081	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	724	-	-	-	-	724	724	4
- Derivative financial assets held for trading	8.736	-	-	-	-	8.736	8.736	4
Finance lease receivables and non- performing lease receivables	-	-	2.694.699	-	-	2.694.699	2.753.142	8
Factoring receivables and non-performing factoring receivables	-	-	1.375.738	-	-	1.375.738	1.375.738	7
Insurance receivables	-	-	5.000	-	-	5.000	5.000	15
Other Receivables	-	-	864	-	-	864	864	15
Available for sale financial assets	-	-	-	22.362	-	22.362	22.362	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	41.733	-	-	-	-	41.733	41.733	4
Miscellaneous payables and other liabilities	-	-	-	-	67.150	67.150	67.150	17
Funds borrowed	-	-	-	-	3.420.027	3.420.027	3.426.797	16
Debt securities issued	-	-	-	-	350.200	350.200	350.200	19

## İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

#### 40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

##### (k) Fair value of financial instruments (Continued)

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
<u>Financial Assets</u>								
Banks	-	232.793	-	-	-	232.793	232.793	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	-	-	-	-	-	-	-	4
- Derivative financial assets held for trading	-	-	-	-	-	-	-	4
Finance lease receivables and non- performing lease receivables	-	-	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	-	-	695	-	-	695	695	15
Available for sale financial assets	-	-	-	23.213	-	23.213	23.213	6
<u>Financial liabilities</u>								
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

**İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014

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

**40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)**

(1) 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).

<b>30 September 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss	-	724	-	724
Derivative financial assets held for trading	-	8.736	-	8.736
Available-for-sale financial assets (*)	20.021	-	302	20.323
<b>Total financial assets carried at fair value</b>	<b>20.021</b>	<b>9.460</b>	<b>302</b>	<b>29.783</b>
Derivative financial liabilities held for trading	-	41.733	-	41.733
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>41.733</b>	<b>-</b>	<b>41.733</b>

(\*) As at 30 September 2014, securities that are not publicly traded amounting to TRY 2.039 have been measured at cost.

<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
<b>Total financial assets carried at fair value</b>	<b>20.869</b>	<b>-</b>	<b>302</b>	<b>21.171</b>
Derivative financial liabilities held for trading	-	122.695	-	122.695
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>122.695</b>	<b>-</b>	<b>122.695</b>

(\*) As at 31 December 2013, securities that are not publicly traded amounting to TRY 2.042 have been measured at cost.