

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

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

Consolidated Financial Statements
As at and for the period ended
30 September 2015

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONTENTS		PAGE
Consolidated Balance Sheet (Statement of Financial Position)	1	- 2
Consolidated Statement of Off-Balance Sheet Items.....		3
Consolidated Statement of Profit or Loss.....		4
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....		5
Consolidated Statement of Changes in Equity.....		6
Consolidated Statement of Cash Flows.....		7
Notes to the Consolidated Financial Statements.....	8	- 76
Note 1 Organization and Operations of the Company		8
Note 2 Basis of the Financial Statements.....	8	- 12
Note 3 Significant Accounting Policies	12	- 22
Note 4 Financial Assets and Liabilities at Fair Value Through Profit or Loss		23
Note 5 Banks.....		24
Note 6 Financial Assets Available For Sale.....		25
Note 7 Factoring Receivables.....	25	- 26
Note 8 Lease Receivables.....	27	- 30
Note 9 Related Parties.....	31	- 35
Note 10 Tangible Assets.....		36
Note 11 Intangible Assets.....		37
Note 12 Goodwill.....		37
Note 13 Deferred Tax Assets and Liabilities	38	- 39
Note 14 Assets Held For Sale and Discontinued Operations		39
Note 15 Other Receivables and Other Assets.....		40
Note 16 Funds Borrowed.....	40	- 42
Note 17 Miscellaneous Payables and Other Liabilities		42
Note 18 Finance Lease Obligations.....		42
Note 19 Debt Securities Issued	43	- 44
Note 20 Taxes and Duties Payable		45
Note 21 Provisions		45
Note 22 Employee Benefits		46
Note 23 Current Period Taxes Payable.....		47
Note 24 Non-Controlling Interests		47
Note 25 Paid-in Capital and Capital Reserves	48	- 49
Note 26 Profit Reserves.....		49
Note 27 Prior Years' Profit / Loss.....		49
Note 28 Commitments and Contingencies	50	- 51
Note 29 Segment Reporting	52	- 53
Note 30 Events After Reporting Date		54
Note 31 Operating Income		54
Note 32 Operating Expenses		54
Note 33 Other Operating Income		54
Note 34 Finance Expenses.....		55
Note 35 Provisions for Non-Performing Receivables		55
Note 36 Other Operating Expenses	55	- 56
Note 37 Taxation	56	- 58
Note 38 Earnings Per Share		59
Note 39 Other Issues That Significantly Affect the Financial Statements or Other Issues Required for Understanding of the Financial Statements.....		59
Note 40 Additional Information on Financial Instruments.....	60	- 76

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2015

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

	ASSETS	Notes	Unaudited Current Period 30 September 2015			Audited Prior Period 31 December 2014		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	CASH		-	-	-	-	-	-
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	7.198	1.465	8.663	663	21.386	22.049
2.1	Financial Assets Held for Trading		5.705	-	5.705	459	-	459
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		1.493	1.465	2.958	204	21.386	21.590
III.	BANKS	5	2.008	327.877	329.885	1.739	178.478	180.217
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	21.090	-	21.090	22.382	-	22.382
VI.	FACTORING RECEIVABLES	7	1.159.224	298.898	1.458.122	1.203.168	230.042	1.433.210
6.1	Discounted Factoring Receivables		312.391	-	312.391	469.711	-	469.711
6.1.1	Domestic		323.236	-	323.236	481.987	-	481.987
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(10.845)	-	(10.845)	(12.276)	-	(12.276)
6.2	Other Factoring Receivables		846.833	298.898	1.145.731	733.457	230.042	963.499
6.2.1	Domestic		846.833	-	846.833	733.457	-	733.457
6.2.2	Foreign		-	298.898	298.898	-	230.042	230.042
VII.	FINANCING LOANS		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
VIII.	LEASE RECEIVABLES	8	1.145.584	2.235.956	3.381.540	943.497	1.842.295	2.785.792
8.1	Lease Receivables		1.119.790	2.156.244	3.276.034	903.331	1.785.267	2.688.598
8.1.1	Finance Lease Receivables		1.357.039	2.428.676	3.785.715	1.109.417	2.054.247	3.163.664
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		(237.249)	(272.432)	(509.681)	(206.086)	(268.980)	(475.066)
8.2	Leasing Contracts in Progress		20.584	16.766	37.350	23.443	21.492	44.935
8.3	Advances Given for Lease Transactions		5.210	62.946	68.156	16.723	35.536	52.259
IX.	OTHER RECEIVABLES	15	3.317	2.844	6.161	2.936	2.181	5.117
X.	NON-PERFORMING RECEIVABLES	7, 8	34.836	3.438	38.274	28.244	27.004	55.248
10.1	Non-Performing Factoring Receivables		32.715	-	32.715	24.348	-	24.348
10.2	Non-Performing Financing Loans		-	-	-	-	-	-
10.3	Non-Performing Lease Receivables		128.632	7.874	136.506	88.750	46.640	135.390
10.4	Specific Provisions (-)		(126.511)	(4.436)	(130.947)	(84.854)	(19.636)	(104.490)
XI.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XII.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII.	SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV.	ASSOCIATES (Net)		-	-	-	-	-	-
XV.	JOINT VENTURES (Net)		-	-	-	-	-	-
XVI.	TANGIBLE ASSETS (Net)	10	17.266	-	17.266	17.855	-	17.855
XVII.	INTANGIBLE ASSETS (Net)	11, 12	1.688	-	1.688	1.023	-	1.023
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		1.522	-	1.522	857	-	857
XVIII.	PREPAID EXPENSES	15	21.941	-	21.941	19.131	-	19.131
IXX.	CURRENT PERIOD TAX ASSETS		15	-	15	37	-	37
XX.	DEFERRED TAX ASSETS	13	42.783	-	42.783	36.002	-	36.002
XXI.	OTHER ASSETS	15	1.905	2.485	4.390	1.752	35	1.787
	SUBTOTAL		2.458.855	2.872.963	5.331.818	2.278.429	2.301.421	4.579.850
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	1.411	-	1.411	572	-	572
22.1	Assets Held For Sale		1.411	-	1.411	572	-	572
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		2.460.266	2.872.963	5.333.229	2.279.001	2.301.421	4.580.422

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2015

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

	LIABILITIES	Notes	Unaudited Current Period 30 September 2015			Audited Prior Period 31 December 2014		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	-	121.400	121.400	1.197	35.429	36.626
II.	FUNDS BORROWED	16	1.373.110	2.120.630	3.493.740	1.784.766	1.602.775	3.387.541
III.	FACTORING PAYABLES		-	-	-	-	-	-
IV.	LEASE OBLIGATIONS	18	-	-	-	-	-	-
4.1	Finance Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V.	DEBT SECURITIES ISSUED (Net)	19	878.581	-	878.581	403.422	-	403.422
5.1	Bills		624.211	-	624.211	98.367	-	98.367
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		254.370	-	254.370	305.055	-	305.055
VI.	MISCELLANEOUS PAYABLES	17	8.081	29.753	37.834	17.473	21.054	38.527
VII.	OTHER LIABILITIES	17	13.292	37.605	50.897	13.071	22.806	35.877
VIII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
IX.	TAXES AND DUTIES PAYABLE	20	20.878	-	20.878	1.465	-	1.465
X.	PROVISIONS	21, 22	6.421	2.761	9.182	6.214	2.245	8.459
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits		5.290	-	5.290	5.441	-	5.441
10.3	Other Provisions		1.131	2.761	3.892	773	2.245	3.018
XI.	DEFERRED INCOME		-	-	-	-	-	-
XII.	CURRENT PERIOD TAX LIABILITY	23	19.089	-	19.089	1.686	-	1.686
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	SUBTOTAL		2.319.452	2.312.149	4.631.601	2.229.294	1.684.309	3.913.603
XV.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1	Held For Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		701.628	-	701.628	666.819	-	666.819
16.1	Paid-in Capital	25	530.303	-	530.303	461.503	-	461.503
16.2	Capital Reserves	25	1.938	-	1.938	1.938	-	1.938
16.2.1	Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
16.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	283	-	283	283	-	283
16.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	25	115	-	115	2.243	-	2.243
16.5	Profit Reserves	26	100.484	-	100.484	105.652	-	105.652
16.5.1	Legal Reserves		28.133	-	28.133	24.202	-	24.202
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		72.351	-	72.351	81.450	-	81.450
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		47.842	-	47.842	78.632	-	78.632
16.6.1	Prior Periods Profit/Loss		-	-	-	146	-	146
16.6.2	Current Period Profit/Loss		47.842	-	47.842	78.486	-	78.486
16.7	Non-Controlling Interests	24	20.663	-	20.663	16.568	-	16.568
	TOTAL LIABILITIES AND EQUITY		3.021.080	2.312.149	5.333.229	2.896.113	1.684.309	4.580.422

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OFF BALANCE SHEET ITEMS AS AT 30 SEPTEMBER 2015

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 30 September 2015			Audited Prior Period 31 December 2014		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		35.899	10.860	46.759	88.602	11.940	100.542
II.	REVOCABLE FACTORING TRANSACTIONS		288.231	55.531	343.762	140.182	15.789	155.971
III.	COLLATERALS RECEIVED	40	2.747.735	687.666	3.435.401	2.596.710	575.068	3.171.778
IV.	COLLATERALS GIVEN	28	10.556	-	10.556	4.914	-	4.914
V.	COMMITMENTS		102.150	179.867	282.017	116.755	122.237	238.992
5.1	Irrevocable Commitments		50.368	48.014	98.382	66.638	32.590	99.228
5.2	Revocable Commitments		51.782	131.853	183.635	50.117	89.647	139.764
5.2.1	Lease Commitments		51.782	131.853	183.635	50.117	89.647	139.764
5.2.1.1	Finance Lease Commitments		51.782	131.853	183.635	50.117	89.647	139.764
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		579.699	663.660	1.243.359	1.054.071	1.061.946	2.116.017
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	579.699	663.660	1.243.359	1.054.071	1.061.946	2.116.017
6.2.1	Forward Foreign Currency Purchases/Sales	28	-	-	-	8.230	7.275	15.505
6.2.2	Swap Purchases/Sales	28	579.699	663.660	1.243.359	1.045.841	1.054.671	2.100.512
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		294.270	37.875	332.145	219.337	6.195	225.532
	TOTAL OFF-BALANCE SHEET ITEMS		4.058.540	1.635.459	5.693.999	4.220.571	1.793.175	6.013.746

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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

	INCOME STATEMENT	Notes	Unaudited Current Period 01.01-30.09.2015	Unaudited Current Period 01.07-30.09.2015	Unaudited Prior Period 01.01-30.09.2014	Unaudited Prior Period 01.07-30.09.2014
I.	OPERATING INCOME	31	289.412	106.273	194.146	71.097
	FACTORING INCOME		93.078	34.428	61.987	20.920
1.1	Factoring Interest Income		86.689	32.004	56.989	19.531
1.1.1	Discounted		34.354	10.142	26.101	8.859
1.1.2	Other		52.335	21.862	30.888	10.672
1.2	Factoring Commission Income		6.389	2.424	4.998	1.389
1.2.1	Discounted		1.783	831	2.230	601
1.2.2	Other		4.606	1.593	2.768	788
	LEASE INCOME		196.334	71.845	132.159	50.177
1.3	Finance Lease Income		196.334	71.845	132.159	50.177
1.4	Operational Lease Income		-	-	-	-
1.5	Fees and Commission Income on Lease Operations		-	-	-	-
II.	FINANCING EXPENSES (-)	34	(211.078)	(74.403)	(141.920)	(48.386)
2.1	Interest Expense on Funds Borrowed		(159.469)	(51.064)	(117.705)	(39.865)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-	-	-
2.4	Interest Expense on Securities Issued		(45.508)	(21.103)	(20.261)	(6.963)
2.5	Other Interest Expenses		-	-	-	-
2.6	Fees and Commissions Paid		(6.101)	(2.236)	(3.954)	(1.558)
III.	GROSS PROFIT / LOSS (I+II)		78.334	31.870	52.226	22.711
IV.	OPERATING EXPENSES (-)	32	(34.690)	(11.779)	(29.369)	(10.584)
4.1	Personal Expenses		(20.768)	(6.640)	(16.491)	(5.906)
4.2	Employee Severance Indemnity Expense		(567)	(300)	(369)	(85)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administration Expenses		(13.355)	(4.839)	(12.509)	(4.593)
4.5	Other		-	-	-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		43.644	20.091	22.857	12.127
VI.	OTHER OPERATING INCOME	33	321.900	172.386	138.935	6.858
6.1	Interest Income on Bank Deposits		5.163	1.234	4.485	1.318
6.2	Interest Income on Reverse Repurchase Agreements		-	-	-	-
6.3	Interest Income on Securities Portfolio		83	29	20	8
6.3.1	Interest Income on Financial Assets Held for Trading		83	29	20	8
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		3.800	-	2.447	-
6.5	Trading Account Income		115.453	69.018	108.449	(10.179)
6.5.1	Income From Derivative Financial Instruments		115.453	69.018	108.449	(10.179)
6.5.2	Other		-	-	-	-
6.6	Foreign Exchange Gains		185.404	97.871	11.610	11.610
6.7	Others		11.997	4.234	11.924	4.101
VII.	PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	35	(38.961)	(9.854)	(19.749)	(4.191)
VIII.	OTHER OPERATING EXPENSES (-)	36	(259.993)	(159.859)	(67.510)	1.107
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		(602)	(602)	-	-
8.2.1	Impairment Losses on Tangible Assets		(602)	(602)	-	-
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		(256.991)	(158.569)	(65.180)	(10.181)
8.4	Foreign Exchange Losses		-	-	-	12.185
8.5	Other		(2.400)	(688)	(2.327)	(897)
IX.	NET OPERATING PROFIT / LOSS (V+.....+VIII)		66.590	22.764	74.533	15.901
X.	INCOME RESULTED FROM MERGER		-	-	-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		66.590	22.764	74.533	15.901
XIII.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	37	(14.345)	(6.284)	(17.289)	(3.924)
13.1	Current Tax Charge		(21.126)	(19.083)	(3.090)	(1.464)
13.2	Deferred Tax Charge (-)		-	-	(14.199)	(2.460)
13.3	Deferred Tax Benefit (+)		6.781	12.799	-	-
XIV.	NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)		52.245	16.480	57.244	11.977
XV.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
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		-	-	-	-
XVI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
16.1	Expense on Assets Held for Sale		-	-	-	-
16.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
16.3	Other Expenses from Discontinued Operations		-	-	-	-
XVII.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XV-XVII)		-	-	-	-
XVIII.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
18.1	Current Tax Charge		-	-	-	-
18.2	Deferred Tax Charge (-)		-	-	-	-
18.3	Deferred Tax Benefit (+)		-	-	-	-
XIX.	NET PROFIT FROM DISCONTINUED OPERATIONS (XVII±XVIII)		-	-	-	-
XX.	NET PROFIT FOR THE PERIOD		52.245	16.480	57.244	11.977
20.1	NON-CONTROLLING INTERESTS		(4.403)	(1.832)	(765)	(892)
20.2	EQUITY HOLDERS OF THE COMPANY		47.842	14.648	56.479	11.085
	EARNINGS PER SHARE	38	0,09	0,03	0,12	0,02
	Earnings Per Share from Continued Operations		0,09	0,03	0,12	0,02
	Earnings Per Share from Discontinued Operations		-	-	-	-
	DILUTED EARNINGS PER SHARE		0,09	0,03	0,12	0,02
	Earnings Per Share from Continued Operations		0,09	0,03	0,12	0,02
	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 2015

(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
	01.01-30.09.2015	01.07-30.09.2015	01.01-30.09.2014	01.07-30.09.2014
I. CURRENT PERIOD PROFIT/LOSS	52.245	16.480	57.244	11.977
II. OTHER COMPREHENSIVE INCOME	(2.436)	(1.461)	(1.968)	(1.332)
2.1 Items that will not be Reclassified to Profit or Loss	-	-	-	-
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	-	-	-	-
2.2 Items that may be Reclassified subsequently to Profit or Loss	(2.436)	(1.461)	(1.968)	(1.332)
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	(2.436)	(1.461)	(1.968)	(1.332)
2.2.3 Cash Flow Hedge Income/Losses	-	-	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-	-	-
2.2.5 Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
2.2.6 Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-	-	-
2.2.6.1 Current Tax Income/Expense	-	-	-	-
2.2.6.2 Deferred Tax Income/Expense	-	-	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	49.809	15.019	55.276	10.645

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 2015

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

	Nite	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										
CHANGES IN EQUITY																						
I. Prior Period (01.01 – 30.09.2014) (Unaudited)																						
II. 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
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (I-III)	25	424.365	-	-	-	1.938	-	328	-	-	3.962	-	99.571	21.291	-	78.280	-	58.365	18.776	39.589	15.109	603.638
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	-	(1.735)	-	-	-	-	-	-	-	-	-	(233)	(1.968)
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Increase from internal reserves		37.138	-	-	-	-	-	-	-	-	-	-	(37.138)	-	-	-	-	-	-	-	-	-
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37.138)	-	-	-	-	-
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.479	-	56.479	765	57.244
XIII. 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		-	-	-	-	-	-	-	-	-	-	-	58.219	2.911	-	18.170	37.138	(58.219)	(18.630)	(39.589)	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (30.09.2014)		461.503	-	-	-	1.938	-	328	-	-	2.227	-	105.652	24.202	-	81.450	-	56.625	146	56.479	15.641	643.914
I. Current Period (01.01. –30.09.2015) (Unaudited)																						
II. Balance at the Beginning of the Period (31.12.2014)		461.503	-	-	-	1.938	-	283	-	-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819
III. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. New Balance (I-III)	25	461.503	-	-	-	1.938	-	283	-	-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819
V. Total Comprehensive Income		-	-	-	-	-	-	-	-	-	(2.128)	-	-	-	-	-	-	-	-	-	(308)	(2.436)
VI. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Increase from internal reserves		68.800	-	-	-	-	-	-	-	-	-	-	(68.800)	-	-	-	-	-	-	-	-	-
VIII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(68.800)	-	-	-	-	-
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47.842	-	47.842	4.403	52.245
XIII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	63.632	3.931	-	(9.099)	68.800	(78.632)	(146)	(78.486)	-	(15.000)
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	(15.000)	-	-	(15.000)	-	-	-	-	-	(15.000)
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	78.632	3.931	-	5.901	68.800	(78.632)	(146)	(78.486)	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (30.09.2015)		530.303	-	-	-	1.938	-	283	-	-	115	-	100.484	28.133	-	72.351	-	47.842	-	47.842	20.663	701.628

- 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 AS AT 30 SEPTEMBER 2015

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

		Unaudited Current Period	Unaudited Current Period
	Notes	01.01-30.09.2015	01.01-30.09.2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		168.954	33.674
1.1.1 Interests Received/Lease Income		288.792	185.014
1.1.2 Interest Paid / Lease Expenses		(201.940)	(103.219)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		2.636	1.329
1.1.5 Fees and Commissions Received		6.389	4.998
1.1.6 Other Income		125.418	27.366
1.1.7 Collections from Non-performing Receivables	33	2.115	3.329
1.1.8 Payments to Personnel and Service Suppliers		(18.966)	(15.190)
1.1.9 Taxes Paid		(3.723)	(2.942)
1.1.10 Others		(31.767)	(67.011)
1.2 Changes in Operating Assets and Liabilities		(466.287)	(17.561)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(27.502)	(437.342)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(139.482)	(522.160)
1.2.4 Net (Increase) Decrease in Other Assets		6.103	(25.379)
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		(318.956)	971.808
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		13.550	(4.488)
I. Net Cash Provided from / (Used in) Operating Activities		(297.333)	16.113
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	10, 11	(1.618)	(1.192)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10	5	-
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		-	-
II. Net cash used in investing activities		(1.613)	(1.192)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		747.690	295.504
3.2 Cash used for repayment of funds borrowed and securities issued		(286.022)	(150.000)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(15.000)	(15.000)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		446.668	130.504
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		2.013	1.824
V. Net Increase / (Decrease) in Cash and Cash Equivalents		149.735	147.249
VI. Cash and Cash Equivalents at the Beginning of the Period	5	180.136	232.773
VII. Cash and Cash Equivalents at the End of the Period	5	329.871	380.022

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 2015

(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 2015, the Company and its subsidiary (“the Group”) have 234 employees (31 December 2014: 222 employees).

Dividend Payable

As at 30 September 2015, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 30 September 2015 have been approved by the Board of Directors of the Company and authorized for issue as at 27 October 2015. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

The Group prepared accompanying financial statements due to the “Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies” and the “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards 34 (“TAS”) and interim period Financial and Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute , 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 2015

(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 30 September 2015 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 2015

(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 4 – Financial assets and liabilities at fair value through profit or loss

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

Basis of Consolidation

The details of the Group’s subsidiary as at 30 September 2015 and 31 December 2014 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 2015 and 31 December 2014, 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 2015

(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

As at the last quarter period, the group has changed the valuation method for tangible fixed assets and In accordance with Standards on Tangible assets (TAS 16) It has adopted the revaluation method. Appraisal value has been reflected in the financial statements. The effects of changes in accounting policy are as follows:

Real Estate

Valuation at Cost (Net amount)	:15.732TL
The effect of changes in accounting policy	:(602) TL
The fair value valuation	:15.130TL

The other accounting policies applied for the year ended 31 December 2014 have been applied consistently for the period ended 30 June 2015 in preparing these financial statements.

2.3 Changes in Accounting Estimates and Errors

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

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 2015

(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 TAS as at 30 September 2015.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 September 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

TFRS 9 – Financial instruments

TFRS 9 – As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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.

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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

The estimated useful life and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2015

(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 2015

(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 2015

(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 to net present value of financial liabilities

Derivative financial instruments and hedge accounting

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

h. Business Combinations

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

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2015 and 31 December 2014 are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
USD	3,0433	2,3189
EUR	3,4212	2,8207
GBP	4,6109	3,5961
CHF	3,1250	2,3397
100 JPY	2,5340	1,9347

In preparation of the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

j. Earnings Per Share

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

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

k. 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 2015

(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 2015

(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 Other Comprehensive Income 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 2015</u>	<u>31 December 2014</u>
Discount rate	%3,30	%3,30
Expected rate of salary/limit increase	%6,00	%6,00
Probability of retirement	%100	%100

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2015

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

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

Financial Assets held for trading:

As at 30 September 2015 and 31 December 2014, details of financial assets held for trading are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Debt securities issued by private sector	406	-	400	-
Mutual funds	5.299	-	59	-
	5.705	-	459	-

Maturity of debt securities issued by private sector is 16 November 2016. (31 December 2014 - 16 November 2016)

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TRY 525 (31 December 2014: 59).

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.

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Derivative Financial Assets Held For Trading				
Forwards	-	-	-	482
Currency swaps	1.493	1.465	204	20.904
	1.493	1.465	204	21.386
Derivative Financial Liabilities Held For Trading				
Forwards	-	-	-	-
Currency swaps	-	121.400	1.197	35.429
	-	121.400	1.197	35.429

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

5. BANKS

As at 30 September 2015 and 31 December 2014, the details of the banks are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Demand Deposits	2.008	7.286	1.739	4.985
Time Deposits	-	320.591	-	173.493
	2.008	327.877	1.739	178.478

The details of the time deposits as at 30 September 2015 are as follows:

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2015</u>
USD	%0,07-%1,90	01.10.2015	247.871
Euro	%0,10-%1,55	01.10.2015-30.10.2015	72.720
			320.591

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

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2014</u>
USD	0,50 %-1,80 %	02.01.2015	22.420
Euro	0,07 %-1,80 %	02.01.2015 – 16.01.2015	151.073
			173.493

As at 30 September 2015, TRY 48.224 portion of total foreign currency deposits (31 December 2014: TRY 144.969) and TRY 1.641 portion of total TRY deposits (31 December 2014: TRY 1.655) 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 2015</u>	<u>31 December 2014</u>
Demand deposits	9.294	6.724
Time deposits (1-3 months) (excluding accrual)	320.577	173.412
Cash and cash equivalents	329.871	180.136

As at 30 September 2015 and 31 December 2014, 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 2015

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

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 30 September 2015 and 31 December 2014, 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 2015	31 December 2014	30 September 2015	31 December 2014
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	17.616	18.574
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.088	1.467
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
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	347	302
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	2.000	2.000
TOTAL						21.090	22.382

7. FACTORING RECEIVABLES

As at 30 September 2015 and 31 December 2014, details of factoring receivables are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
<u>Short-term factoring receivables (*)</u>		
Domestic factoring receivables	1.163.464	1.207.500
Export and import factoring receivables	294.902	228.314
Factoring interest income accrual	10.601	9.672
Unearned interest income	(10.845)	(12.276)
	<u>1.458.122</u>	<u>1.433.210</u>
Non-performing factoring receivables (**)	32.715	24.348
Provision for non-performing factoring receivables (**)	(27.756)	(24.348)
	<u>1.463.081</u>	<u>1.433.210</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.

As at 30 September 2015, the average interest rates applicable for the factoring receivables are 15,16% for TRY, 5,13 % for USD and 5,54 % for EUR and 6,58 % for GBP (31 December 2014: 12,53 % for TRY, 4,81 % for USD and 5,57 % for EUR and 6,67 % for GBP).

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015**

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

7. FACTORING RECEIVABLES (Continued)

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

	<u>30 September 2015</u>	<u>31 December 2014</u>
Domestic irrevocable	537.591	684.808
Foreign irrevocable	26.019	9.938
Domestic revocable	626.592	518.360
Foreign revocable	272.879	220.104
	<u>1.463.081</u>	<u>1.433.210</u>

Except for its non-performing receivables for which 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 3.967 (31 December 2014: TRY 1.322). The Group has contractual sureties as collateral for such receivables.

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

<u>Collateral type</u>	<u>30 September 2015</u>	<u>31 December 2014</u>
Mortgages	3.881	-
Letters of guarantee	3.275	32
	<u>7.156</u>	<u>32</u>

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

	<u>30 September 2015</u>	<u>31 December 2014</u>
Between 90 – 180 days	1.217	2.308
Between 180 – 360 days	7.413	5.668
Over 360 days	24.085	16.372
	<u>32.715</u>	<u>24.348</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 2015</u>	<u>1 January- 30 September 2014</u>
Provision at the beginning of the period	(24.348)	(13.969)
Provision set during the period	(3.519)	(12.069)
Collections	111	2.905
Provision at the end of the period	<u>(27.756)</u>	<u>(23.133)</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

8. LEASE RECEIVABLES

As at 30 September 2015 and 31 December 2014, details of finance lease receivables are as follows:

<u>30 September 2015</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	47.767	-	47.767
Non-performing finance lease receivables (*)	134.933	1.573	136.506
Uninvoiced finance lease receivables	1.309.434	2.428.514	3.737.948
Less: Unearned interest income	(224.795)	(284.886)	(509.681)
Leasing contracts in progress (**)	-	37.350	37.350
Advances given for lease transactions	-	68.156	68.156
Specific provisions (*)	(102.002)	(1.189)	(103.191)
Net finance lease receivables	<u>1.165.337</u>	<u>2.249.518</u>	<u>3.414.855</u>

<u>31 December 2014</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	32.660	-	32.660
Non-performing finance lease receivables (*)	104.487	30.903	135.390
Uninvoiced finance lease receivables	1.011.735	2.119.269	3.131.004
Less: Unearned interest income	(197.423)	(277.643)	(475.066)
Leasing contracts in progress (**)	-	44.935	44.935
Advances given for lease transactions	-	52.259	52.259
Specific provisions (*)	(61.850)	(18.292)	(80.142)
Net finance lease receivables	<u>889.609</u>	<u>1.951.431</u>	<u>2.841.040</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 2015 and 31 December 2014, 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 2015, analysis of finance lease receivables according to their maturities is as follows:

	<u>2015 (**)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 and after</u>	<u>Total</u>
Finance lease receivables (gross)							
(*)	470.661	1.191.894	922.130	618.032	346.130	270.183	3.819.030
Unearned interest	(68.411)	(198.571)	(120.666)	(64.440)	(29.324)	(28.269)	(509.681)
Finance lease receivables (net)	<u>402.250</u>	<u>993.323</u>	<u>801.464</u>	<u>553.592</u>	<u>316.806</u>	<u>241.914</u>	<u>3.309.349</u>

(*) 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 33.315 are presented in 2015 column since their collection dates are not certain.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

8. LEASE RECEIVABLES (Continued)

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

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

(*) 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 55.248 are presented in 2015 column since their collection dates are not certain.

As at 30 September 2015, the average compound interest rates applicable for the finance lease receivables are 13,82 % for TRY, 5,82 % for USD, and 6,23 % for EUR (31 December 2014: 13,92 % for TRY, 6,07 % for USD and 6,53 % for EUR).

As at 30 September 2015, 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	357.582.320	1.088.230	40.715.822	123.910
EUR	313.180.090	1.071.452	43.412.204	148.522
TRY		1.149.667		237.249
Total		<u>3.309.349</u>		<u>509.681</u>

As at 31 December 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	415.920.685	964.478	56.025.121	129.917
EUR	300.561.328	847.793	49.300.928	139.063
TRY		931.575		206.086
Total		<u>2.743.846</u>		<u>475.066</u>

(*) 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 2015

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

8. LEASE RECEIVABLES (Continued)

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):

<u>Collateral type:</u>	<u>30 September 2015</u>	<u>31 December 2014</u>
Mortgages	184.599	219.282
Letters of guarantee	43.960	17.900
Pledged shares	21.660	20.732
Cash blockages	8.107	12.748
Equity securities	2.450	2.450
Pledged account	792	-
Guarantors	660	506
	<u>262.228</u>	<u>273.618</u>

In addition to collaterals above, the Group also has pledged vehicles amounting to TRY 36.043, pledged machines amounting to TRY 30.068. (31 December 2014: pledged vehicles amounting to TRY 34.881, pledged machines amounting to TRY 128).

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 30.209 (31 December 2014: TRY 13.837) 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:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Up to 30 days	16.257	7.357
Between 30 – 60 days	6.799	3.470
Between 60 – 90 days	3.466	1.992
Between 90 – 150 days	3.687	1.018
Total overdue	<u>30.209</u>	<u>13.837</u>
Not due amount	<u>349.234</u>	<u>285.819</u>
	<u>379.443</u>	<u>299.656</u>

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

<u>Collateral type</u>	<u>30 September 2015</u>	<u>31 December 2014</u>
Mortgages	62.058	116.835
Pledged shares	26.852	-
Letters of guarantee	1.546	666
Cash blockages	200	100
	<u>90.656</u>	<u>117.601</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

8. LEASE RECEIVABLES (Continued)

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 3.364, pledged machines amounting to TRY 68. (31 December 2014: pledged vehicles amounting to TRY 3.120 and pledged machines amounting to TRY 128).

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

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

As at 30 September 2015 and 31 December 2014, the aging of non-performing finance lease receivables is as follows:

	30 September 2015	31 December 2014
Between 150 – 240 days	2.247	8.221
Between 240 – 360 days	1.169	1.746
Over 360 days	48.459	41.307
Uninvoiced non-performing finance lease receivables	85.329	93.460
Unearned interest of non-performing finance lease receivables	(698)	(9.344)
	136.506	135.390

Collaterals obtained for non-performing finance lease receivables as at 30 September 2015 and 31 December 2014 are as follows:

Guarantee type:	30 September 2015	31 December 2014
Mortgages	5.066	11.796
	5.066	11.796

In addition to the above collaterals, leased equipments amounting to TRY 25.083 and pledged assets (vehicles) amounting to TRY 965 are considered in the provision calculation (31 December 2014: leased equipments amounting to TRY 22.981 and pledged assets (vehicles) amounting to TRY 485).

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

Movement of specific provisions:

	1 January- 30 September 2015	1 January- 30 September 2014
Provision at the beginning of the period	(80.142)	(52.653)
Provision set during the period	(34.922)	(7.579)
Write off (*)	9.870	-
Collections	2.003	424
Provision at the end of the period	(103.191)	(59.808)

(*) Consists of the portfolio formed within non-performing finance lease receivables amounting to TRY 9.894 and written off through sales to Efes Varlık Yönetimi A.Ş. on 21 May 2015.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

9. RELATED PARTIES

As at 30 September 2015 and 31 December 2014, details of related party balances are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
<u>Finance lease receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	28.470	25.586
Tukaş Gıda San. ve Tic. A.Ş.	27.349	25.236
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	24.918	-
Avea İletişim Hizmetleri A.Ş.	1.213	1.791
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	1.072	1.082
Numnum Yiyecek ve İçecek A.Ş.	974	1.057
Radore Veri Merkezleri Hizm. A.Ş.	926	1.080
Bankalararası Kart Merkezi A.Ş.	498	616
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	351	782
Anadolu Cam Sanayii A.Ş.	-	108
Total	85.771	57.338
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	21.600	9.990
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	672	-
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	11.288	3.037
Total	33.560	13.027
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	14.183	11.817
Türkiye İş Bankası A.Ş.	279	-
İş Merkezleri Yönetim ve İşletim A.Ş.	42	-
Kredi Kayıt Bürosu A.Ş.	2	-
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	1	388
Avea İletişim Hizmetleri A.Ş.	-	5
Total	14.507	12.210
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. Vadeli Mevduat	43.882	141.253
Türkiye İş Bankası A.Ş. Vadesiz Mevduat	8.684	5.371
Türkiye Sınai Kalkınma Bankası A.Ş.Vadesiz Mevduat	2	-
Total	52.568	146.624
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	32.920	7.238
Total	32.920	7.238
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	-	10.701
Total	-	10.701

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

9. RELATED PARTIES (Continued)

As at 30 September 2015 and 31 December 2014, 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 2015</u>
TRY	%11,00-%15,35	13.10.2015-15.06.2018	370.291
USD	%3,02-%4,14	22.07.2016-30.09.2016	103.987
EUR	%4,01	26.12.2016	42.774
			517.052

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2014</u>
TRY	1,00 %-13,24 %	02.01.2015-15.06.2018	448.484
USD	2,62 %-4,14 %	27.03.2015-30.09.2016	139.952
EUR	2,50 %-4,00 %	17.06.2015-26.12.2016	71.650
			660.086

İşbank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2015</u>
EUR	%1,80	Overdraft	14.288
			14.288

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2014</u>
EUR	1,80 %	Overdraft	10.971
			10.971

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2015</u>
USD	%2,75-%3,05	01.08.2016-17.06.2017	119.323
EUR	%1,35-%2,58	15.03.2017-30.06.2022	83.081
			202.404

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2014</u>
USD	2,85 %-2,87 %	15.05.2015-17.06.2017	32.289
EUR	2,70 %-2,71 %	15.06.2017-17.12.2021	37.767
			70.056

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

9. RELATED PARTIES (Continued)

For the period ended 30 September 2015 and 30 September 2014, finance income and expenses from related parties are as follows:

	<u>01.01.2015-</u> <u>30.09.2015</u>	<u>01.07.2015-</u> <u>30.09.2015</u>	<u>01.01.2014-</u> <u>30.09.2014</u>	<u>01.07.2014-</u> <u>30.09.2014</u>
<u>Finance lease interest income from related parties</u>				
Tukaş Gıda San. Ve Tic.A.Ş.	2.276	802	-	-
İş Gayrimenkul Yatırım Ort.A.Ş.	1.300	520	-	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.263	468	1.280	391
Numnum Yiyecek ve İçecek A.Ş.	112	37	28	11
Bankalararası Kart Merkezi A.Ş.	63	20	43	43
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	60	15	113	33
Radore Veri Merkezi Hizm.A.Ş.	49	15	-	-
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	44	15	-	-
Avea İletişim Hizmetleri A.Ş.	37	12	45	14
Anadolu Cam Sanayii A.Ş.	3	-	40	10
Nemtaş Nemrut Liman İşletmeleri A.Ş.	-	-	1	-
Total	5.207	1.904	1.550	502
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	717	18	829	326
İş Bank AG	-	-	117	117
Total	717	18	946	443
<u>Dividend income from related parties</u>				
İş Yatırım Menkul Değerler A.Ş.	3.405	-	2.238	-
Efes Varlık Yönetim A.Ş.	200	-	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	90	-	178	-
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	105	-	30	-
Yatırım Finansman Menkul Değerler A.Ş.	-	-	1	-
Total	3.800	-	2.447	-
<u>Finance expense</u>				
Türkiye İş Bankası A.Ş.	47.537	15.321	33.049	11.069
Türkiye Sınai Kalkınma Bankası A.Ş.	4.304	3.143	1.716	498
İş Yatırım Menkul Değerler A.Ş.	1.169	596	259	100
İşbank AG	203	107	226	70
Şişe Cam Dış Tic.A.Ş.	45	15	57	57
Arap Türk Bankası A.Ş.	-	-	12	-
Total	53.258	19.182	35.319	11.794
<u>Rent expense</u>				
Türkiye İş Bankası A.Ş.	2.742	976	2.156	715
Total	2.742	976	2.156	715

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

9. RELATED PARTIES (Continued)

	01.01.2015- 30.09.2015	01.07.2015- 30.09.2015	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014
<u>Commission expense</u>				
Anadolu Anonim Türk Sigorta Şirketi	2.843	1.010	2.395	924
Total	2.843	1.010	2.395	924
<u>Factoring commission income from related parties</u>				
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	84	39	83	30
Şişe Cam Dış Tic.AŞ.	54	19	55	5
Total	138	58	138	35
<u>Factoring interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.633	653	1.286	331
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	667	294	322	53
Kültür Yayınları İş Türk A.Ş.	2	2	-	-
Total	2.302	949	1.608	384
<u>Investment fund expense</u>				
Türkiye İş Bankası A.Ş.	77	35	21	9
Total	77	35	21	9
<u>Receivable sales income</u>				
Efes Varlık Yönetimi A.Ş.	125	125	-	-
Total	125	125	-	-

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

As at 30 September 2015 and 31 December 2014, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	30 September 2015		31 December 2014	
	Purchase	Sale	Purchase	Sale
Forward Transactions	-	-	8.230	7.275
Swap Transactions	161.610	166.605	365.883	332.580
Total	161.610	166.605	374.113	339.855

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

9. RELATED PARTIES (Continued)

As at 30 September 2015 and 31 December 2014, the amount of the Company’s issued debt securities in related parties’ securities portfolio are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	21.037	14.387
İş Yatırım Ortaklığı A.Ş.	10.603	10.587
Türkiye Sınai Kalkınma Bankası A.Ş.	5.117	20.464
Anadolu Anonim Türk Sigorta Şirketi	5.087	5.077
Millî Reasürans T.A.Ş.	3.136	4.544
İş Portföy Yönetimi A.Ş.	2.255	4.918
İş Yatırım Menkul Değerler A.Ş.	263	1.308
Türkiye İş Bankası A.Ş.	4	110
Total	<u>47.502</u>	<u>61.395</u>

Remuneration of key management (*)

For the period ended 30 September 2015 and 30 September 2014, the remuneration of the key management during year comprised the following:

	<u>01.01.2015- 30.09.2015</u>	<u>01.07.2015- 30.09.2015</u>	<u>01.01.2014- 30.09.2014</u>	<u>01.07.2014- 30.09.2014</u>
Salaries and other short-term benefits (**)	4.293	1.266	3.856	1.225
	<u>4.293</u>	<u>1.266</u>	<u>3.856</u>	<u>1.225</u>

(*) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

10. TANGIBLE ASSETS

For the periods ended 30 September 2015 and 30 September 2014, movements in tangible assets are as follows:

	Vehicles	Furniture and Fixtures	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
<u>Cost</u>						
Opening balance at 1 January 2015	-	3.725	1.867	15.732	3.546	24.870
Additions	-	612	-	-	25	637
Disposals	-	(61)	-	-	-	(61)
Impairment provision on tangible assets	-	-	-	(602)	-	(602)
Closing balance at 30 September 2015	-	4.276	1.867	15.130	3.571	24.844
<u>Accumulated depreciation</u>						
Opening balance at 1 January 2015	-	(2.558)	(1.867)	(52)	(2.538)	(7.015)
Depreciation for the period	-	(347)	-	(45)	(227)	(619)
Disposals	-	56	-	-	-	56
Closing balance at 30 September 2015	-	(2.849)	(1.867)	(97)	(2.765)	(7.578)
Carrying amounts at 30 September 2015	-	1.427	-	15.033	806	17.266

	Vehicles	Furniture and Fixtures	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
<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	179	3.377	1.867	-	3.490	8.913
<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	(120)	(2.461)	(1.867)	-	(2.464)	(6.912)
Carrying amounts at 30 September 2014	59	916	-	-	1.026	2.001

As at 30 September 2015 and 30 September 2014, there is no restriction and mortgage on the tangible assets of the Group.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

11. INTANGIBLE ASSETS

For the periods ended 30 September 2015 and 30 September 2014, movements in intangible assets are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
<u>Cost</u>		
Opening balance at 1 January	2.544	1.999
Additions	981	410
Disposals	-	-
Closing balance at the end of the period	<u>3.525</u>	<u>2.409</u>
<u>Amortization</u>		
Opening balance at 1 January	(1.687)	(1.345)
Amortization for the period	(316)	(243)
Disposals	-	-
Closing balance at the end of the period	<u>(2.003)</u>	<u>(1.588)</u>
Carrying amounts	<u>1.522</u>	<u>821</u>

(*) The Group’s intangible assets are consist of software.

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 2015, net amount of goodwill is TRY 166 (31 December 2014: 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 2015 and 31 December 2014, 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.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 September 2015 and 31 December 2014, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary differences subject to deferred tax	30 September 2015	31 December 2014
Investment incentive – with withholding tax	114.990	191.588
Investment incentive – without withholding tax	-	91.766
Valuation differences on financial instruments	118.727	15.036
Allowance for doubtful finance lease receivables	98.183	73.831
Unearned factoring income	10.845	12.276
Reserve for employee benefits	2.645	2.191
Employee bonus accrual	1.702	2.407
Prepaid expenses	1.247	436
Unused vacation	942	843
BRSA share	517	-
Provision for lawsuit	429	1.265
Expense accruals	152	233
Tax base differences in tangible and intangible assets	(759)	(1.216)
Finance lease adjustment	(4.399)	(2.039)
Finance lease income accruals	(17.581)	(19.048)
Other	115	115
	327.755	369.684
Deferred tax assets / (liabilities)	30 September 2015	31 December 2014
Investment incentive – with withholding tax	230	383
Investment incentive – without withholding tax	-	18.352
Valuation differences on financial instruments	23.745	3.007
Allowance for doubtful finance lease receivables	19.637	14.766
Unearned factoring income	2.169	2.455
Reserve for employee benefits	529	438
Employee bonus accrual	340	481
Prepaid expenses	249	88
Unused vacation	188	169
BRSA share	103	-
Provision for lawsuit	86	253
Expense accruals	31	47
Tax base differences in tangible and intangible assets	(152)	(243)
Finance lease adjustment	(880)	(408)
Finance lease income accruals	(3.516)	(3.810)
Other	24	24
Deferred tax asset	42.783	36.002

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 2014: 0.2 % and 20 %).

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

The statement "limited to 2006, 2007 and 2008 only" in the 69th Article of the Income Tax Law No. 193, which was cancelled by the Constitutional Court decision No. 2009/144 and published in the Official Gazette on 8 January 2010, was re-regulated by the Law No. 6009 Article 5, published in the Official Gazette No. 27659, dated 1 August 2010. This new legislation enabled without any year limitation the continued utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20 %) instead of the previous rate of 30 %. The clause “The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25 % of related income” which has been added to first clause of the temporary 69th article of Law No:193 with the 5th 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 114.990 (31 December 2014: TRY 283.354) of its unused investment allowances as offset against its future profits. The Group has TRY 230 (31 December 2014: TRY 18.735) 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 2015</u>	<u>30 September 2014</u>
Opening balance at 1 January	36.002	44.268
Deferred tax benefit	6.781	(14.199)
Closing balance	<u>42.783</u>	<u>30.069</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 30 September 2015 and 31 December 2014, details of assets held for sale and discontinued operations are as follows:

	<u>30 September 2015</u>		<u>31 December 2014</u>	
	TRY	FC	TRY	FC
Assets held for sale (*)	1.411	-	572	-
	<u>1.411</u>	<u>-</u>	<u>572</u>	<u>-</u>

(*) 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 2015

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

15. OTHER RECEIVABLES AND OTHER ASSETS

As at 30 September 2015 and 31 December 2014, details of other receivables are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Insurance receivables	2.580	2.828	2.224	2.133
Others	737	16	712	48
	3.317	2.844	2.936	2.181

As at 30 September 2015 and 31 December 2014, prepaid expenses are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Prepaid expenses	21.941	-	19.131	-
	21.941	-	19.131	-

As at 30 September 2015 and 31 December 2014, details of other assets are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Advanced given	20	1	23	-
Deposits given	15	26	24	17
Others	1.870	2.458	1.705	18
	1.905	2.485	1.752	35

16. FUNDS BORROWED

As at 30 September 2015 and 31 December 2014, details of funds borrowed are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Short-term borrowings	1.263.960	1.091.922	1.393.483	630.771
Short-term portion of long-term borrowings	24.220	162.710	18.996	95.351
Total short-term borrowings	1.288.180	1.254.632	1.412.479	726.122
Long-term borrowings	84.930	865.998	372.287	876.653
Total long-term borrowings	84.930	865.998	372.287	876.653
Total borrowings	1.373.110	2.120.630	1.784.766	1.602.775

As at 30 September 2015 and 31 December 2014, borrowings has no collateral.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

16. FUNDS BORROWED (Continued)

As at 30 September 2015 and 31 December 2014, maturity analysis of borrowings is as follows:

<u>Maturity analysis of borrowings</u>	<u>30 September 2015</u>	<u>31 December 2014</u>
Within 1 year	2.542.812	2.138.601
Within 1-2 years	329.291	710.897
Within 2-3 years	282.409	197.109
Within 3-4 years	183.020	147.174
Within 4-5 years	45.765	123.374
5 years and over	110.443	70.386
TOTAL	3.493.740	3.387.541

As at 30 September 2015 and 31 December 2014, details of short term borrowings based on types of currency are as follows:

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2015</u>
TRY	%11-%15,39	-	1.215.877
USD	%0,70-%2,85	278.752.906	848.329
Euro	%1,50-%3,44	66.768.094	228.427
GBP	%4,50	67.543	311
Interest accruals			62.938
TOTAL			2.355.882

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2014</u>
TRY	1 %-12,00 %		1.327.348
USD	1,80 %-4,25 %	201.650.837	467.608
Euro	1,60 %-3,75 %	54.512.362	153.763
GBP	4,50 %	595.952	2.143
Interest accruals			73.392
TOTAL			2.024.254

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

As at 30 September 2015 and 31 December 2014, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>30 September 2015</u>
TRY	%15,35	-	8.205
USD	%1,51-%4,26	68.545.452	208.604
Euro	%0,95-%1,38	269.217.890	921.049
TOTAL			1.137.858

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

As at 30 September 2015 and 31 December 2014, compounded interest rates have been presented.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

16. FUNDS BORROWED (Continued)

As at 30 September 2015 and 31 December 2014, details of borrowings based on types of interest rate are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Fixed rate	1.263.154	1.052.264	1.704.211	821.271
Variable rate	109.956	1.068.366	80.555	781.504
	1.373.110	2.120.630	1.784.766	1.602.775

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

As at 30 September 2015, the Group has available TRY 6.974.974 of unused credit lines. (31 December 2014: TRY 3.974.250).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 30 September 2015 and 31 December 2014, details of miscellaneous payables are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Payables to suppliers for lease transactions	235	21.292	10.930	14.289
Other payables (*)	7.846	8.461	6.543	6.765
	8.081	29.753	17.473	21.054

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

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

As at 30 September 2015 and 31 December 2014, details of other liabilities are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Advances received (*)	10.492	35.918	11.056	20.699
Others	2.800	1.687	2.015	2.107
	13.292	37.605	13.071	22.806

(*) 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.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

19. DEBT SECURITIES ISSUED

	<u>30 September 2015</u>		<u>31 December 2014</u>	
	TRY	FC	TRY	FC
Bills bonds	607.172	-	95.504	-
Bonds issued	250.000	-	300.000	-
Interest accruals	21.409	-	7.918	-
	878.581	-	403.422	-

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 seventh coupon annual compound interest rate of 3, 11 %. (1st coupon interest rate is 3, 08 %, 2nd coupon interest rate is 2, 54%, 3rd coupon interest rate is 2, 64 %, 4nd coupon rate is 2, 35%, 5th coupon rate is 2, 43%, 6th coupon rate is 2, 80%).

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

(*) The first coupon payment of bond was made on 29 May 2014, the second coupon payment of bond was made on 28 August 2014, the third coupon payment of bond was made on 27 November 2014, the fourth coupon payment of bond was made on 26 February 2015, the fifth coupon payment of bond was made on 28 May 2015, the sixth coupon payment of bond was 27 August 2015.

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 fifth coupon annual compound interest rate of 2,82 % (1st coupon interest rate is 2,90 %, 2nd coupon interest rate is 2,49 %, 3rd coupon interest rate is 2,76%, 4nd coupon rate is 2,31%, 5th coupon rate is 2,67%).

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

19. DEBT SECURITIES ISSUED (Continued)

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

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 25/794 dated 19 August 2014). Issuance of bond was held on 4 November 2014. The floating rate quarterly coupon bond have a maturity of 1 November 2016 and the fourth coupon annual compound interest rate of 2,79 % (1st coupon interest rate is 2,47 %, 2nd coupon interest rate is 2,05 %, 3rd coupon interest rate is 2,81%).

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

(*)The first coupon payment of bond was made on 3 February 2015, the second coupon payment of bond was made on 5 May 2015, the third coupon payment of bond was made on 4 August 2015

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 161.685 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 25/794 dated 19 August 2014). Issuance of bond was held on 10 April 2015. Ordinary interest of bond was determined 9,90%.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 28.582 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 25/794 dated 19 August 2014). Issuance of bond was held on 15 May 2015. Ordinary interest of bond was determined 10,23%.

Bond issued by İş Faktoring A.Ş. having nominal value of TRY 163.780 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/563 dated 14 May 2015). Issuance of bond was held on 25 June 2015. Ordinary interest of bond was determined 10,80%.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

20. TAXES AND DUTIES PAYABLE

As at 30 September 2015 and 31 December 2014, details of taxes and duties payable are as follows:

	30 September 2015		31 December 2014	
	TRY	FC	TRY	FC
Banking and Insurance Transaction Tax	1.075	-	468	-
Income Tax	410	-	380	-
Social Security Premium	397	-	326	-
Value Added Tax	18.976	-	39	-
Other Tax and Liabilities	20	-	252	-
	20.878	-	1.465	-

21. PROVISIONS

As at 30 September 2015 and 31 December 2014, other provisions are as follows:

	30 September 2015	31 December 2014
General provision for financial lease receivables	2.795	2.275
Provision for lawsuits	429	510
Provision for general administrative expenses	668	233
	3.892	3.018

Movements in provisions for the periods ended 30 September 2015 and 30 September 2014 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
30 September 2015			
At the beginning of the period	(2.275)	(510)	(233)
Dönem Gideri	(520)	(20)	(668)
Additions	-	-	233
Cancellations	-	101	-
At the end of the period	(2.795)	(429)	(668)

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

22. EMPLOYEE BENEFITS

As at 30 September 2015 and 31 December 2014, reserve for employee benefits are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Reserve for employee severance indemnity	2.645	2.191
Employee bonus accrual	1.703	2.407
Unused vacation provision	942	843
	<u>5.290</u>	<u>5.441</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.

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. As at 30 September 2015 and 31 December 2014, the following actuarial assumptions are used in the calculation of the total liability:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Discount rate	3,30 %	3,30 %
Inflation	6,00 %	6,00 %
Probability of retirement	100 %	100 %

For the periods ended 30 September 2015 and 30 September 2014, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
Balance at the beginning of the period	2.191	1.759
Cost of services	567	370
Amounts paid	(113)	-
Balance at the end of the period	<u>2.645</u>	<u>2.219</u>

The movement of the provision for unused vacation for the periods ended 30 September 2015 and 30 September 2014 are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
Balance at the beginning of the period	843	655
Provision set during the period	99	217
Balance at the end of the period	<u>942</u>	<u>872</u>

The movement of the provision for employee bonus accrual for the periods ended 30 September 2015 and 30 September 2014 are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
Balance at the beginning of the period	2.407	1.580
Provision set during the period	1.703	1.301
Reversals	(171)	(267)
Payment made during the period	(2.236)	(1.312)
Balance at the end of the period	<u>1.703</u>	<u>1.302</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

23. CURRENT PERIOD TAX PAYABLE

As at 30 September 2015 and 30 September 2014, details of corporate tax provision and prepaid taxes are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
Current period corporate tax provision (Note:37)	5.407	3.090
Cari Dönem Yatırım İndirimi Stopaj Karşılığı	15.719	-
Corporation taxes paid in advance during the year	(2.037)	(1.632)
Corporate tax provision (net)	<u>19.089</u>	<u>1.458</u>

For the periods ended 30 September 2015 and 30 September 2014, movements of corporate tax provision are as follows:

	<u>30 September 2015</u>	<u>30 September 2014</u>
Corporate tax provision at the beginning of the period	1.686	1.310
Total income tax expense (Note:37)	21.126	3.090
Corporation taxes paid during the year	(3.723)	(2.942)
Corporate tax provision (net)	<u>19.089</u>	<u>1.458</u>

24. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring. As at 30 September 2015, the non-controlling interests amounting to TRY 20.663 (31 December 2014: TRY 16.568) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TRY 4.403 (31 December 2014: TRY 1.688) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests as at 30 September 2015, 31 December 2014 and 30 September 2014 are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>	<u>30 September 2014</u>
Balance at the beginning of the period	16.568	15.109	15.109
Fair value changes of marketable securities	(308)	(229)	(233)
Profit for the period	4.403	1.688	765
Balance at the end of the period	<u>20.663</u>	<u>16.568</u>	<u>15.641</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 30 September 2015 nominal capital of the Company is TRY 530.303. The share capital of the Company consists of 53.030.264.500 shares Kurus 1 price.

As at 30 September 2015 and 31 December 2014, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September</u>		<u>31 December</u>	
		<u>2015</u>	<u>(%)</u>	<u>2014</u>	
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	151.454	28,56	131.805	
Türkiye İş Bankası A.Ş.	27,79	147.393	27,79	128.271	
Camiş Yatırım Holding A.Ş.	0,83	4.421	0,83	3.847	
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	405	0,08	352	
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,07	352	0,07	306	
Publicly traded	42,67	226.278	42,67	196.922	
TOTAL	100,00	530.303	100,00	461.503	

Pursuant to General Assembly held on 24 March 2015, the Group has increased its share capital by TRY 68.800 to TRY 530.303. The increase comprises of bonus shares from previous year’s profit. Capital increase was registered on 10 June 2015.

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 2015</u>	<u>31 December 2014</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
Total	600.000.000	600.000.000

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

CAPITAL RESERVES

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.

	<u>30 September 2015</u>	<u>31 December 2014</u>
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.938	1.938
Total	1.938	1.938

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

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

	<u>30 September 2015</u>	<u>31 December 2014</u>
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Employee benefits re-measuring income/loss,</i>	283	283
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss		
<i>Net change in fair value of available-for-sale financial assets,</i>	115	2.243
Total	<u>398</u>	<u>2.526</u>

26. PROFIT RESERVES

As at 30 September 2015 and 31 December 2014, details of profit reserves are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Legal reserves	28.133	24.202
Extraordinary reserves	72.351	81.450
Total	<u>100.484</u>	<u>105.652</u>

(*) 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 36.152 classified in extraordinary reserves which will not be distributed as at 30 September 2015 (31 December 2014: TRY 44.622).

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. TRY 3.931 calculated on legal profit has been transferred to legal reserves by a decision of the Company’s Board of Directors on 26 February 2015.

27. PRIOR YEARS’ PROFIT/LOSS

The Group has no previous year profit as at 30 September 2015 (31 December 2014: 146).

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

28. COMMITMENTS AND CONTINGENCIES

As at 30 September 2015, TRY 10.556 of letters of guarantee are given to customs, authorities and banks (31 December 2014: TRY 4.914).

As at 30 September 2015, the total risk of litigations filed and currently pending against the Group amounting to approximately TRY 1.813 (31 December 2014: TRY 7.464). The Group has provided a provision amounting to TRY 429 for litigations (31 December 2014: TRY 510) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 30 September 2015, the Group has letter of credit commitments of USD 1.055.650 and EUR 13.095.028 (TRY 48.014) (31 December 2014: USD 5.316.391, EUR 6.605.656, GBP 49.000 and JPY 75.090.000 (TRY 32.590)).

As at 30 September 2015, the Group has factoring commitments of TRY 50.368 (31 December 2014: TRY 66.638).

As at 30 September 2015, the Group has lease commitments of USD 11.492.408, EUR 28.317.015, TRY 51.782.422 (TRY 140.255) (31 December 2014: USD 11.028.362, EUR 22.715.385, TRY 50.117 (TRY 139.764)).

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

As at 30 September 2015 details of derivatives are as follows:

	30 September 2015	
	Amount as	
	<u>Original Currency</u>	<u>TRY</u>
Currency Swap Purchases:		
TRY	579.699.271	579.699
		579.699
Currency Swap Sales:		
USD	147.226.191	448.053
EUR	63.020.795	215.607
		663.660

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

28. COMMITMENTS AND CONTINGENCIES (Continued)

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

	31 December 2014	
	Amount as Original Currency	TRY
Currency Swap Purchases:		
USD	25.000.000	57.973
EUR	44.185.986	124.635
TRY		884.454
		1.067.062
Currency Swap Sales:		
USD	183.426.191	425.347
EUR	158.370.540	446.716
TRY		161.387
		1.033.450
	31 December 2014	
	Amount as Original Currency	TRY
Forward Purchase Transactions:		
TRY		8.230
		8.230
Forward Sales Transactions:		
EUR	2.579.106	7.275
		7.275

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

The Group has TRY 121.400 of unrealized loss and TRY 2.958 of unrealized profit in relation to the fair value changes of swap transactions designated at through profit or loss at 30 September 2015 (Note 4) (31 December 2014: TRY 36.626 loss and TRY 21.590 income).

As at 30 September 2015, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	571.495	8.204	579.699
Currency Swap Sales	649.712	13.948	663.660
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

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

	Short Term	Long Term	Total
Currency Swap Purchases	565.225	501.837	1.067.062
Currency Swap Sales	578.325	455.125	1.033.450
Forward Purchase Transactions	8.230	-	8.230
Forward Sales Transactions	7.275	-	7.275

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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

<u>30 September 2015</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	3.889.413	1.497.582	(53.766)	5.333.229
Total liabilities	3.229.007	1.402.594	-	4.631.601
Net profit	50.403	20.226	(22.787)	47.842

<u>31 December 2014</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	3.161.195	1.454.609	(35.382)	4.580.422
Total liabilities	2.535.172	1.378.431	-	3.913.603
Net profit	72.421	7.753	(1.688)	78.486

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

29. SEGMENT REPORTING (Continued)

30 September 2015

	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Operating Income	196.334	93.078	-	289.412
Financial Expenses (-)	(142.604)	(68.474)	-	(211.078)
Gross Profit / Loss	53.730	24.604	-	78.334
Operating Expense (-)	(22.802)	(11.888)	-	(34.690)
Gross Operating Profit/Loss	30.928	12.716	-	43.644
Other Operating Income	251.865	88.419	(18.384)	321.900
Provision for Losses on Non-Performing Receivables (-)	(35.443)	(3.518)	-	(38.961)
Other operating Expenses (-)	(187.263)	(72.730)	-	(259.993)
Net Operating Profit / Loss	<u>60.087</u>	<u>24.887</u>	<u>(18.384)</u>	<u>66.590</u>
Profit or Loss from Continuing Operations	60.087	24.887	(18.384)	66.590
Provision for Taxes from Continuing Operations (±)	(9.684)	(4.661)	-	(14.345)
Net Profit or Loss from Continuing Operations	<u>50.403</u>	<u>20.226</u>	<u>(18.384)</u>	<u>52.245</u>
Non-controlling Interests	-	-	(4.403)	(4.403)
Net Profit or Loss for the Period	<u>50.403</u>	<u>20.226</u>	<u>(22.787)</u>	<u>47.842</u>
Fixed Asset Additions	1.209	409	-	1.618
Depreciation and Amortisation	(672)	(263)	-	(935)

30 September 2014

	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
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 (±)	(14.223)	(3.066)	-	(17.289)
Net Profit or Loss from Continuing Operations	<u>53.728</u>	<u>3.516</u>	<u>-</u>	<u>57.244</u>
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)

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

30. EVENTS AFTER REPORTING PERIOD

Within the framework of resolution of Capital Market Board of Turkey dated 7 October 2015 , the bonds which the company issued dated 5 July 2016 with a nominal value of TRY 212.000, a maturity of 179 days and a maturity of 5 April 2016 have started to be traded in Exchange of Debt Instruments Market Outright Purchases and Sales Market since 13 October 2015.

31. OPERATING INCOME

For the periods ended 30 September 2015 and 30 September 2014, details of operating income are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Finance lease interest income	196.334	71.845	132.159	50.177
Factoring income	93.078	34.428	61.987	20.920
	<u>289.412</u>	<u>106.273</u>	<u>194.146</u>	<u>71.097</u>

32. OPERATING EXPENSES

For the periods ended 30 September 2015 and 30 September 2014, operating expenses are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Personnel expenses	(20.768)	(6.640)	(16.491)	(5.906)
Office rent expenses	(3.062)	(1.087)	(2.448)	(814)
Board of Directors attendance fee	(1.406)	(484)	(1.205)	(439)
Consultancy expenses	(1.218)	(627)	(1.410)	(596)
Information technology expenses	(1.203)	(537)	(1.054)	(340)
Travel and car expenses	(971)	(357)	(910)	(312)
Depreciation and amortisation expense	(935)	(208)	(718)	(248)
Office contribution expenses	(857)	(284)	(689)	(255)
Provision for employee severance indemnity	(567)	(300)	(369)	(85)
BRSA fee	(465)	(155)	(405)	(135)
Advertising expense	(306)	(70)	(160)	(77)
Capital increase expense	(271)	(27)	(217)	(56)
Litigation expenses	(193)	(103)	(345)	(49)
Other general administrative expenses	(2.468)	(900)	(2.948)	(1.272)
	<u>(34.690)</u>	<u>(11.779)</u>	<u>(29.369)</u>	<u>(10.584)</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

33. OTHER OPERATING INCOME

For the periods ended 30 September 2015 and 30 September 2014, details of other operating income are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Foreign exchange gains	185.404	97.871	108.449	(10.179)
Income from derivative financial transactions	115.453	69.018	11.610	11.610
Interest income	5.246	1.263	4.505	1.326
Dividend income	3.800	-	2.447	-
Collections from non-performing receivables	2.114	222	3.329	(29)
Commission income	2.843	1.010	2.395	924
Others	7.040	3.002	6.200	3.206
	<u>321.900</u>	<u>172.386</u>	<u>138.935</u>	<u>6.858</u>

34. FINANCE EXPENSES

For the periods ended 30 September 2015 and 30 September 2014, details of financial expenses are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Interest expense on funds borrowed	(159.469)	(51.064)	(117.705)	(39.865)
Interest expense on debt securities issued	(45.508)	(21.103)	(20.261)	(6.963)
Fees and commissions expense	(6.101)	(2.236)	(3.954)	(1.558)
	<u>(211.078)</u>	<u>(74.403)</u>	<u>(141.920)</u>	<u>(48.386)</u>

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 30 September 2015 and 30 September 2014, details of provision for non-performing receivables are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Specific provision expenses	(38.441)	(9.665)	(19.648)	(4.090)
General provision expenses (*)	(520)	(189)	(101)	(101)
	<u>(38.961)</u>	<u>(9.854)</u>	<u>(19.749)</u>	<u>(4.191)</u>

(*) 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 2015

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

36. OTHER OPERATING EXPENSES

For the periods ended 30 September 2015 and 30 September 2014, details of other operating expenses are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Losses from derivative financial transactions	(256.991)	(158.569)	(65.180)	(10.181)
Foreign exchange losses, net	-	-	-	12.185
Impairment and sales losses on securities portfolio	-	-	(3)	-
Impairment losses on tangible assets	(602)	(602)	-	-
Other	(2.400)	(688)	(2.327)	(897)
	<u>(259.993)</u>	<u>(159.859)</u>	<u>(67.510)</u>	<u>1.107</u>

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 18.285 from measurement difference of such transactions in the Group’s financial statements as at 30 September 2015 (31 December 2014: TRY 7.012 foreign exchange losses). The difference is expected to be substantially expired at the maturity of transactions.

37. TAXATION

For the periods ended 30 September 2015 and 30 September 2014, details of income tax expense are as follows:

	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015	01.01.2014 - 30.09.2014	01.07.2014 - 30.09.2014
Current tax charge	(21.126)	(19.083)	(3.090)	(1.464)
Deferred tax benefit	6.781	12.799	(14.199)	(2.460)
	<u>(14.345)</u>	<u>(6.284)</u>	<u>(17.289)</u>	<u>(3.924)</u>

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 2015

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

37. TAXATION (Continued)

		1 January- 30 September 2015		1 January- 30 September 2014
	%		%	
Net profit for the period		52.245		57.244
Total tax income		14.345		17.289
Profit before tax		66.590		74.533
Income tax using the Company's tax rate	19,80	13.198	20,00	14.907
Non-deductible expenses	8,27	5.504	10,28	7.662
Tax exempt income	(6,07)	(4.042)	(0,72)	(535)
Investment incentives	(3,07)	(2.043)	(3,86)	(2.879)
Other	2,59	1.728	(2,50)	(1.866)
Total income tax expense / (income)	21,54	14.345	23,20	17.289

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 2015, corporate income tax rate is 20 % (31 December 2014: 20 %).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20 % (31 December 2014: 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 2015

(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 2015

(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 2015 and 30 September 2014 are as follows:

	1 January- 30 September 2015	1 January- 30 September 2014
Weighted average number of outstanding shares (*)	53.030.264.500	46.150.300.000
Net profit for the period (TRY)	47.842	56.479
Basic earnings per share (full Kurus) (**)	0,09	0,12

(*) As at 30 September 2015, the share capital of the Company consists of 53.030.264.500 shares having Kurus 1 nominal price.

(**) Capital increase has been made through internal resources and has been used in the calculation of the prior period’s earnings per share figure.

	30 September 2015	31 September 2014
Number of shares at beginning of the period	46.150.300.000	42.436.500.000
Capital increase (**)	6.879.964.500	3.713.800.000
Number of shares at end of the period	53.030.264.500	46.150.300.000

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 2015

(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 2015, the debt/equity ratio is 17 % (31 December 2014: 18 %). As at 30 September 2015 and 31 December 2014, the leverage ratios are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Funds borrowed	3.493.740	3.387.541
Debt securities issued	878.581	403.422
Miscellaneous payables	37.834	38.527
Other liabilities	50.897	35.877
Total liabilities	<u>4.461.052</u>	<u>3.865.367</u>
Banks (-)	<u>(329.885)</u>	<u>(180.217)</u>
Net liabilities	<u>4.131.167</u>	<u>3.685.150</u>
Total shareholders' equity	701.628	666.819
Shareholders' equity / liabilities	% 17	18%

According to the credit rating reports of Fitch issued at 10 July 2015, 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”.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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>2015</u>	<u>31 December</u> <u>2014</u>
<u>Financial Assets:</u>		
Banks	329.885	180.217
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	5.705	459
-Derivative financial assets held for trading	2.958	21.590
Finance lease receivables and non-performing receivables, net	3.414.855	2.841.040
Factoring receivables and non-performing factoring receivables, net	1.463.081	1.433.210
Insurance receivables (*)	5.408	4.357
Other receivables (*)	753	760
Financial assets available for sale	21.090	22.382
<u>Financial Liabilities:</u>		
Derivative financial liabilities held for trading	(121.400)	(36.626)
Miscellaneous payables and other liabilities	(88.731)	(74.404)
Funds borrowed	(3.493.740)	(3.387.541)
Debt securities issued	(878.581)	(403.422)

(*) 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.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

At the Group level, market risk exposures are measured by sensitivity analysis.

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 2015 and 31 December 2014, details of foreign currency denominated assets and liabilities are as follows:

	USD	EUR	GBP	JPY	TRY
30 September 2015 (*)	000	000	000	000	Equivalent
Banks	82.631	22.304	21	26	327.877
Finance lease receivables	357.582	313.180	-	-	2.159.682
Factoring receivables	57.814	56.549	4.979	-	392.368
Advances given for lease transactions	8.719	10.643	-	-	62.946
Leasing contracts in progress	2.581	2.605	-	-	16.766
Other receivables	353	517	-	-	2.844
Other assets	470	308	-	-	2.485
Total assets (**)	510.150	406.106	5.000	26	2.964.968
Funds borrowed	(349.743)	(338.374)	(68)	-	(2.222.332)
Miscellaneous payables and other liabilities	(10.002)	(10.771)	(15)	(9)	(67.358)
Other provisions	(907)	-	-	-	(2.761)
Total liabilities (**)	(360.652)	(349.145)	(83)	(9)	(2.292.451)
Balance sheet position	149.498	56.961	4.917	17	672.517
Off balance sheet position	(147.226)	(63.021)	-	-	(663.660)
Net foreign currency position	2.272	(6.060)	4.917	17	8.857

(*) As at 30 September 2015, foreign currency indexed borrowings amounting to USD 9.078 and EUR 21.651 (Total: TRY 101.702), foreign currency indexed factoring receivables amounting to USD 16.112 and EUR 12.988 (Total: TRY 93.470) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 30 September 2015, accruals of derivative assets amounting to TRY 2.958 and derivative liabilities amounting to TRY 121.400 are not included.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

31 December 2014 (*)	USD 000	EUR 000	GBP 000	JPY 000	TRY Equivalent
Banks	10.791	54.403	-	27	178.478
Finance lease receivables	415.921	300.561	-	-	1.812.271
Factoring receivables	61.075	52.970	1.994	-	298.209
Advances given for lease transactions	4.955	8.338	147	-	35.536
Leasing contracts in progress	2.030	5.951	-	-	21.492
Other assets	234	581	-	-	2.181
Other receivables	7	6	-	-	35
Total assets (**)	495.013	422.810	2.141	27	2.348.202
Funds borrowed	(344.267)	(309.273)	(596)	-	(1.672.831)
Miscellaneous payables and other liabilities	(4.812)	(11.527)	(49)	(412)	(43.860)
Other provisions	(968)	-	-	-	(2.245)
Total liabilities (**)	(350.047)	(320.800)	(645)	(412)	(1.718.936)
Balance sheet position	144.966	102.010	1.496	(385)	629.266
Off balance sheet position	(158.426)	(116.764)	-	-	(696.730)
Net foreign currency position	(13.460)	(14.754)	1.496	(385)	(67.464)

(*) As at 31 December 2014, foreign currency indexed borrowings amounting to USD 13.924 and EUR 13.390 (Total: TRY 70.056) and foreign currency indexed factoring receivables amounting to USD 12.615 and EUR 13.796 (Total: TRY 68.167) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2014, accruals of derivative assets amounting to TRY 21.386 and derivative liabilities amounting to TRY 35.429 are not included

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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
30 September 2015				
15% change of the USD against TRY				
1- Net USD asset/liability	68.245	(68.245)	68.245	(68.245)
2- Hedged portion of TRY against USD risk (-)	(67.208)	67.208	(67.208)	67.208
3- Net effect of USD (1+ 2)	1.037	(1.037)	1.037	(1.037)
15% change of the Euro against TRY				
4- Net Euro asset/liability	29.231	(29.231)	29.231	(29.231)
5- Hedged portion of TRY against Euro risk (-)	(32.341)	32.341	(32.341)	32.341
6- Net effect of Euro (4+5)	(3.110)	3.110	(3.110)	3.110
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	2.305	(2.305)	2.305	(2.305)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	2.305	(2.305)	2.305	(2.305)
TOTAL (3+6+9)	232	(232)	232	(232)

(*) Includes profit/loss effect.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2014				
15% change of the USD against TRY				
1- Net USD asset/liability	50.424	(50.424)	50.424	(50.424)
2- Hedged portion of TRY against USD risk (-)	(55.106)	55.106	(55.106)	55.106
3- Net effect of USD (1+ 2)	(4.682)	4.682	(4.682)	4.682
15% change of the Euro against TRY				
4- Net Euro asset/liability	43.161	(43.161)	43.161	(43.161)
5- Hedged portion of TRY against Euro risk (-)	(49.403)	49.403	(49.403)	49.403
6- Net effect of Euro (4+5)	(6.242)	6.242	(6.242)	6.242
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	524	(524)	524	(524)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	524	(524)	524	(524)
TOTAL (3+6+9)	(10.400)	10.400	(10.400)	10.400

(*) Includes profit/loss effect.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 30 September 2015 and 31 December 2014, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Banks	320.591	173.493
Finance lease receivables (*)	3.099.716	2.546.861
Factoring receivables	1.089.210	1.222.883
Financial liabilities:		
Funds borrowed	2.315.418	2.525.482
Debt securities issued	695.721	98.367
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	209.633	196.985
Factoring receivables	373.871	210.327
Financial liabilities:		
Borrowings	1.178.322	862.059
Debt securities issued	182.860	305.055

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 1.551 (30 September 2014: TRY 1.657)
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TRY 3.688 (30 September 2014: TRY 281)
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TRY 10.027 (30 September 2014: TRY 6.023)

(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 TRY 1.052 (30 September 2014: TRY 534).

(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 2015**

(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 2015 (%)</u>	<u>31 December 2014 (%)</u>
Construction	20,54	20,55
Metal industry	16,55	16,87
Transportation	10,32	11,28
Textile	7,14	5,96
Food and beverage	5,44	6,92
Chemical and plastic	4,66	4,74
Finance	3,99	2,76
Tourism	3,93	5,48
Mining	3,43	3,16
Agriculture and forestry	3,31	1,96
Forestry products and paper	3,17	2,98
Healthcare	2,93	3,13
Retail and wholesale	2,47	1,91
Machinery and equipment	1,72	2,32
Other	10,40	9,98
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

	<u>30 September 2015 (%)</u>	<u>31 December 2014 (%)</u>
Real estate	36,46	37,94
Machinery and equipment	26,47	27,00
Building and construction machinery	14,23	13,05
Textile machinery	4,53	4,16
Air transportation equipments	3,58	4,32
Electronic and optical equipment	3,18	2,63
Sea transport vessels	2,62	2,73
Tourism equipment	2,24	2,02
Medical equipment	1,89	1,88
Printing machinery	1,25	1,22
Office equipments	1,03	0,77
Road transportation equipments	0,78	1,05
Other	1,74	1,23
	<u>100,00</u>	<u>100,00</u>

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2015, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale	Insurance receivables	Other Receivables
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>						
30 September 2015	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	85.771	3.329.084	33.560	1.429.521	329.885	8.663	-	5.408	753
- The portion of maximum risk covered by guarantee	-	267.294	-	7.156	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	85.771	3.265.560	33.560	1.420.595	329.885	8.663	-	5.408	753
- The portion covered by guarantee	-	171.572	-	7.156	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	3.967	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	30.209	-	-	-	-	-	-	-
- The portion covered by guarantee	-	90.656	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	33.315	-	4.959	-	-	-	-	-
- Overdue (gross book value)	-	132.036	-	32.715	-	-	-	-	-
- Impairment (-)	-	(102.727)	-	(27.756)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	5.066	-	-	-	-	-	-	-
- Not past due (gross book value)	-	4.470	-	-	-	-	-	-	-
- Impairment (-)	-	(464)	-	-	-	-	-	-	-
- 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.

(***) Hisse senetleri piyasa riski taşımadığı için tabloya dahil edilmemiştir.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2014, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2014	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 (*)	31.022	2.810.018	13.027	1.420.183	180.217	22.049		4.357	760
- The portion of maximum risk covered by guarantee	-	285.414	-	32	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	31.022	2.740.933	13.027	1.418.861	180.217	22.049		4.357	760
- The portion covered by guarantee	-	156.017	-	32	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	1.322	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	13.837	-	-	-	-	-	-	-
- The portion covered by guarantee	-	117.601	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	55.248	-	-	-	-	-	-	-
- Overdue (gross book value)	-	95.688	-	24.348	-	-	-	-	-
- Impairment (-)	-	(76.665)	-	(24.348)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	11.796	-	-	-	-	-	-	-
- Not past due (gross book value)	-	39.702	-	-	-	-	-	-	-
- Impairment (-)	-	(3.477)	-	-	-	-	-	-	-
- 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.

(***) Hisse senetleri piyasa riski taşımadığı için tabloya dahil edilmemiştir.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 J SEPTEMBER 2015

(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 2015 and 31 December 2014, details of finance lease receivables rating in terms of internal rating information:

	<u>30 September 2015 (%)</u>	<u>31 December 2014 (%)</u>
Internal rating results:		
A+ (Perfect)	0,95	0,09
A (Very good)	0,17	3,13
A- (Good)	8,21	11,37
B+ (Satisfactory)	27,44	25,21
B (Close Monitoring)	19,67	20,92
B- (Insufficient)	24,98	20,09
C+ (Doubtful)	15,48	15,18
C (Loss)	3,09	3,98
Not rated	0,01	0,03
Total	100,00	100,00

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 14,32 % as at 30 September 2015 (31 December 2014: 13,81%).

As at 30 September 2015, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>30 September 2015 (%)</u>
High	35,53
Medium	56,09
Low	8,38
Total	100,00

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

	<u>31 December 2014 (%)</u>
High	36,65
Medium	54,78
Low	8,57
Total	100,00

The aging analysis of overdue finance lease receivables is disclosed in Note 8. The Group does not have overdue financial assets other than finance lease receivables.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

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

	30 September 2015		31 December 2014	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Other mortgages	651.123	193.546	688.465	231.078
Pledged shares	77.765	43.960	17.900	17.900
Letters of guarantee	36.903	24.935	33.361	20.764
Cash blockages	10.105	8.107	15.280	12.748
Ship mortgage	7.608	-	5.797	-
Equity securities	2.450	2.450	2.450	2.450
Guarantors	1.829	660	1.620	506
Pledged account	792	792	-	-
Collaterals of factoring transaction	2.646.826	458.725	2.406.905	378.327
	3.435.401	733.175	3.171.778	663.773

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

(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.

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

30 September 2015

<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>
Non-derivative Financial Assets:						
Banks	329.885	329.890	329.890	-	-	-
Financial Assets Held For Trading	5.705	5.698	5.298	-	400	-
Finance Lease Receivables (*)	3.309.349	3.801.450	449.724	921.638	2.264.511	165.577
Factoring Receivables	1.458.122	1.502.560	864.615	614.658	23.287	-
Insurance Receivables	5.408	5.408	5.408	-	-	-
Other Receivables	753	753	753	-	-	-
Total Assets	5.109.222	5.645.759	1.655.688	1.536.296	2.288.198	165.577
Non-derivative Financial Liabilities:						
Funds Borrowed	3.493.740	3.624.949	1.280.864	1.330.001	900.429	113.655
Debt Securities Issued	878.581	910.149	370.596	488.158	51.395	-
Miscellaneous Payables and Other Liabilities	88.730	88.730	82.059	-	6.671	-
Total Liabilities	4.461.051	4.623.828	1.733.519	1.818.159	958.495	113.655

(*) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

31 December 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>
Non-derivative Financial Assets:						
Banks	180.217	180.289	180.289	-	-	-
Financial Assets Held For Trading	459	459	59	-	400	-
Finance Lease Receivables (*)	2.743.846	3.199.864	300.123	749.570	1.973.301	176.870
Factoring Receivables	1.433.210	1.461.828	1.048.662	407.146	6.020	-
Insurance Receivables	4.357	4.357	4.357	-	-	-
Other Receivables	760	760	760	-	-	-
Total Assets	4.362.849	4.847.557	1.534.250	1.156.716	1.979.721	176.870

Non-derivative Financial Liabilities:

Funds Borrowed	3.387.541	3.562.866	1.228.332	957.548	1.304.109	72.877
Debt Securities Issued	403.422	439.089	107.554	69.375	262.160	-
Miscellaneous Payables and Other Liabilities	74.404	74.404	69.206	1.967	3.231	-
Total Liabilities	3.865.367	4.076.359	1.405.092	1.028.890	1.569.500	72.877

(*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

The following table details the maturities of derivative financial assets and liabilities as at 30 September 2015 and 31 December 2014.

<u>30 September 2015 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	-	579.699	80.100	491.395	8.204	-
Cash outflows from derivatives	(83.961)	663.660	84.651	565.061	13.948	-

<u>31 December 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	34.567	1.075.292	276.390	297.065	501.837	-
Cash outflows from derivatives	-	(1.040.725)	(278.226)	(307.374)	(455.125)	-

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

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.

30 September 2015	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	-	329.885	-	-	-	329.885	329.885	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	
- Financial assets held for trading	5.705	-	-	-	-	5.705	5.705	4
- Derivative financial assets held for trading	2.958	-	-	-	-	2.958	2.958	4
Finance lease receivables and non- performing lease receivables	-	-	3.414.855	-	-	3.414.855	3.410.447	8
Factoring receivables and non-performing factoring receivables	-	-	1.463.081	-	-	1.463.081	1.463.081	7
Insurance receivables	-	-	5.408	-	-	5.408	5.408	15
Other Receivables	-	-	753	-	-	753	753	15
Available for sale financial assets	-	-	-	21.090	-	21.090	21.090	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	121.400	-	-	-	-	121.400	121.400	4
Miscellaneous payables and other liabilities	-	-	-	-	88.730	88.730	88.730	17
Funds borrowed	-	-	-	-	3.493.740	3.493.740	3.497.743	16
Debt securities issued	-	-	-	-	878.581	878.581	878.581	19

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 2014	<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	-	180.217	-	-	-	180.217	180.217	5
Financial assets at fair value through profit or loss				-	-			
- Financial assets held for trading	459	-	-			459	459	4
- Derivative financial assets held for trading	21.590	-	-			21.590	21.590	4
Finance lease receivables and non- performing lease receivables	-	-	2.841.040			2.841.040	2.894.010	8
Factoring receivables and non-performing factoring receivables	-	-	1.433.210			1.433.210	1.433.210	7
Insurance receivables	-	-	4.357			4.357	4.357	15
Other Receivables	-	-	760			760	760	15
Available for sale financial assets	-	-	-	22.382		22.382	22.382	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	36.626	-	-			36.626	36.626	4
Miscellaneous payables and other liabilities	-	-	-		74.404	74.404	74.404	17
Funds borrowed	-	-	-		3.387.541	3.387.541	3.402.398	16
Debt securities issued	-	-	-		403.422	403.422	403.422	19

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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).

30 September 2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	407	5.298	-	5.705
Derivative financial assets held for trading	-	2.958	-	2.958
Available-for-sale financial assets (*)	18.704	-	347	19.051
Total financial assets carried at fair value	19.111	8.256	347	27.714
Derivative financial liabilities held for trading	-	121.400	-	121.400
Total financial liabilities carried at fair value	-	121.400	-	121.400

(*) As at 30 September 2015, securities that are not publicly traded amounting to TRY 2.039 have been measured at cost.

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	400	59	-	459
Derivative financial assets held for trading	-	21.590	-	21.590
Available-for-sale financial assets (*)	20.041	-	302	20.343
Total financial assets carried at fair value	20.441	21.649	302	42.392
Derivative financial liabilities held for trading	-	36.626	-	36.626
Total financial liabilities carried at fair value	-	36.626	-	36.626

(*)As at 31 December 2014, securities that are not publicly traded amounting to TRY 2.039 have been measured at cost.