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

İş Finansal Kiralama Anonim Şirketi and Its Subsidiary

Consolidated Financial Statements
As at and for the year ended
31 December 2013
With Independent Auditors' Report

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

4 February 2014

This report contains "Independent Auditors' Report" comprising 2 pages and the "Consolidated Financial Statements and Their Explanatory Notes" comprising 79 pages.

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

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama Anonim Şirketi ("the Company") and its subsidiary (all together "the Group") as at 31 December 2013, and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Disclosure for the Responsibility of the Company's Board of Directors

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

Disclosure for the Responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of İş Finansal Kiralama Anonim Şirketi and its subsidiary as at 31 December 2013 and the results of its consolidated operations and consolidated cash flows for the year then ended in accordance with the communiqués, regulations and circulars issued by the BRSA regarding accounting and financial reporting (see *Note 2*).

Istanbul,
4 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English

As explained in *Note 2.1*, 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 and practices generally accepted in countries and jurisdictions other than Turkey.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2013

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

	ASSETS		**Audited Current Period 31 December 2013**			**Audited Prior Period 31 December 2012**		
		Notes	**TRY**	**FC**	**TOTAL**	**TRY**	**FC**	**TOTAL**
I.	**CASH**		-	-	-	-	-	-
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)**	**4**	-	-	-	**1.631**	**7.092**	**8.723**
2.1	Financial Assets Held for Trading		-	-	-	1.631	-	1.631
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		-	-	-	-	7.092	7.092
III.	**BANKS**	**5**	**11.245**	**221.548**	**232.793**	**198.284**	**118.870**	**317.154**
IV.	**RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS**		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**6**	**23.213**	**-**	**23.213**	**25.595**	**-**	**25.595**
VI.	**FACTORING RECEIVABLES**	**7**	**794.053**	**152.057**	**946.110**	**987.008**	**27.936**	**1.014.944**
6.1	Discounted Factoring Receivables		303.081	-	303.081	274.184	-	274.184
6.1.1	Domestic		310.413	-	310.413	278.954	-	278.954
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(7.332)	-	(7.332)	(4.770)	-	(4.770)
6.2	Other Factoring Receivables		490.972	152.057	643.029	712.824	27.936	740.760
6.2.1	Domestic		490.972	-	490.972	712.824	-	712.824
6.2.2	Foreign		-	152.057	152.057	-	27.936	27.936
VII.	**FINANCING LOANS**		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
VIII.	**LEASE RECEIVABLES**	**8**	**428.585**	**1.746.494**	**2.175.079**	**274.660**	**1.072.257**	**1.346.917**
8.1	Lease Receivables		418.097	1.553.816	1.971.913	272.117	1.056.067	1.328.184
8.1.1	Finance Lease Receivables		499.849	1.766.063	2.265.912	335.914	1.217.243	1.553.157
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		(81.752)	(212.247)	(293.999)	(63.797)	(161.176)	(224.973)
8.2	Leasing Contracts in Progress		8.917	148.609	157.526	1.683	8.622	10.305
8.3	Advances Given for Lease Transactions		1.571	44.069	45.640	860	7.568	8.428
IX.	**OTHER RECEIVABLES**	**15**	**1.795**	**2.144**	**3.939**	**1.197**	**1.720**	**2.917**
X.	**NON-PERFORMING RECEIVABLES**	**7,8**	**51.647**	**5.285**	**56.932**	**37.343**	**6.378**	**43.721**
10.1	Non-Performing Factoring Receivables		13.969	-	13.969	10.902	-	10.902
10.2	Non-Performing Financing Loans		-	-	-	-	-	-
10.3	Non-Performing Lease Receivables		98.416	11.169	109.585	76.769	24.918	101.687
10.4	Specific Provisions (-)		(60.738)	(5.884)	(66.622)	(50.328)	(18.540)	(68.868)
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**	**1.694**	**-**	**1.694**	**1.344**	**-**	**1.344**
XVII.	**INTANGIBLE ASSETS (Net)**		**820**	**-**	**820**	**870**	**-**	**870**
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		654	-	654	704	-	704
XVIII.	**PREPAID EXPENSES**	**15**	**6.996**	**-**	**6.996**	**3.881**	**-**	**3.881**
IXX.	**CURRENT PERIOD TAX ASSETS**		-	-	-	-	-	-
XX.	**DEFERRED TAX ASSETS**	**13**	**44.268**	**-**	**44.268**	**51.370**	**-**	**51.370**
XXI.	**OTHER ASSETS**	**15**	**244**	**49**	**293**	**1.855**	**783**	**2.638**
	SUBTOTAL		**1.364.560**	**2.127.577**	**3.492.137**	**1.585.038**	**1.235.036**	**2.820.074**
XXII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**14**	**444**	**-**	**444**	**248**	**-**	**248**
22.1	Assets Held For Sale		444	-	444	248	-	248
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**1.365.005**	**2.127.577**	**3.492.581**	**1.585.286**	**1.235.036**	**2.820.322**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2013

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

	LIABILITIES		**Audited Current Period 31 December 2013**			**Audited Prior Period 31 December 2012**		
		Notes	**TRY**	**FC**	**TOTAL**	**TRY**	**FC**	**TOTAL**
I.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**4**	**-**	**122.695**	**122.695**	**-**	**7.089**	**7.089**
II.	**FUNDS BORROWED**	**16**	**1.339.853**	**1.126.037**	**2.465.890**	**1.192.117**	**870.259**	**2.062.376**
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**	**202.405**	**-**	**202.405**	**151.005**	**-**	**151.005**
5.1	Bills		-	-	-	-	-	-
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		202.405	-	202.405	151.005	-	151.005
VI.	**MISCELLANEOUS PAYABLES**	**17**	**9.519**	**57.129**	**66.648**	**4.063**	**10.741**	**14.804**
VII.	**OTHER LIABILITIES**	**17**	**6.679**	**14.212**	**20.891**	**2.560**	**5.881**	**8.441**
VIII.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT**		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
IX.	**TAXES AND DUTIES PAYABLE**	**20**	**1.188**	**-**	**1.188**	**3.340**	**-**	**3.340**
X.	**PROVISIONS**	**21**	**5.467**	**2.449**	**7.916**	**4.142**	**2.116**	**6.258**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits	22	3.994	-	3.994	3.228	-	3.228
10.3	Other Provisions		1.473	2.449	3.922	914	2.116	3.030
XI.	**DEFERRED INCOME**		-	-	-	-	-	-
XII.	**CURRENT PERIOD TAX LIABILITY**	**23**	**1.310**	**-**	**1.310**	**1.211**	**-**	**1.211**
XIII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**SUBORDINATED LOANS**					-	-	-
	SUBTOTAL		**1.566.421**	**1.322.522**	**2.888.943**	**1.358.438**	**896.086**	**2.254.524**
XV.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS**		-	-	-	-	-	-
15.1	Held For Sale		-	-	-	-	-	-
15.2	Discontinued Operations		-	-	-	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**		**603.638**	**-**	**603.638**	**565.798**	**-**	**565.798**
16.1	Paid-in Capital	25	424.365	-	424.365	389.000	-	389.000
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		328	-	328	-	-	-
16.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		3.962	-	3.962	8.144	-	8.144
16.5	Profit Reserves	26	99.571	-	99.571	112.907	-	112.907
16.5.1	Legal Reserves		21.291	-	21.291	19.251	-	19.251
16.5.2	Statutory Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		78.280	-	78.280	93.656	-	93.656
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		58.365	-	58.365	40.805	-	40.805
16.6.1	Prior Periods Profit/Loss		18.776	-	18.776	-	-	-
16.6.2	Current Period Profit/Loss		39.589	-	39.589	40.805	-	40.805
16.7	Non-Controlling Interests	24	15.109	-	15.109	13.004	-	13.004
	TOTAL LIABILITIES AND EQUITY		**2.170.059**	**1.322.522**	**3.492.581**	**1.924.236**	**896.086**	**2.820.322**

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2013

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

	OFF-BALANCE SHEET ITEMS		**Audited Current Period 31 December 2013**			**Audited Prior Period 31 December 2012**		
		Notes	**TRY**	**FC**	**TOTAL**	**TRY**	**FC**	**TOTAL**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**30.106**	**13.264**	**43.370**	**69.042**	**18.083**	**87.125**
II.	**REVOCABLE FACTORING TRANSACTIONS**		**85.143**	**40.239**	**125.382**	**40.259**	**12.680**	**52.939**
III.	**COLLATERALS RECEIVED**		**422.136**	**226.524**	**648.660**	**405.987**	**155.077**	**561.064**
IV.	**COLLATERALS GIVEN**		**3.823**	**-**	**3.823**	**2.815**	**-**	**2.815**
V.	**COMMITMENTS**		**26.386**	**306.537**	**332.923**	**6.311**	**41.408**	**47.719**
5.1	Irrevocable Commitments		-	79.260	79.260	1.000	12.187	13.187
5.2	Revocable Commitments		26.386	227.277	253.663	5.311	29.221	34.532
5.2.1	Lease Commitments		26.386	227.277	253.663	5.311	29.221	34.532
5.2.1.1	Finance Lease Commitments		26.386	227.277	253.663	5.311	29.221	34.532
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**28**	**852.150**	**900.277**	**1.752.427**	**311.121**	**306.400**	**617.521**
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		852.150	900.277	1.752.427	311.121	306.400	617.521
6.2.1	Forward Foreign Currency Purchases/Sales		8.230	7.574	15.803	1.960	1.929	3.889
6.2.2	Swap Purchases/Sales		843.920	892.703	1.736.623	309.161	304.471	613.632
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**1.216.026**	**299.704**	**1.515.730**	**527.767**	**79.396**	**607.163**
	TOTAL OFF-BALANCE SHEET ITEMS		**2.635.770**	**1.786.545**	**4.422.315**	**1.363.302**	**613.044**	**1.976.346**

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	INCOMEAND EXPENSE ITEMS	Notes	Audited Current Period 01.01. - 31.12.2013	Audited Prior Period 01.01. - 31.12.2012
I.	**OPERATING INCOME**	**31**	**184.234**	**158.051**
	FACTORING INCOME		**58.489**	**51.984**
1.1	Factoring Interest Income		53.140	49.108
1.1.1	Discounted		18.767	20.114
1.1.2	Other		34.373	28.994
1.2	Factoring Commission Income		5.349	2.876
1.2.1	Discounted		1.852	1.193
1.2.2	Other		3.497	1.683
	LEASE INCOME		**125.745**	**106.067**
1.3	Finance Lease Income		125.745	106.067
1.4	Operational Lease Income		-	-
1.5	Fees and Commission Income on Lease Operations		-	-
II.	**FINANCING EXPENSES (-)**	**34**	**(115.448)**	**(96.954)**
2.1	Interest Expense on Funds Borrowed		(95.603)	(76.635)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-
2.4	Interest Expense on Securities Issued		(15.625)	(17.605)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Paid		(4.220)	(2.714)
III.	**GROSS PROFIT / LOSS (I+II)**		**68.786**	**61.097**
IV.	**OPERATING EXPENSES (-)**	**32**	**(30.444)**	**(24.363)**
4.1	Personal Expenses		(17.284)	(14.300)
4.2	Employee Severance Indemnity Expense	**22**	(541)	(912)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(12.619)	(9.151)
4.5	Other		-	-
V.	**GROSS OPERATING PROFIT / LOSS (III+IV)**		**38.342**	**36.734**
VI.	**OTHER OPERATING INCOME**	**32**	**172.722**	**66.446**
6.1	Interest Income on Bank Deposits		9.546	7.621
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities Portfolio		64	1.247
6.3.1	Interest Income on Financial Assets Held for Trading		64	1.247
6.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available For Sale		-	-
6.3.4	Interest Income on Financial Assets Held to Maturity		-	-
6.4	Dividend Income		2.573	2.272
6.5	Trading Account Income		18.730	46.113
6.5.1	Income From Derivative Financial Instruments		18.730	46.113
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		132.501	-
6.7	Others		9.308	9.193
VII.	**PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)**	**35**	**(17.608)**	**(22.058)**
VIII.	**OTHER OPERATING EXPENSES (-)**	**36**	**(140.412)**	**(26.546)**
8.1	Impairment Losses on Securities Portfolio		-	(145)
8.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	(145)
8.1.2	Impairment Losses on Financial Assets Available For Sale		-	-
8.1.3	Impairment Losses on Financial Assets Held to Maturity		-	-
8.2	Impairment Losses on Non-Current Assets		-	-
8.2.1	Impairment Losses on Tangible Assets		-	-
8.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3	Impairment Losses on Goodwill		-	-
8.2.4	Impairment Losses on Other Intangible Assets		-	-
8.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3	Losses From Derivative Financial Instruments		(137.402)	(14.233)
8.4	Foreign Exchange Losses		-	(7.122)
8.5	Other		(3.010)	(5.046)
IX.	**NET OPERATING PROFIT / LOSS (V+…..+VIII)**		**53.044**	**54.576**
X.	**INCOME RESULTED FROM MERGER**		-	-
XI.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-
XII.	**PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)**		**53.044**	**54.576**
XIII.	**INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)**	**36**	**(10.855)**	**(12.775)**
13.1	Current Tax Charge		(3.835)	8.371
13.2	Deferred Tax Charge (-)	**13**	(7.020)	(21.146)
13.3	Deferred Tax Benefit (+)		-	-
XIV.	**NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)**		**42.189**	**41.801**
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**		**42.189**	**41.801**
20.1	**NON-CONTROLLING INTERESTs**		**2.600**	**996**
20.2	**EQUITY HOLDERS OF THE COMPANY**		**39.589**	**40.805**
	EARNINGS PER SHARE	**38**	0,09	0,10
	Earnings Per Share from Continued Operations		0,09	0,10
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE		0,09	0,10
	Earnings Per Share from Continued Operations		0,09	0,10
	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 YEAR ENDED 31 DECEMBER 2013

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

	PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	**Audited Current Period 01.01-31.12.2013**	**Audited Prior Period 01.01-31.12.2012**
I.	**CURRENT PERIOD PROFIT/LOSS**	**42.189**	**41.801**
II.	**OTHER COMPREHENSIVE INCOME**	**(4.349)**	**3.979**
2.1	**Items that will not be Reclassified to Profit or Loss**	**328**	**-**
2.1.1	Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	410	-
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	(82)	-
2.1.5.1	Current Tax Income/Expense	-	-
2.1.5.2	Deferred Tax Income/Expense	(82)	-
2.2	**Items that may be Reclassified subsequently to Profit or Loss**	**(4.677)**	**3.979**
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales	(4.677)	3.979
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)**	**37.840**	**45.780**

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

							Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss												
	CHANGES IN EQUITY	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	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
	Prior Period (01.01 – 31.12.2012) (Audited)																					
I.	**Balance at the Beginning of the Period (31.12.2011)**	**339.000**	**-**	**-**	**-**	**1.938**	**-**	**-**	**-**	**-**	**4.639**	**-**	**110.868**	**16.627**	**-**	**94.241**	**-**	**52.039**	**52.039**	**-**	**11.534**	**520.818**
II.	**Correction Made According to TAS 8**	-	-			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**	**339.000**	**-**			**1.938**	**-**	**-**	**-**	**-**	**4.639**	**-**	**110.868**	**16.627**	**-**	**94.241**	**-**	**52.039**	**52.039**	**-**	**-**	**520.818**
IV.	**Total Comprehensive İncome**	-	-	-	-	-	-	-	-	-	**3.505**	-	-	-	-	-	-	-	-	-	**474**	**3.979**
V.	**Cash Capital Increase**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from internal reserves**	**50.000**	-			-	-	-	-	-	-	-	**(50.000)**	-	-	**(34.935)**	**(15.065)**	-	-	-	-	-
VII.	**Paid-in-Capital Inflation Adjustment**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increases / Decreases due to other changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit for the Period**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**40.805**	-	**40.805**	**996**	**41.801**
XII.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	-	**52.039**	**2.624**	-	**34.350**	**15.065**	**(52.039)**	**(52.039)**	-	-	-
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	-	52.039	2.624	-	34.350	15.065	(52.039)	(52.039)	-	-	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (31.12.2012)	**389.000**	**-**	**-**	**-**	**1.938**	**-**	**-**	**-**	**-**	**8.144**	**-**	**112.907**	**19.251**	**-**	**93.656**	**-**	**40.805**	**-**	**40.805**	**13.004**	**565.798**
	Current Period (01.01. –31.12.2013) (Audited)																					
I.	**Balance at the Beginning of the Period (31.12.2012)**	**389.000**	**-**	**-**	**-**	**1.938**	**-**	**-**	**-**	**-**	**-**	**-**	**112.907**	**19.251**	**-**	**93.656**	**-**	**40.805**	**40.805**	**-**	**13.004**	**565.798**
II.	**Correction Made According to TAS 8**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
III.	**New Balance (I+II)**	**389.000**	**-**	**-**	**-**	**1.938**	**-**	**-**	**-**	**-**	**8.144**	**-**	**112.907**	**19.251**	**-**	**93.656**	**-**	**40.805**	**40.805**	**-**	**13.004**	**565.798**
IV.	**Total Comprehensive İncome**	-	-	-	-	-	-	**328**	-	-	**(4.182)**	-	-	-	-	-	-	-	-	-	**(495)**	**(4.349)**
V.	**Cash Capital Increase**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
VI.	**Capital Increase from internal reserves**	**35.365**	-	-	-	-	-	-	-	-	-	-	**(15.376)**	-	-	**(15.376)**	-	**(19.989)**	**(19.989)**	-		-
VII.	**Paid-in-Capital Inflation Adjustment**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
VIII.	**Convertible Bonds**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
IX.	**Subordinated Loans**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
X.	**Increases / Decreases due to other changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
XI.	**Profit for the Period**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**39.589**	-	**39.589**	**2.600**	**42.189**
XII.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	-	**2.040**	**2.040**	-	-	-	**(2.040)**	**(2,040)**	-	-	-
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	-	**2.040**	**2.040**	-	-	-	**(2.040)**	**2,040)**	-	-	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
	Balance at the End of the Period (31.12.2013)	**424.365**	**6.228**	**-**	**-**	**1.938**	**-**	**328**	**-**	**-**	**3.962**	**-**	**99.571**	**21.291**	**-**	**78.280**	**-**	**58.365**	**18.776**	**39.589**	**15.109**	**603.638**

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 profit7loss)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

			Audited Current Period	Audited Prior Period
		Notes	**01.01-31.12.2013**	**01.01-31.12.2012**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit Before Changes İn Operating Assets And Liabilities**		**174.634**	**62.853**
1.1.1	Interests Received/Lease Income		187.471	165.451
1.1.2	İnterest Paid / Lease Expenses		(96.618)	(90.758)
1.1.3	Lease Expenses		-	-
1.1.4	Dividends Received		1.279	886
1.1.5	Fees and Commissions Received		5.349	2.876
1.1.6	Other Income		150.275	36.595
1.1.7	Collections from Non-performing Receivables	33	525	1.870
1.1.8	Payments to Personnel and Service Suppliers		(15.704)	(13.550)
1.1.9	Taxes Paid		(3.736)	(4.896)
1.1.10	Others		(54.207)	(35.621)
1.2	**Changes in Operating Assets and Liabilities**		**(306.869)**	**(113.557)**
1.2.1	Net (Increase) Decrease in Factoring Receivables		65.686	(617.275)
1.2.2	Net (Increase) Decrease in Financing Loans		-	-
1.2.3	Net (Increase) Decrease in Lease Receivables		(1.115.762)	40.759
1.2.4	Net (Increase) Decrease in Other Assets		6.894	34.235
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		681.764	425.541
1.2.8	Net Increase (Decrease) in Due Payables		-	-
1.2.9	Net Increase (Decrease) in Other Liabilities		54.549	3.183
I.	**Net Cash Provided from / (Used in) Operating Activities**		**(132.235)**	**(50.704)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		(1.000)	-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3	Purchases of Tangible and Intangible Assets	10, 11	(1.095)	(704)
2.4	Proceeds From Sale of Tangible and Intangible Assets	10	33	1
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**		**(2.062)**	**(703)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash obtained from funds borrowed and securities issued		50.000	150.000
3.2	Cash used for repayment of funds borrowed and securities issued		-	(91.153)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		-	1
III.	**Net Cash Used in Financing Activities**		**50.000**	**58.848**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**221**	**290**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents**		**(84.076)**	**7.731**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**	**5**	**316.849**	**309.118**
VII.	**Cash and Cash Equivalents at the End of the Period**	**5**	**232.773**	**316.849**

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

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD ENDED 31 DECEMBER 2013
(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**)	**Current Period 31 December 2013**	**Prior Period 31 December 2012**
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT**		
1.1	CURRENT PERIOD PROFIT	50.444	53.580
1.2	TAXES AND DUES PAYABLE (-)	(10.855)	(12.775)
1.2.1	Corporate Tax (Income Tax)	(3.835)	8.371
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues	(7.020)	(21.146)
A.	**NET PERIOD PROFIT (1.1 - 1.2)**	**39.589**	**40.805**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	(1.861)
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) (*)	-	26
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]**	**-**	**38.970**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	35.365
1.6.1	To Owners of Ordinary Shares (***)	-	35.365
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	3.605
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
		-	0.10489
3.1	TO OWNERS OF STOCKS (TRY)	-	10,49%
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF STOCKS (TRY)	-	0.09091
4.2	TO OWNERS OF STOCKS (%)	-	9,091%
4.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) Comprises of donations made by the Company that shall be added to distributable net period profit.
(**)The Board of Directors has not made any decision regarding profit distribution for the year 2013.
(***) The dividend amount in connection with the year 2012 has been distributed in the form of bonus shares.

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

(*)The company name "İş Factoring Finansal Hizmetler A.Ş." was changed to İş Faktoring A.Ş.

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

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

As at 31 December 2013, the Company and its subsidiary ("the Group") has 179 employees (31 December 2012: 138 employees).

<u>Dividend Payable</u>

As at 31 December 2013, the Company does not have any dividend payable.

<u>Approval of the Financial Statements</u>

The consolidated financial statements as at and for the year ended 31 December 2013 have been approved by the Board of Directors of the Company and authorized for issue as at 4 February 2014. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

<u>Accounting Standards Applied</u>

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

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

2.1 Basis of the Presentation (Continued)

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

Additional Paragraph for Convenience Translation to English

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

Functional and Reporting Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

The consolidated financial statements of the Group have been adjusted for the effects of inflation in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies" until 31 December 2004. By a circular issued on 28 April 2005, BRSA and by a decision taken on 17 March 2005, Capital Markets Board of Turkey ("CMB") declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2012 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.

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

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

2.1 Basis of the Presentation (Continued)

Accounting estimates

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

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

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

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

Note 6 – Financial assets available for sale

Note 7 – Factoring receivables

Note 8 – Lease receivables

Note 13 – Deferred tax assets and liabilities

Note 21 – Provisions

Note 22 – Employee benefits

Note 28 – Commitments and contingencies

Note 40 – Additional information on financial instruments

Basis of Consolidation

The details of the Group's subsidiary as at 31 December 2013 and 31 December 2012 are as follows:

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

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

(i) Subsidiaries

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

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

As at 31 December 2013 and 31 December 2012, the Company owns 78,23% of İş Factoring. As the Company has the power to control the operations of the İş Factoring, the financial statements of İş Factoring have been fully consolidated in the accompanying consolidated financial statements.

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

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(ii) Transactions eliminated on consolidation

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

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

(iii) Non-controlling interests

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

Except for the new standards summarised below, the accounting policies applied for the year ended 31 December 2012 have been applied consistently for the year ended 31 December 2013 in preparing these financial statements.

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

•TFRS 13 *Fair Value Measurement* (see note (i))

•TAS 1 *Presentation of Financial Statements* (Amendments) (see note (ii))

•TAS 19 *Employee Benefits* (2011) (see note (iii))

The nature and effects of the changes are explained below.

(i) Fair Value Measurement

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

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

2.2 Changes in Accounting Policies

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

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

(ii) Presentation of items of other comprehensive income

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

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

(iii) Employee benefits

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

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the do not have significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

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

As a result of new format requirements by "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 by BRSA, the below mentioned classifications have been made in the comparative financial statements for the year ended 31 December 2012 presented in the accompanying statement of financial position:

Miscellaneous receivables classified on "other assets" amounting to TL 2.917 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "other receivables" in the comparative financial statements.

Short term prepaid expenses classified on "other assets" amounting to TL 3.881 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "prepaid expenses" in the comparative financial statements.

Corporate tax classified on "taxes and duties payable" amounting to TL 1.211 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "current period tax liability" in the comparative financial statements.

Bonus shares classified on "subsidiaries, associates and joint ventures" amounting to TL 1.938 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "other capital reserves" in the comparative financial statements.

3. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(Continued)*

2.2 Changes in Accounting Policies *(continued)*

Valuation differences classified on "subsidiaries, associates and joint ventures" amounting to TL 8.144 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "accumulated other comprehensive income that will be reclassified" in the comparative financial statements.

Interest paid on "operating profit before changes in operating assets and liabilities-other" amounting to TL 90.758 on the Group's consolidated financial statements as at 31 December 2012 are re-classified to "operating profit before changes in operating assets and liabilities-interest paid" in the comparative financial statements.

2.3 Changes in Accounting Estimates and Errors

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

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

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

2.4 Standards and Interpretations not yet effective as at 31 December 2012

The Group applied all of the relevant and required standards promulgated by TASB as at 31 December 2013.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, 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*, is published by Turkish Accounting Standards Board in April 2010 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*.

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

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

3. SIGNIFICANT ACCOUNTING POLICIES

a. <u>Revenue</u>

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

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

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

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Tangible Assets

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

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

Leasehold improvements are depreciated over their respective lease periods.

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

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

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

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

c. Intangible Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

g. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: "financial assets as at fair value through profit or loss ("FVTPL")", "held-to-maturity investments ("HTM")", "available-for-sale ("AFS")" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Other financial liabilities

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

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

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

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.

(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 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
USD	2,1343	1,7826
Euro	2,9365	2,3517
GBP	3,5114	2,8708
CHF	2,3899	1,9430
100 JPY	2,0231	2,0656

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

j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

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

k. Subsequent Events

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

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.

(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 deductable temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

p. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying consolidated financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

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

	31 December 2013	31 December 2012
Discount rate	3,29%	2,12%
Expected rate of salary/limit increase	6,5%	5%
Probability of retirement	100%	100%

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).

(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 31 December 2013 and 31 December 2012, details of financial assets held for trading are as follows:

	31 December 2012		31 December 2012	
	TRY	FC	TRY	FC
Debt securities issued by private sector	-	-	1.617	-
Mutual funds	-	-	14	-
	-	**-**	**1.631**	**-**

The Group has no financial assets held for trading as at 31 December 2013. (31 December 2012: TRY 14).

Derivative Financial Assets and Liabilities Held For Trading:

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

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
<u>Derivative Financial Assets</u>				
Forwards	-	-	-	21
Currency swaps	-	-	-	7.071
	-	**-**	**-**	**7.092**

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
<u>Derivative Financial Liabilities</u>				
Forwards	-	486	-	7
Currency swaps	-	122.209	-	7.082
	-	**122.695**	**-**	**7.089**

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

5. BANKS

As at 31 December 2013 and 31 December 2012, the details of the banks are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Demand Deposits	10.995	2.744	695	5.355
Time Deposits	250	218.783	197.328	113.471
Interest Accrual	-	21	261	44
	11.245	**221.548**	**198.284**	**118.870**

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

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

The details of the time deposits as at 31 December 2012 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2012
TRY	4,00%-8,30%	02.01.2013-28.01.2013	197.589
USD	0,50%-3,35%	02.01.2013-08.01.2013	89.276
Euro	0,40%-2,60%	02.01.2013	24.239
			311.104

As at 31 December 2013, TRY 192.103 portion of total foreign currency deposits (31 December 2012: TRY 16.890) and TRY 1.239 portion of total TRY deposits (31 December 2012: TRY 158.173) consist of accounts at the Company's main shareholder, Türkiye İş Bankası A.Ş.

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

	31 December 2013	31 December 2012
Demand deposits	13.739	6.050
Time deposits (1-3 months) (excluding accrual)	219.034	310.799
Cash and cash equivalents	**232.773**	**316.849**

As at 31 December 2013 and 31 December 2012, there is no blockage on cash and cash equivalents.

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

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2013 and 31 December 2012, details of financial assets available for sale are as follows:

				Ownership Rate (%)		Carrying Amount	
Name of the investment	Core business	Incorporation and location	Voting right (%)	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	19.335	22.957
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.534	1.319
Unquoted investments:							
Camiş Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,05	0,05	0,05	4	4
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	38	38
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	302	277
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	2.000	1.000
TOTAL						**23.213**	**25.595**

7. FACTORING RECEIVABLES

As at 31 December 2013 and 31 December 2012, details of factoring receivables are as follows:

	31 December 2013	**31 December 2012**
Short-term factoring receivables (*)		
Domestic factoring receivables (net)	798.780	988.967
Export and import factoring receivables	151.402	27.750
Factoring interest income accrual	3.260	2.997
Unearned interest income	(7.332)	(4.770)
	946.110	1.014.944
Non-performing factoring receivables (**)	13.969	10.902
Provision for non-performing factoring receivables (**)	(13.969)	(10.902)
	946.110	**1.014.944**

(*) 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.

Euro 680.742, GBP 63.870 and TRY 126.879 of factoring receivables have variable rates (31 December 2012: Euro 2.417.083, USD 2.617.254 and TRY 376.288) while Euro 36.173.336, USD 20.395.914, GBP 22.783 and TRY 667.174 of factoring receivables have fixed rates (31 December 2012: Euro 5.176.643, USD 3.035.993 and TRY 610.720).

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

7. FACTORING RECEIVABLES (Continued)

As at 31 December 2013, the average interest rates applicable for the factoring receivables are 11,71% for TRY, 5,80% for USD and 5,59% for Euro and 6,50% for GBP (31 December 2012: 8,71% for TRY, 7,17% for USD and 5,16% for Euro).

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

	31 December 2013	31 December 2012
Domestic irrevocable	371.080	636.446
Foreign irrevocable	11.967	8.816
Domestic revocable	422.973	350.562
Foreign revocable	140.090	19.120
	946.110	**1.014.944**

Except for its non-performing receivables for which 100% provision provided, the Group has no overdue factoring receivables as at the reporting date. The carrying amount of the Group's restructured factoring receivables amounts to TRY 476 (31 December 2012: TRY 87). The Group has contractual securities as collateral for such receivables.

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

Collateral type	31 December 2013	31 December 2012
Letters of guarantee	8.632	854
	8.632	**854**

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

	31 December 2013	31 December 2012
Up to 90 days	926	-
Between 90 – 180 days	658	8.763
Between 180 – 360 days	1.851	-
Over 360 days	10.534	2.139
	13.969	**10.902**

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

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

	1 January- 31 December 2013	1 January- 31 December 2012
Provision at the beginning of the period	(10.902)	(2.603)
Provision set during the period	(3.411)	(8.602)
Collections	344	303
Provision at the end of the period	**(13.969)**	**(10.902)**

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

8. LEASE RECEIVABLES

As at 31 December 2013 and 31 December 2012, details of finance lease receivables are as follows:

31 December 2013	Short Term	Long Term	Total
Invoiced finance lease receivables	32.817	-	32.817
Non-performing finance lease receivables (*)	107.512	2.073	109.585
Uninvoiced finance lease receivables	768.032	1.465.063	2.233.095
Less: Unearned interest income	(130.690)	(163.309)	(293.999)
Leasing contracts in progress (**)	-	157.526	157.526
Advances given for lease transactions	-	45.640	45.640
Specific provisions (*)	(51.657)	(996)	(52.653)
Net finance lease receivables	726.014	1.505.997	2.232.011

31 December 2012	Short Term	Long Term	Total
Invoiced finance lease receivables	33.704	-	33.704
Non-performing finance lease receivables (*)	91.470	10.217	101.687
Uninvoiced finance lease receivables	487.678	1.031.775	1.519.453
Less: Unearned interest income	(98.323)	(126.650)	(224.973)
Leasing contracts in progress (**)	-	10.305	10.305
Advances given for lease transactions	-	8.428	8.428
Specific provisions (*)	(52.142)	(5.824)	(57.966)
Net finance lease receivables	462.387	928.251	1.390.638

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

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2013 and 31 December 2012, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

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

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

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

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

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

8. LEASE RECEIVABLES (Continued)

As at 31 December 2012, analysis of finance lease receivables according to their maturities is as follows:

	2013 (**)	2014	2015	2016	2017	2018 and after	Total
Finance lease receivables (gross) (*)	565.103	403.954	266.070	159.745	103.499	98.507	1.596.878
Unearned interest	(98.323)	(63.131)	(33.730)	(17.605)	(8.551)	(3.633)	(224.973)
Finance lease receivables (net)	**466.780**	**340.823**	**232.340**	**142.140**	**94.948**	**94.874**	**1.371.905**

(*) 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 43.721 are presented in 2013 column since their collection dates are not certain.

As at 31 December 2013, the average compound interest rates applicable for the finance lease receivables are 13,70% for TRY, 6,13% for USD, and 6,96% for Euro (31 December 2012: 16,33% for TRY, 6,81% for USD and 7,46% for Euro).

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

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

As at 31 December 2012, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest
USD	303.040.949	540.200	45.514.037	81.134
Euro	222.071.373	522.245	34.035.913	80.042
TRY	-	309.460	-	63.797
Total		1.371.905		224.973

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

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

8. LEASE RECEIVABLES (Continued)

USD 60.437.216 and Euro 22.670.799 portion of the Group's finance lease receivables have variable rates (31 December 2012: USD 60.332.219 and Euro 26.305.478) while USD 334.698.388, Euro 221.076.616 and TRY 469.742 portion of its finance lease receivables have fixed rates (31 December 2012: USD 242.708.730, Euro 195.765.894 and TRY 309.460).

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

Collateral type	31 December 2013	31 December 2012
Mortgages	96.420	91.798
Letters of guarantee	3.945	3.457
Equity securities	6.981	1.175
Cash blockages	2.450	2.450
Guarantors	27	72
Upper right Mortgages	1.926	
	117.749	**98.952**

In addition to collaterals above, the Group also has pledged vehicles amounting to TRY 14.669 and pledged machines amounting to TRY 330 (31 December 2012: pledged vehicles amounting to TRY 11.471, pledged machines amounting to TRY 200).

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 16.049 (31 December 2012: TRY 18.732) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

	31 December 2013	31 December 2012
Up to 30 days	8.916	11.291
Between 30 – 60 days	3.345	3.087
Between 60 – 90 days	1.506	2.251
Between 90 – 150 days	2.282	2.103
Total overdue	16.049	18.732
Not due amount	176.616	165.972
	192.665	**184.704**

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

Collateral type	31 December 2013	31 December 2012
Mortgages	26.848	26.793
Letters of guarantee	106	115
Cash blockages	140	16
	27.094	**26.924**

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 1.265 and pledged machines amounting to TRY 202 (31 December 2012: pledged vehicles amounting to TRY 1.408).

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

8. LEASE RECEIVABLES (Continued)

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

Starting from 1 January 2008, the Group measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA.

As at 31 December 2013 and 31 December 2012, the aging of non-performing finance lease receivables is as follows:

	31 December 2013	**31 December 2012**
Between 150 – 240 days	5.776	1.853
Between 240 – 360 days	3.725	1.650
Over 360 days	37.890	44.374
Uninvoiced non-performing finance lease receivables	63.184	70.059
Unearned interest of non-performing finance lease receivables	(990)	(9.417)
	109.585	**101.687**

Collaterals obtained for non-performing finance lease receivables as at 31 December 2013 and 31 December 2012 are as follows:

Guarantee type:	**31 December 2013**	**31 December 2012**
Mortgages	7.800	8.963
Cash blockages	2.302	-
	10.102	**8.963**

In addition to the above collaterals, leased equipments amounting to TRY 41.210 and pledged assets (vehicles) amounting to TRY 376 are considered in the provision calculation (31 December 2012: leased equipments amounting to TRY 31.679 and pledged assets (vehicles) amounting to TRY 334).

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

Movement of specific provisions:	**1 January-31 December 2013**	**1 January-31 December 2012**
Provision at the beginning of the period	(57.966)	(57.527)
Provision set during the period	(13.650)	(13.456)
Transfers to general reserves (**)	-	1.902
Write off (*)	(18.782)	10.214
Collections	181	901
Provision at the end of the period	(52.653)	(57.966)

(*) Consists of the portfolio formed within non-performing finance lease receivables and written off through sales to Türkasset Varlık Yönetim A.Ş. (31 December 2012: Consists of the portfolio formed within non-performing finance lease receivables and written off through sales to LBT Varlık Yönetim A.Ş.).

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

9. RELATED PARTIES

As at 31 December 2013 and 31 December 2012, details of related party balances are as follows:

	31 December 2013	31 December 2012
Finance lease receivables		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	31.338	30.301
Avea İletişim Hizmetleri A.Ş.	2.382	2.559
Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş.	2.150	3.094
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	1.399	1.944
Anadolu Cam Sanayii A.Ş.	394	633
Numnum Yiyecek ve İçecek A.Ş.	309	-
Antgıda Gıda Tarım Tur.Ener.ve Dem.Çelik San.ve.Tic.A.Ş.	115	171
Nemtaş Nemrut Liman İşletmeleri A.Ş.	25	-
Türkiye Sınai Kalkınma Bankası A.Ş.	-	5
	38.112	**38.707**

	31 December 2013	31 December 2012
Factoring receivables		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	16.920	16.595
Ant Gıda Tarım Turizm Enerji ve Demir Çelik San.Tic. A.Ş.	1.500	6.353
Kültür Yayınları İş-Türk Ltd. Şti.	139	1.142
	18.559	**24.090**
Payables to related parties		
Anadolu Anonim Türk Sigorta Şirketi (Insurance premium)	10.262	7.246
Türkiye İş Bankası A.Ş.	-	47
Aras Kargo Yurtiçi Yurtdışı Taş.A.Ş.	-	5
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	27	31
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	6	-
İş Merkezleri Yönetim ve İşletim A.Ş.	5	175
Avea İletişim Hizmetleri A.Ş.	3	4
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	3
Diğer	1	-
	10.304	**7.511**
Deposits placed to related parties		
Türkiye İş Bankası A.Ş. Demand Deposits	3.725	6.039
Türkiye İş Bankası A.Ş. Time Deposits	189.617	169.024
	193.342	**175.063**
Derivative financial assets held for trading		
Türkiye İş Bankası A.Ş.	-	6.131
	-	**6.131**
Derivative financial liabilities held for trading		
Türkiye İş Bankası A.Ş.	69.920	3.810
	69.920	**3.810**

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

9. RELATED PARTIES (Continued)

As at 31 December 2013 and 31 December 2012, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	**Interest Rate %**	**Maturity**	**31 December 2013**
TRY	1,00% – 13,24%	02.01.2014 – 15.06.2018	370.285
USD	2,80%– 6,92%	02.01.2014 – 30.09.2016	199.308
Euro	3,40%– 4,25%	03.01.2014 – 26.12.2016	107.378
			676.971

Currency	**Interest Rate %**	**Maturity**	**31 December 2012**
TRY	6,40%-12,00%	07.01.2013-15.06.2018	533.608
USD	3,50%-6,92%	04.02.2013-30.09.2016	174.032
Euro	3,75%-4,50%	04.01.2013-26.12.2016	94.597
			802.237

İşbank AG (*)

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

Currency	**Interest Rate %**	**Maturity**	**31 December 2012**
USD	4,13%-4,67%	29.05.2013-07.11.2013	9.845
Euro	1,90%-4,54%	Overdraft-27.12.2013	56.087
			65.932

TSKB

Currency	Interest Rate %	Maturity	**31 December 2013**
USD	2,41%-2,87%	15.07.2014-15.06.2017	57.129
Euro	2,26%-2,91%	15.07.2014-18.12.2018	28.952
			86.081

Currency	Interest Rate %	Maturity	**31 December 2012**
USD	2,75%-3,06%	15.07.2014-15.06.2017	63.643
Euro	2,59%-2,71%	15.07.2014-15.06.2017	20.421
			84.064

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

9. RELATED PARTIES (Continued)

For the years ended 31 December 2013 and 31 December 2012, finance income and expenses from related parties are as follows:

	31 December 2013	31 December 2012
Finance lease interest income from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.924	1.937
Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş.	434	70
Ortopro Tıbbi Aletler Sa.nve Tic.A.Ş.	218	162
Anadolu Cam Sanayii A.Ş.	97	83
Avea İletişim Hizmetleri A.Ş.	78	85
Türkiye İş Bankası A.Ş.	-	20
Antgıda Gıda Tarım Tur.Ener.ve Dem.Çelik San.ve.Tic.A.Ş.	21	8
Numnum Yiyecek ve İçecek A.Ş.	10	-
İş Yatırım Menkul Değerler A.Ş.	5	-
Nemtaş Nemrut Liman İşletmeleri A.Ş.	4	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	5
Other	1	3
Total	**2.792**	**2.373**
Interest income from related parties		
Türkiye İş Bankası A.Ş.	4.329	681
Total	**4.329**	**681**
Dividend income from related parties		
İş Yatırım Menkul Değerler A.Ş.	2.166	1.999
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	351	179
İş Net Elektr.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	56	90
Yatırım Finansman Menkul Değerler A.Ş.	-	4
Total	**2.573**	**2.272**
Finance expense		
Türkiye İş Bankası A.Ş.	34.097	25.339
Türkiye Sınai Kalkınma Bankası A.Ş.	2.508	2.812
İşbank AG	2.471	3.270
İş Yatırım Menkul Değerler A.Ş.	347	633
İş Portföy Yönetimi A.Ş.	-	63
Arap Türk Bankası A.Ş.	128	-
Total	**39.551**	**32.117**
Rent expense		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	2.262	714
Türkiye İş Bankası A.Ş	-	1.108
Total	**2.262**	**1.822**
Commission income		
Anadolu Anonim Türk Sigorta Şirketi	2.746	2.145
Total	**2.746**	**2.145**

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

9. RELATED PARTIES (Continued)

Factoring commission income	31 December 2013	31 December 2012
Şişe Cam Dış Tic.AŞ.	104	150
Kültür Yayınları İş-Türk Ltd.Şti.	7	15
Total	**111**	**165**

Factoring interest income from related parties		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.414	415
Ant Gıda Tarım Turizm Enerji ve Demir Çelik San.Tic.A.Ş.	491	602
Türk Kültür Yayınları İş-Türk Ltd. Şti.	39	177
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	-	40
Total	**1.943**	**1.234**

Mutual fund income		
Türkiye İş Bankası A.Ş	16	51
Total	**16**	**51**

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

As at 31 December 2013 and 31 December 2012, nominal values of derivative transactions with related parties are as follows:

	31 December 2013		31 December 2012	
	Purchase	Sale	Purchase	Sale
Forward Transactions	-	-	1.960	1.929
Swap Transactions	553.252	559.166	220.182	214.795
	553.252	**559.166**	**222.142**	**216.724**

As at 31 December 2013 and 31 December 2012, the amount of the Company's issued debt securities (with maturities of 26 February 2014, 10 June 2014 and 3 April 2015) in related parties' portfolio are as follows:

	31 December 2013	31 December 2012
Türkiye Sınai Kalkınma Bankası A.Ş.	27.982	13.698
Türkiye İş Bankası A.Ş.	7.040	7.037
İş Yatırım Menkul Değerler A.Ş.	5.976	2.218
Millî Reasürans T.A.Ş.	5.431	524
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	4.943	1.004
İş B Tipi Yatırım Ortaklığı A.Ş.	4.696	4.688
İş Portföy Yönetimi A.Ş.	4.575	4.567
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	181
	60.643	**33.917**

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

9. RELATED PARTIES (Continued)

For the years ended 31 December 2013 and 31 December 2012, the remuneration of the key management during year comprised the following:

Key management personnel compensation (*)

	31 December 2013	31 December 2012
Salaries and other short-term benefits (**)	4.228	3.156
	4.228	**3.156**

(*) 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.

10. TANGIBLE ASSETS

For the years ended 31 December 2013 and 31 December 2012, movements in tangible assets are as follows:

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

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

10. TANGIBLE ASSETS (Continued)

	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvements	Total
Cost					
Opening balance at 1 January 2012	179	3.166	1.867	2.107	7.319
Additions	-	109	-	435	544
Disposals	-	(387)	-	(1)	(388)
Closing balance at 31 December 2012	179	2.888	1.867	2.541	7.475
Accumulated depreciation					
Opening balance at 1 January 2012	(21)	(2.314)	(1.867)	(2.013)	(6.215)
Depreciation for the period	(36)	(233)	-	(34)	(303)
Disposals	-	386	-	1	387
Closing balance at 31 December 2012	(57)	(2.161)	(1.867)	(2.046)	(6.131)
Carrying amounts at 31 December 2012	122	727	-	495	1.344

As at 31 December 2013 and 31 December 2012, there is no restriction on the tangible assets of the Group.

11. INTANGIBLE ASSETS

For the years ended 31 December 2013 and 31 December 2012, movements in intangible assets are as follows:

	31 December 2013	**31 December 2012**
Cost		
Opening balance at 1 January	1.799	1.639
Transfer	200	160
Additions	-	-
Closing balance at the end of the period	1.999	1.799
Amortization		
Opening balance at 1 January	(1.095)	(847)
Transfer	(250)	(248)
Amortization for the period	-	-
Closing balance at the end of the period	(1.345)	(1.095)
Carrying amounts	654	704

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 169 on purchased equity of TRY 16.603. As at 31 December 2012, net amount of goodwill is TRY 166 (31 December 2012: TRY 166). Based on TFRS 3, for the annual periods beginning on or after 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

As at 31 December 2013 and 2012, the Group tested impairment by comparing the goodwill from the acquisition of İş Faktoring with the values in use of the cash generating units and concluded that no impairment exists.

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

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2013 and 31 December 2012, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	31 December 2013	**31 December 2012**
Temporary differences subject to deferred tax		
Investment incentive – with witholding tax	174.912	169.576
Investment incentive – without witholding tax	55.143	211.910
Valuation differences on financial instruments	122.695	(3)
Allowance for doubtful finance lease receivables	53.057	51.288
Unearned factoring income	7.332	4.770
Reserve for employee benefits	1.759	2.001
Employee bonus accrual	1.580	750
Provision for lawsuit	1.221	923
Unused vacation	655	477
Valuation of equity securities	251	-
Prepaid expenses	(56)	(132)
Tax base differences in tangible and intangible assets	(944)	(944)
Finance lease adjustment	(6.382)	(146)
Finance lease income accruals	(16.837)	(15.856)
Other	115	115
	394.501	**424.729**

	31 December 2013	**31 December 2012**
Deferred tax assets / (liabilities)		
Investment incentive – with witholding tax	350	339
Investment incentive – without witholding tax	11.028	42.382
Valuation differences on financial instruments	24.539	(1)
Allowance for doubtful finance lease receivables	10.611	10.258
Unearned factoring income	1.466	954
Reserve for employee benefits	352	400
Employee bonus accrual	316	150
Provision for lawsuit	244	185
Unused vacation	131	95
Valuation of equity securities	50	-
Prepaid expenses	(11)	(26)
Tax base differences in tangible and intangible assets	(189)	(189)
Finance lease adjustment	(1.276)	(29)
Finance lease income accruals	(3.367)	(3.171)
Other	24	23
Deferred tax asset	**44.268**	**51.370**

Tax rate used in computation of deferred tax assets and liabilities is 0.2% for "Investment incentives with witholding tax" and 20% for the other items (31 December 2012: 0.2% and 20%).

(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 230.055 (31 December 2012: TRY 381.486) of its unused investment allowances as offset against its future profits. The Group has TRY 11.378 (31 December 2012: TRY 42.721) 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.

There is no unused tax losses carried forward.

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

	31 December 2013	31 December 2012
Opening balance at 1 January	51.370	72.516
Deferred tax benefit	(7.020)	(21.146)
Classified in Other Comprehensive Income/Expense	(82)	-
Closing balance	**44.268**	**51.370**

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2013 and 31 December 2012, details of assets held for sale and discontinued operations are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Assets held for sale (*)	444	-	248	-
	444	**-**	**248**	**-**

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

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

15. OTHER RECEIVABLES AND OTHER ASSETS

As at 31 December 2013 and 31 December 2012, details of other receivables are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Insurance receivables	1.110	2.131	562	1.636
Others	685	13	635	84
	1.795	**2.144**	**1.197**	**1.720**

As at 31 December 2013 and 31 December 2012, prepaid expenses are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Prepaid expenses	6.996	-	3.881	-
	6.996	**-**	**3.881**	**-**

As at 31 December 2013 and 31 December 2012, details of other assets are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Receivables from sales of tangible assets (*)	-	-	-	740
Advanced given	31	-	1.501	-
Others	213	49	354	43
	244	**49**	**1.855**	**783**

(*) Receivables from sales of tangible assets consist of receivables from sales of fixed assets which are related to uncollected financial lease receivables.

16. FUNDS BORROWED

As at 31 December 2013 and 31 December 2012, details of funds borrowed are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Short-term borrowings	927.944	330.824	1.091.985	496.377
Short-term portion of long-term borrowings	29.040	109.154	26.072	109.272
Total short-term borrowings	956.984	439.978	1.118.057	605.649
Long-term borrowings	382.869	686.059	74.060	264.610
Total long-term borrowings	382.869	686.059	74.060	264.610
Total borrowings	**1.339.853**	**1.126.037**	**1.192.117**	**870.259**

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

16. FUNDS BORROWED (Continued)

As at 31 December 2013 and 31 December 2012, maturity analysis of borrowings is as follows:

Maturity analysis of borrowings	31 December 2013	31 December 2012
Within 1 year	1.455.405	1.723.706
Within 1-2 years	526.568	195.226
Within 2-3 years	363.558	86.030
Within 3-4 years	64.465	46.598
Within 4-5 years	43.844	9.324
5 years and over	12.050	1.492
TOTAL	**2.465.890**	**2.062.376**

As at 31 December 2013 and 31 December 2012, details of borrowings based on types of currency are as follows:

Currency (*)	Interest rate %	Original Currency Amount	31 December 2013
TRY	1%-11,02%	-	815.383
USD	1,5%-6,92%	82.112.182	175.252
Euro	1,99%-5,04%	82.853.185	243.299
GBP	4,5%	72.593	255
Interest accruals			24.579
TOTAL			**1.258.768**

Currency (*)	Interest rate %	Original Currency Amount	31 December 2012
TRY	6,00%-13,02%	-	1.071.595
USD	1,72%-6,92%	110.422.206	196.839
Euro	1,90-%7,12%	131.206.602	308.558
Interest accruals			11.370
TOTAL			**1.588.362**

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

As at 31 December 2013 and 31 December 2012, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

Currency	Interest rate %	Original Currency Amount	31 December 2013
TRY	7,11% – 13,24%	-	335.993
USD	1,51% – 4,26%	244.702.405	522.269
Euro	1,33% – 4,01%	118.801.403	348.860
TOTAL			**1.207.122**

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

16. FUNDS BORROWED (Continued)

Currency	Interest rate %	Original Currency Amount	31 December 2012
TRY	8,77%	-	16.408
USD	2,75%-6,92%	157.059.510	279.974
Euro	1,41%-5,04%	75.533.315	177.632
TOTAL			**474.014**

As at 31 December 2013 and 31 December 2012, compounded interest rates have been presented.

As at 31 December 2013 and 31 December 2012, details of borrowings based on types of interest rate are as follows:

	31 December 2013		**31 December 2012**	
	TRY	FC	TRY	FC
Fixed rate	555.305	504.541	214.098	522.731
Variable rate	784.548	621.496	978.019	347.528
	1.339.853	**1.126.037**	**1.192.117**	**870.259**

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

As at 31 December 2013, the Group has available TRY 3.987.927 of unused credit lines for which all precedent conditions were met (31 December 2012: TRY 3.157.970).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2013 and 31 December 2012, details of miscellaneous payables are as follows:

	31 December 2013		**31 December 2012**	
	TRY	FC	TRY	FC
Payables to suppliers for lease transactions	4.300	50.575	131	6.487
Other payables (*)	5.219	6.554	3.932	4.254
	9.519	**57.129**	**4.063**	**10.741**

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

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

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

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES (Continued)

As at 31 December 2013 and 31 December 2012, details of other liabilities are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Advances received (*)	6.458	13.708	2.242	5.808
Others	221	504	318	73
	6.679	**14.212**	**2.560**	**5.881**

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

18. FINANCE LEASE OBLIGATIONS

None.

19. DEBT SECURITIES ISSUED

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Bonds issued	200.000	-	150.000	-
Interest accruals	2.405	-	1.005	-
	202.405	**-**	**151.005**	**-**

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 11/T-868 dated 23 February 2012). Issuance of bond was held on 27-28 February 2012. The floating rate quarterly coupon bond have a maturity of 26 February 2014 and the eighth coupon annual compound interest rate of 2,55 % (1st coupon interest rate is 2,58%, 2nd coupon interest rate is 2,63%, 3rd coupon interest rate is 2,25%, 4 rd coupon interest rate is 1,89%, 5 th coupon interest rate is 1,77%, 6 th coupon interest rate is 1,65%, 7 th coupon interest rate is 2,74%).

The date of coupon payments are as follows:

Date of first coupon payment(*)	31 May 2012
Date of second coupon payment(*)	29 August 2012
Date of third coupon payment(*)	28 November 2012
Date of fourth coupon payment(*)	27 February 2013
Date of fifth coupon payment(*)	29 May 2013
Date of sixth coupon payment(*)	28 August 2013
Date of seventh coupon payment(*)	27 November 2013
Date of eighth coupon payment	26 February 2014

(*)The first coupon payment of bond was made on 31 May 2012, the second coupon on 29 August 2012, the third coupon on 28 November 2012, the fourth coupon on 27 February 2013, the fifth coupon on 29 May 2013, the sixth coupon on 28 August 2013, the seventh coupon on 27 November 2013.

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

19. DEBT SECURITIES ISSUED (Continued)

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 45/T-611 dated 05 June 2012). Issuance of bond was held on 12 June 2012. The floating rate quarterly coupon bond have a maturity of 10 June 2014 and the seventh coupon annual compound interest rate of 2,62 % (1^{st} coupon interest rate is 2,58, 2^{nd} coupon interest rate is 2,18, 3^{rd} coupon interest rate is 1,79, 4^{th} coupon interest rate is 1,78, 5^{th} coupon interest rate is 1,95, 6^{th} coupon interest rate is 2,64).

Date of first coupon payment (*)	11 September 2012
Date of second coupon payment (*)	11 December 2012
Date of third coupon payment(*)	12 March 2013
Date of fourth coupon payment(*)	11 June 2013
Date of fifth coupon payment(*)	10 September 2013
Date of sixth coupon payment(*)	10 December 2013
Date of seventh coupon payment	11 March 2014
Date of eighth coupon payment	10 June 2014

(**) The first coupon payment of bond was made on 11 September 2012, the second coupon on 11 December 2012, the third coupon on 12 March 2013, the fourth coupon on 11 June 2013, the fifth coupon on 10 September 2013, the sixth coupon on 10 December 2013

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

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

(**)The first coupon payment of bond was made on 5 July 2013, the second coupon payment of bond was made on 4 October.

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

20. TAXES AND DUTIES PAYABLE

As at 31 December 2013 and 31 December 2021, details of taxes and duties payable are as follows:

	31 December 2013		31 December 2012	
	TRY	FC	TRY	FC
Banking and Insurance Transaction Tax	415	-	372	-
Income Taxes	288	-	275	-
Social security premium	245	-	189	-
Value Added Tax	219	-	2.484	-
Other	21	-	20	-
	1.188		**3.340**	**-**

21. PROVISIONS

As at 31 December 2013 and 31 December 2012, other provisions are as follows:

	31 December 2013	31 December 2012
General provision for financial lease receivables	2.449	1.902
Provision for lawsuits	1.221	923
Provision for general administrative expenses	252	205
	3.922	**3.030**

Movements in provisions for the years ended 31 December 2013 and 31 December 2012 are as follows:

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

31 December 2012	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
At the beginning of the period	666	966	-
Additions	-	-	205
Transfers from specific provisions	1.902	-	-
Cancellations	(666)	(43)	-
Collections	-	-	-
At the end of the period	**1.902**	**923**	**205**

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

22. EMPLOYEE BENEFITS

As at 31 December 2013 and 31 December 2012, reserve for employee benefits are as follows:

	31 December 2013	31 December 2012
Reserve for employee severance indemnity	1.759	2.001
Unused vacation provision	655	477
Employee bonus accrual	1.580	750
	3.994	**3.228**

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

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

	31 December 2013	31 December 2012
Discount rate	3,29%	2,12%
Inflation	6,5%	5%
Probability of retirement	100%	100%

For the periods ended 31 December 2013 and 31 December 2012, movements in reserve for employee severance indemnity are as follows:

	31 December 2013	31 December 2012
Balance at the beginning of the period	2.001	1.198
Charge for the period	153	(1.340)
Cost of services	206	435
Amounts paid	(208)	(109)
Cancellations	17	
Actuarial difference	(410)	1.817
Balance at the end of the period	**1.759**	**2.001**

The movement of the provision for unused vacation for the years ended 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Balance at the beginning of the period	477	325
Provision set during the period	178	152
Balance at the end of the period	**655**	**477**

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

22. EMPLOYEE BENEFITS (Continued)

The movement of the provision for employee bonus accrual for the years ended 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Balance at the beginning of the period	750	1.219
Provision set during the period	1.580	750
Reversals	-	(397)
Payment made during the period	(750)	(822)
Balance at the end of the period	**1.580**	**750**

23. CURRENT PERIOD TAX PAYABLE

As at 31 December 2013 and 31 December 2012, details of corporate tax provision and prepaid taxes are as follows:

	31 December 2013	31 December 2012
Current period corporate tax provision (Note:37)	3.835	3.633
Corporation taxes paid in advance during the year	(2.525)	(2.422)
Corporate tax provision (net)	**1.310**	**1.211**

For the year ended 31 December 2013 and 31 December 2012, movements of corporate tax provision are as follows:

	31 December 2013	31 December 2012
Corporate tax provision at the beginning of the period	1.211	2.474
Total income tax expense (Note:37)	3.835	3.633
Corporation taxes paid during the year	(3.736)	(4.896)
Corporate tax provision (net)	**1.310**	**1.211**

24. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring. As at 31 December 2013, the non-controlling interests amounting to TRY 15.109 (31 December 2012: TRY 13.004) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TRY 2.600 (31 December 2012: TRY 996) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests for the years ended 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Balance at the beginning of the period	13.004	11.534
Fair value changes of marketable securities	(495)	474
Profit for the period	2.600	996
Balance at the end of the period	**15.109**	**13.004**

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

25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2013 nominal capital of the Company is TRY 424.365. The share capital company consist of 42.436.500.000 shares Kurus 1 price.

As at 31 December 2013 and 31 December 2012, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 December 2013	(%)	31 December 2012
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	121.199	28,56	111.098
Türkiye İş Bankası A.Ş.	27,79	117.948	27,79	108.119
Camiş Yatırım Holding A.Ş.	0,83	3.537	0,83	3.243
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	324	0,08	297
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,07	282	0,07	258
Publicly traded	42,67	181.075	42,67	165.985
TOTAL	**100,00**	**424.365**	**100,00**	**389.000**

The Company has increased its share capital by TRY 35.365 to TRY 424.365 in 2013. The increase comprises of bonus shares from previous year's profit amounting to TRY 35.365. Capital increase has been registered on 25 June 2013.

The Company's share capital is divided into Group A and Group B shares. Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

Shareholders	31 December 2013	31 December 2012
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.

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

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

CAPITAL RESERVES

As at 31 December 2013 and 31 December 2012, details of capital reserves are as follows:

	31 December 2013	31 December 2012
Marketable securities revaluation reserve	3.962	8.144
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.938	1.938
Total	**5.900**	**10.082**

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.

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

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

26. PROFIT RESERVES

As at 31 December 2013 and 31 December 2012, details of profit reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves	21.291	19.251
Extraordinary reserves (*)	78.280	93.656
TOTAL	**99.571**	**112.907**

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.

(*) 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 51.251 classified in extraordinary reserves which will not be distributed as at 31 December 2013(31 December 2012: TRY 72.606).

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

27. PRIOR YEARS' PROFIT/LOSS

The Group has TRY 18.776 previous year profit as at 31 December 2013 (31 December 2012: none).

28. COMMITMENTS AND CONTINGENCIES

As at 31 December 2013, TRY 3.823 of letters of guarantee are given to customs, authorities and banks (31 December 2012: TRY 2.815).

As at 31 December 2013, the total risk of litigations filed and currently pending against the Group amounting to approximately TRY 8.595 (31 December 2012: TRY 4.443). The Group has provided a provision amounting to TRY 1.221 for litigations (31 December 2012: TRY 923) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2013, the Group has letter of credit commitments of USD 4.920.958, Euro 23.414.568, (31 December 2012: USD 70.000, Euro 4.861.836, GBP 219.000).

As at 31 December 2013, the Group has lease commitments of USD 15.737.602, Euro 65.958.986, TRY 26.386 (31 December 2012: USD 4.203.198, Euro 9.239.227, TRY 5.311).

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

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

	31 December 2013	
	Amount as Original Currency	TRY
Currency Swap Purchases:		
TRY	-	843.920
		843.920
Currency Swap Sales:		
USD	157.182.425	335.474
Euro	189.759.339	557.228
		892.703

	31 December 2013	
	Amount as Original Currency	TRY
Forward Purchase Transactions:		
TRY	-	8.230
		8.230
Forward Sales Transactions:		
Euro	2.579.106	7.574
		7.574

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

28. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2012 details of derivatives are as follows:

	31 December 2012	
	Amount as Original Currency	TRY
Currency Swap Purchases:		
TRY	-	309.161
		309.161
Currency Swap Sales:		
USD	122.345.600	218.093
Euro	36.729.825	86.378
		304.471

	31 December 2012	
	Amount as Original Currency	TRY
Forward Purchase Transactions:		
TRY	-	1.960
		1.960
Forward Sales Transactions:		
USD	950.000	1.694
Euro	100.000	235
		1.929

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

The Group has TRY 122.695 of unrealized loss in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2013 (Note 4) (31 December 2012: TRY 7.092 profit, 7.089 loss).

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

	Short Term	Long Term	Total
Currency Swap Purchases	388.254	455.666	843.920
Currency Swap Sales	438.843	453.860	892.703
Forward Purchase Transactions	-	8.230	8.230
Forward Sales Transactions	-	7.574	7.574

As at 31 December 2012, analysis of derivatives according to their maturities is as follows:

	Short Term	Long Term	Total
Currency Swap Purchases	145.736	163.425	309.161
Currency Swap Sales	137.245	167.226	304.471
Forward Purchase Transactions	1.960	-	1.960
Forward Sales Transactions	1.929	-	1.929

(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

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

31 December 2012	**Leasing**	**Factoring**	**Consolidation Adjustments**	**Consolidated**
Total assets	1.795.669	1.041.259	(16.606)	2.820.322
Total liabilities	1.272.989	981.535	-	2.254.524
Net profit	37.226	4.575	(996)	40.805

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

29. SEGMENT REPORTING (Continued)

31 December 2013	**Leasing**	**Factoring**	**Consolidation Adjustments**	**Total**
Operating Income	125.745	58.489	-	184.234
Financial Expenses (-)	(80.187)	(35.260)	-	(115.448)
Gross Profit / Loss	45.557	23.229	-	68.786
Operating Expense (-)	(21.686)	(8.758)	-	(30.444)
Gross Operating Profit/Loss	23.872	14.471	-	38.342
Other Operating Income	187.297	4.200	(18.776)	172.722
Provision for Losses on Non-Performing Receivables (-)	(14.198)	(3.411)	-	(17.608)
Other operating Expenses (-)	(140.412)	-	-	(140.412)
Net Operating Profit / Loss	56.559	15.260	(18.776)	53.044
Profit or Loss from Continuing Operations	56.559	15.260	(18.776)	53.044
Provision for Taxes from Continuing Operations (±)	(7.539)	(3.316)	-	(10.855)
Net Profit or Loss from Continuing Operations	49.020	11.945	(18.776)	42.189
Non-controlling Interests	-	-	(2.600)	(2.600)
Net Profit or Loss for the Period	49.020	11.945	(21.376)	39.589
Fixed Asset Additions	883	212	-	1.095
Depreciation and Amortisation	(570)	(192)	-	(762)

31 December 2012	**Leasing**	**Factoring**	**Consolidation Adjustments**	**Total**
Operating Income	106.067	51.984	-	158.051
Financial Expenses (-)	(64.586)	(32.368)	-	(96.954)
Gross Profit / Loss	41.481	19.616	-	61.097
Operating Expense (-)	(18.031)	(6.332)	-	(24.363)
Gross Operating Profit/Loss	23.450	13.284	-	36.734
Other Operating Income	63.931	2.515	-	66.446
Provision for Losses on Non-Performing Receivables (-)	(13.456)	(8.602)	-	(22.058)
Other operating Expenses (-)	(26.597)	51	-	(26.546)
Net Operating Profit / Loss	47.328	7.248	-	54.576
Profit or Loss from Continuing Operations	47.328	7.248	-	54.576
Provision for Taxes from Continuing Operations (±)	(10.102)	(2.673)	-	(12.775)
Net Profit or Loss from Continuing Operations	37.226	4.575	-	41.801
Non-controlling Interests	-	-	(996)	(996)
Net Profit or Loss for the Period	37.226	4.575	(996)	40.805
Fixed Asset Additions	584	120	-	704
Depreciation and Amortisation	(389)	(162)	-	(551)

30. EVENTS AFTER REPORTING PERIOD

None.

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

31. OPERATING INCOME

For the periods ended 31 December 2013 and 31 December 2012, details of operating income are as follows:

	31 December 2013	31 December 2012
Finance lease interest income	125.745	106.067
Factoring income	58.489	51.984
	184.234	**158.051**

32. OPERATING EXPENSES

For the periods ended 31 December 2013 and 31 December 2012, operating expenses are as follows:

	31 December 2013	31 December 2012
Personnel expenses	(17.284)	(14.300)
Office rent expenses	(2.500)	(2.044)
Consultancy expenses	(1.668)	(548)
Board of Directors attendance fee	(1.239)	(970)
Information technology expenses	(1.186)	(798)
Travel and car expenses	(908)	(791)
Office contribution expenses	(901)	(821)
Depreciation and amortisation expense	(762)	(551)
Provision for employee severance indemnity	(541)	(912)
BRSA fee	(334)	(346)
Litigation expenses	(161)	(553)
Capital increase expense	(210)	(236)
Advertising expense	(118)	(230)
Other general administrative expenses	(2.632)	(1.609)
	(30.444)	**(24.363)**

33. OTHER OPERATING INCOME

For the periods ended 31 December 2013 and 31 December 2012, details of other operating income are as follows:

	31 December 2013	31 December 2012
Foreign exchange gains, net	132.501	-
Income from derivative financial transactions	18.730	46.113
Interest income	9.610	8.868
Dividend income	2.573	2.272
Commission income	2.746	2.145
Collections from non-performing receivables	525	1.870
Others	6.037	5.178
	172.722	**66.446**

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

34. FINANCE EXPENSES

For the periods ended 31 December 2013 and 31 December 2012, details of financial expenses are as follows:

	31 December 2013	**31 December 2012**
Interest expense on funds borrowed	(95.603)	(76.635)
Interest expense on debt securities issued	(15.625)	(17.605)
Fees and commissions expense	(4.220)	(2.714)
	(115.448)	**(96.954)**

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2013 and 31 December 2012, details of provision for non-performing receivables are as follows:

	31 December 2013	**31 December 2012**
Specific provision expenses	(17.061)	(20.156)
General provision expenses (*)	(547)	(1.902)
	(17.608)	**(22.058)**

(*) In addition to the specific provision for non-performing receivables, the Group management provided an additional provision for finance lease receivables having overdue less than legal terms but regarded as risky by the management.

36. OTHER OPERATING EXPENSES

For the periods ended 31 December 2013 and 31 December 2012, details of other operating expenses are as follows:

	31 December 2013	**31 December 2012**
Losses from derivative financial transactions	(137.402)	(14.233)
Foreign exchange losses	-	(7.122)
Tax penalties (*)	-	(2.997)
Impairment losses on assets held for sale	-	(145)
Other	(3.010)	(2.049)
	(140.412)	**(26.546)**

(*) Pursuant to no. 394 decision of the 3 February 2012 dated, 2448 numbered meeting of the Financial Crimes Investigation Board, it has been decided to impose administrative fine of 3.996 TL to the Company at open legal appeal facilities by the reason of infringing the conviction of Article No.3 of Act. No.5549 "Regarding the Prevention of Laundering of Crime Revenues". The fine was paid on 24 February 2012 as 2.997 TL by benefiting from the reduction in accordance with Article No.17 Misdemeanor Act No.5326 and with the save for the right to plead a counterclaim. The Company has filed an annulment action at 28th Criminal Court of peace on duty in İstanbul with the request of conducting a trial. The judgment of the trial has been decided by 24th Criminal Court of Peace against the Company. The exception against the decision by the Company has been revoked by the 38th Criminal Court of General Jurisdiction.

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

36. OTHER OPERATING EXPENSES (Continued)

(**) 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 TL 22.466 from measurement difference of such transactions in the Group's financial statements as at 31 December 2013. The difference is expected to be substantially, expired at the maturity of transactions.

37. TAXATION

For the periods ended 31 December 2013 and 31 December 2012, details of income tax expense are as follows:

Provision for taxes	31 December 2013	31 December 2012
Current tax charge (Note:20)	(3.835)	(3.633)
Past fiscal year corporate tax adjustment (*)	-	12.004
Deferred tax benefit	(7.020)	(21.146)
	(10.855)	**(12.775)**

(*) During year 2011 Company has paid temporary corporate tax liability by considering the clause that the amount to be deducted as investment incentive can not exceed 25% of the income of the related year as required by effective regulation. The clause "The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No:193 with the 5th article of Law No:6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decisions no: E.2010/93 and K.2012/20. Subsequent to the decision of Constitutional Court, Revenue Administration made necessary arrangements for tax payers to benefit from investment incentive for Corporate Tax Declaration of the year 2011 regardless of the 25% limit. In accordance with this arrangement, investment incentive balance has become opportunity for the Company thus temporary corporate tax paid during the year 2011 which amounted to TRY 12.004 and declared on Corporate Tax Declaration of the year 2011 has become receivable from the Tax Office. Corporate tax amounting to TRY 12.004, has been refunded and classified as tax income under the statement of profit or loss.

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

37. TAXATION (Continued)

The reported income tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

	%	**1 January- 31 December 2013**	**%**	**1 January- 31 December 2012**
Net profit for the period		42.189		41.801
Total tax income		10.855		12.775
Profit before tax		53.044		54.576
Income tax using the Company's tax rate	20,00	10.609	20,00	10.915
Non deductible expenses	7,20	3.820	5,22	2.850
Tax exempt income	(0,97)	(515)	(0,79)	(432)
Investment incentives	(1,39)	(736)	22,43	12.242
Corporate tax refund	-	-	(22,00)	(12.004)
Other	(4,38)	(2.323)	(1,46)	(796)
Total income tax expense / (income)	**20,46**	**10.855**	**23,40**	**12.775**

Corporate Tax

As at 31 December 2013, corporate income tax rate is 20% (31 December 2012: 20%).

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.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2013 is 20% (31 December 2012: 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.

37. TAXATION (Continued)

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.

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%.

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

37. TAXATION (Continued)

The statement "the amount of investment allowance to be utilized may not exceed %25 of earnings for the year" was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

Transfer Pricing

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

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

38. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2013 and 31 December 2012 are as follows:

	1 January- 31 December 2013	**1 January- 31 December 2012**
Weighted average number of outstanding shares (*)	42.436.500.000	38.900.000.000
Net profit for the period (TRY)	39.589	40.805
Basic earnings per share (full Kurus) (**)	0,09	0,10

(*) As at 31 December 2013, the share capital of the Company consists of 42.436.500.000 shares having Kurus 1 nominal price.

	31 December 2013	**31 December 2012**
Number of shares at beginning of the period	38.900.000.000	33.900.000.000
Capital increase (**)	3.536.500.000	5.000.000.000
Number of shares at end of the period	**42.436.500.000**	**38.900.000.000**

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

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

39. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2013, the debt/equity ratio is 23% as at 31 December 2013 (31 December 2012: 29%). As at 31 December 2013 and 31 December 2012, the leverage ratios are as follows:

	31 December 2013	**31 December 2012**
Funds borrowed	2.465.890	2.062.376
Debt securities issued	202.405	151.005
Miscellaneous payables	66.649	14.804
Other liabilities	20.891	8.441
Total liabilities	2.755.835	2.236.626
Banks (-)	(232.793)	(317.154)
Net liabilities	2.523.042	1.919.472
Total shareholders' equity	588.529	552.794
Shareholders' equity / liabilities	23%	29%

According to the credit rating reports of Fitch issued at 31 October 2013, 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	AAA (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".

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	31 December 2013	31 December 2012
Financial Assets:		
Banks	232.793	317.154
Financial assets at fair value through profit or loss:		
-Financial assets held for trading		1.631
-Derivative financial assets held for trading		7.092
Finance lease receivables and non-performing receivables, net	2.232.011	1.390.638
Factoring receivables and non-performing factoring receivables, net	946.110	1.014.944
Insurance receivables (*)	3.241	2.198
Other receivables (*)	695	740
Financial assets available for sale	23.213	25.595
Financial Liabilities:		
Derivative financial liabilities held for trading	(122.695)	(7.089)
Miscellaneous payables and other liabilities	(87.539)	(23.245)
Funds borrowed	(2.465.890)	(2.062.376)
Debt securities issued	(202.405)	(151.005)

(*) 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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group's income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- "Forward foreign exchange contracts" to hedge the exchange rate risk arising from operations.
- "Currency swaps" to control the exchange rate risk of foreign currency denominated liabilities.

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

There has been no change in the Group's exposure to market risks or the method it uses to manage and measure such risks.

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

As at 31 December 2013 and 31 December 2012, details of foreign currency denominated assets and liabilities are as follows:

31 December 2013 (*)	USD 000	Euro 000	CHF 000	GBP 000	JPY 000	TRY Equivalent
Banks	27.585	55.380	-	14	26	221.548
Finance lease receivables	395.136	243.747	-	-	-	1.559.101
Factoring receivables	55.306	61.571	-	87	-	299.179
Advances given for lease transactions	9.216	8.309	-	-	-	44.069
Leasing contracts in progress	5.575	46.556	-	-	-	148.609
Other receivables	276	530	-	-	-	2.144
	20	2	-	-	-	49
Total assets (**)	493.114	416.095	-	101	26	2.274.700
Funds borrowed	(328.485)	(202.626)	-	(73)	-	(1.296.353)
Miscellaneous payables and other liabilities	(4.303)	(21.134)	(9)	(8)	(887)	(71.341)
Other provisions	(1.148)	-	-	-	-	(2.449)
Total liabilities (**)	(333.936)	(223.760)	(9)	(81)	(887)	(1.370.143)
Balance sheet position	159.178	192.335	(9)	20	(861)	904.557
Off balance sheet position	(157.182)	(192.338)	-	-	-	(900.276)
Net foreign currency position	**1.996**	**(3)**	**(9)**	**20**	**(861)**	**4.281**

(*) As at 31 December 2013 , foreign currency indexed borrowings amounting to USD 32.701.595 and Euro 34.231.437 (Total: TRY 170.316) and foreign currency indexed factoring receivables amounting to USD 34.924.776 and Euro 24.717.020 (Total: TRY 147.121) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2013, accruals of derivative liabilities amounting to TRY 122.695 are not included.

(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 2012 (*)	USD 000	Euro 000	CHF 000	GBP 000	JPY 000	TRY Equivalent
Banks	51.068	11.812	-	20	26	118.870
Finance lease receivables	303.041	222.071	-	-	-	1.062.445
Factoring receivables	41.215	9.072	-	-	-	94.804
Advances given for lease transactions	818	2.598	-	-	-	7.568
Leasing contracts in progress	2.021	2.134	-	-	-	8.622
Other assets	303	835	-	-	-	2.503
Total assets (**)	398.466	248.522	-	20	26	1.294.812
Funds borrowed	(269.528)	(208.495)	-	-	-	(970.779)
Miscellaneous payables and other liabilities	(1.929)	(5.574)	(9)	(21)	61	(16.622)
Other provisions	(1.187)	-	-	-	-	(2.116)
Total liabilities (**)	(272.644)	(214.069)	(9)	(21)	61	(989.517)
Balance sheet position	125.822	34.453	(9)	(1)	87	305.295
Off balance sheet position	(123.296)	(36.830)	-	-	-	(306.400)
Net foreign currency position	**2.526**	**(2.377)**	**(9)**	**(1)**	**87**	**(1.105)**

(*) As at 31 December 2012 , foreign currency indexed borrowings amounting to USD 44.660.385 and Euro 8.890.970 (Total: TRY 100.520) and foreign currency indexed factoring receivables amounting to USD 35.561.532 and Euro 1.478.184 (Total: TRY 66.868) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2012, accruals of derivative assets and liabilities amounting to TRY 7.092 and TRY 7.089, respectively, are not included.

Foreign currency sensitivity

The Group is mainly exposed to USD and Euro 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.

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

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		**Equity(*)**	
31 December 2013	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TRY				
1- Net USD asset/liability	50.960	(50.960)	50.960	(50.960)
2- Hedged portion of TRY against USD risk (-)	(50.321)	50.321	(50.321)	50.321
3- Net effect of USD (1+ 2)	639	(639)	639	(639)
15% change of the Euro against TRY				
4- Net Euro asset/liability	84.719	(84.719)	84.719	(84.719)
5- Hedged portion of TRY against Euro risk (-)	(84.720)	84.720	(84.720)	84.720
6- Net effect of Euro (4+5)	(1)	1	(1)	1
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	1	(1)	1	(1)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	1	(1)	1	(1)
TOTAL (3+6+9)	**639**	**(639)**	**639**	**(639)**

(*) Includes profit/loss effect.

	Profit / (Loss)		**Equity(*)**	
31 December 2012	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TRY				
1- Net USD asset/liability	33.643	(33.643)	33.643	(33.643)
2- Hedged portion of TRY against USD risk (-)	(32.968)	32.968	(32.968)	32.968
3- Net effect of USD (1+ 2)	675	(675)	675	(675)
15% change of the Euro against TRY				
4- Net Euro asset/liability	12.153	(12.153)	12.153	(12.153)
5- Hedged portion of TRY against Euro risk (-)	(12.992)	12.992	(12.992)	12.992
6- Net effect of Euro (4+5)	(839)	839	(839)	839
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	(4)	4	(4)	4
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	(4)	4	(4)	4
TOTAL (3+6+9)	**(168)**	**168**	**(168)**	**168**

(*) Includes profit/loss effect.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

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

(g) Interest rate risk management

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

Interest rate sensitivity

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

As at 31 December 2013 and 31 December 2012, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2013	**31 December 2012**
Fixed rate instruments		
Financial assets:		
Banks	219.054	311.104
Finance lease receivables (*)	1.833.282	1.202.494
Factoring receivables	817.008	628.306
Financial liabilities:		
Funds borrowed	1.059.846	736.829
Debt securities issued	-	-
Variable rate instruments		
Financial assets:		
Finance lease receivables (*)	195.564	169.411
Factoring receivables	129.102	386.638
Financial liabilities:		
Borrowings	1.406.044	1.325.547
Debt securities issued	202.405	151.005

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

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 1.827 (31 December 2012: TRY 1.671), interest income from finance leases with fixed interest rates would be higher at an amount TRY 17.360 (31 December 2012: TRY 11.213).

- Interest income from factoring transactions variable interest rates would be higher at an amount of TRY 1.273 (31 December 2012: TRY 3.813), interest income from factoring transactions fixed interest rates would be higher at an amount TRY 8.058 (31 December 2012: TRY 6.197).

- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TRY 16.465 (31 December 2012: TRY 14.486), interest expense on funds borrowed with fixed interest rates would be higher at an amount TRY 9.198 (31 December 2012: TRY 7.238).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher / lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 321 (31 December 2012: TRY 1.287).

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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.

Sectoral allocation of finance lease receivables is as follows:

	31 December 2013 (%)	31 December 2012 (%)
Construction	20,75	14,47
Transportation	16,17	15,39
Metal industry	14,17	15,62
Tourism	6,96	7,70
Textile	5,82	6,69
Healthcare	5,75	7,31
Forestry products and paper	4,44	5,97
Food and beverage	3,81	3,86
Finance	3,30	3,11
Mining	3,21	2,75
Agriculture and forestry	3,03	3,20
Chemical and plastic	2,67	3,26
Retail and wholesale	2,05	1,70
Machinery and equipment	1,70	2,53
Other	6,17	6,44
	100,00	**100,00**

Leased asset allocation of finance lease receivables is as follows:

	31 December 2013 (%)	31 December 2012 (%)
Real estate	28,98	22,90
Machinery and equipment	22,03	25,71
Building and construction machinery	17,91	15,93
Air transportation equipments	6,28	4,66
Sea transport vessels	4,50	5,52
Textile machinery	4,39	5,19
Medical equipment	3,57	5,00
Electronic and optical equipment	3,47	3,28
Tourism equipment	2,08	2,81
Printing machinery	2,08	3,31
Road transportation equipments	1,52	1,88
Office equipments	1,18	1,80
Other	2,01	2,01
	100,00	**100,00**

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2013, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables								
	Finance Lease Receivables		Factoring Receivables						
31 December 2013	Related party	Third party	Related party	Third party	Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale	Insurance receivables	Other Receivables
Exposure to maximum credit risk as at reporting date (*)	38.112	2.193.899	18.559	927.551	232.793	-	23.213	3.241	214
- The portion of maximum risk covered by guarantee	-	121.851	-	8.632	-	-		-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	38.112	1.944.302	18.559	926.559	232.793	-	23.213	3.241	214
- The portion covered by guarantee	-	84.655	-	8.632	-	-		-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	992	-	-		-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	192.665	-	-	-	-		-	-
- The portion covered by guarantee	-	27.094			-	-		-	-
D. Net carrying value of impaired assets	-	56.932	-	-	-	-		-	-
- Overdue (gross book value)	-	103.241	-	13.969	-	-		-	-
- Impairment (-)	-	(50.000)	-	(13.969)	-	-		-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	10.102	-	-	-	-		-	-
- Not past due (gross book value)	-	6.344	-	-	-	-		-	-
- Impairment (-)	-	(2.653)	-	-	-	-		-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-		-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-		-	-

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

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

(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 2012, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables							
	Finance Lease Receivables		Factoring Receivables					
31 December 2012	Related party	Third party	Related party	Third party	Deposits	Fair value through profit/loss financial assets	Insurance receivables	Other Receivables
Exposure to maximum credit risk as at reporting date (*)	38.707	1.351.931	24.090	990.854	317.154	8.723	2.198	740
- The portion of maximum risk covered by guarantee	-	107.915	-	854	-	-	-	-
	38.707	1.123.506	24.090	990.767	317.154	8.723	2.198	740
A. Net carrying value of financial assets which are neither impaired nor overdue	-	72.028	-	854	-	-	-	-
- The portion covered by guarantee	-	-	-	87	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	184.704	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	26.924	-	-	-	-	-	-
- The portion covered by guarantee								
	-	43.721	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	81.557	-	10.902	-	-	-	-
- Overdue (gross book value)	-	(56.502)	-	(10.902)	-	-	-	-
- Impairment (-)	-	8.963	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	20.130	-	-	-	-	-	-
- Not past due (gross book value)	-	(1.464)	-	-	-	-	-	-
- Impairment (-)	-	(18.166)	-	-	-	-	-	-
- 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.

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2013 and 31 December 2012, details of finance lease receivables rating in terms of internal rating information:

		31 December 2013 (%)	31 December 2012 (%)
Internal rating results:			
A+	(Perfect)	0,10	0,21
A	(Very good)	4,80	6,77
A-	(Good)	9,10	5,81
B+	(Satisfactory)	19,40	16,98
B	(Close Monitoring)	29,90	25,24
B-	(Insufficient)	14,20	24,76
C+	(Doubtful)	16,80	11,34
C	(Loss)	3,10	3,71
Not rated		2,60	5,18
Total		100,00	100,00

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 13,74% as at 31 December 2013 (31 December 2012: 14,68%).

As at 31 December 2013 and 31 December 2012, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	31 December 2013 (%)	31 December 2012 (%)
High	33,99	31,20
Medium	56,61	57,54
Low	9,40	11,26
Total	100,00	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.

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

	31 December 2013		31 December 2012	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Other mortgages	583.577	104.220	524.407	100.761
Letters of guarantee	31.984	12.577	26.437	4.311
Upper right mortgages	10.000	1.926	-	-
Cash blockages	14.038	9.283	2.244	1.175
Ship mortgage	5.336	-	4.457	-
Equities	2.450	2.450	2.450	2.450
Guarantors	1.275	27	1.069	72
	648.660	130.483	561.064	108.769

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group's assets and liabilities have also been included in the table below.

31 December 2013

Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	232.793	232.847	232.847	-	-	-
Financial Assets Held For Trading	-	-	-	-	-	-
Finance Lease Receivables (*)	2.028.845	2.306.009	261.523	577.350	1.386.379	80.757
Factoring Receivables	946.110	960.230	655.179	304.624	427	
Insurance Receivables	3.241	3.241	3.241	-	-	-
Other Receivables	695	695	695	-	-	-
Total Assets	3.211.684	3.503.022	1.153.485	881.974	1.386.806	80.757
Non-derivative Financial Liabilities:						
Funds Borrowed	2.465.890	2.618.961	901.560	594.386	1.123.015	-
Debt Securities Issued	202.405	213.395	103.750	56.835	52.810	-
Miscellaneous Payables and Other Liabilities	87.539	87.539	83.653	969	2.917	-
Total Liabilities	2.755.835	2.919.896	1.088.964	652.190	1.178.742	-

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

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

40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (Continued)

31 December 2012

Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Assets:						
Banks	317.154	318.223	318.223	-	-	-
Financial Assets Held For Trading	1.631	1.631	15	1.616	-	-
Finance Lease Receivables (*)	1.371.905	1.581.022	173.381	365.649	943.485	98.507
Factoring Receivables	1.014.944	1.020.284	858.075	161.676	533	-
Insurance Receivables	2.198	2.198	2.198	-	-	-
Other Receivables	740	740	605	135	-	-
Total Assets	2.708.572	2.924.098	1.352.497	529.076	944.018	98.507
Non-derivative Financial Liabilities:						
Funds Borrowed	2.062.376	2.113.713	1.190.745	565.734	355.695	1.539
Debt Securities Issued	151.005	166.620	3.170	9.544	153.906	-
Miscellaneous Payables and Other Liabilities	23.245	23.245	20.430	258	2.557	-
Total Liabilities	2.236.626	2.303.578	1.214.345	575.536	512.158	1.539

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

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2013 and 31 December 2012.

31 December 2013 Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Cash inflows from derivatives	(48.128)	852.150	56.534	331.719	463.895	-
Cash outflows from derivatives	-	(900.276)	(59.518)	(379.326)	(461.433)	-

31 December 2012 Contractual Maturities	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Cash inflows from derivatives	4.721	311.121	80.173	67.523	161.933	1.492
Cash outflows from derivatives	-	(306.400)	(75.167)	(64.008)	(165.740)	(1.485)

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

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

Fair value of the financial instruments is determined based on the reliable data provided from financial markets. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

31 December 2013	Financial assets Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
Financial Assets								
Banks	-	232.793	-	-	-	232.793	232.793	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	
- Financial assets held for trading	-	-	-	-	-	-	-	4
- Derivative financial assets held for trading	-	-	-	-	-	-	-	4
Finance lease receivables and non-performing lease receivables	-	-	2.232.011	-	-	2.232.011	2.214.885	8
Factoring receivables and non-performing factoring receivables	-	-	946.110	-	-	946.110	946.110	7
Insurance receivables	-	-	3.241			3.241	3.241	15
Other Receivables		-	695			695	695	15
Available for sale financial assets				23.213	-	23.213	23.213	6
	-			-	-			
Financial liabilities	-	-		-	-			
Derivative financial assets held for trading	122.695	-		-	-	122.695	122.695	4
Miscellaneous payables and other liabilities	-	-		-	87.539	87.539	87.539	17
Funds borrowed	-	-		-	2.465.890	2.465.890	2.453.259	16
Debt securities issued	-	-		-	202.405	202.405	202.405	19

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

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2012	Financial assets Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
Financial Assets								
Banks	-	317.154	-	-	-	317.154	317.154	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	1.631	-	-	-	-	1.631	1.631	4
- Derivative financial assets held for trading	7.092	-	-	-	-	7.092	7.092	4
Finance lease receivables and non-performing lease receivables	-	-	1.390.638	-	-	1.390.638	1.449.984	8
Factoring receivables and non-performing factoring receivables	-	-	1.014.944	-	-	1.014.944	1.014.944	7
Insurance receivables	-	-	2.198	-	-	2.198	2.198	15
Other Receivables	-	-	740	-	-	740	740	15
Available for sale financial assets	-	-	-	25.595	-	25.595	25.595	6
Financial liabilities								
Derivative financial assets held for trading	7.089	-	-	-	-	7.089	7.089	4
Miscellaneous payables and other liabilities	-	-	-	-	23.245	23.245	23.245	17
Funds borrowed	-	-	-	-	2.062.376	2.062.376	2.067.408	16
Debt securities issued	-	-	-	-	151.005	151.005	151.005	19

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

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(l) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	-	-	-
Available-for-sale financial assets (*)	20.869	-	302	21.171
Total financial assets carried at fair value	**20.869**	**-**	**302**	**21.171**
Derivative financial liabilities held for trading	-	122.695	-	122.695
Total financial liabilities carried at fair value	**-**	**122.695**	**-**	**122.695**

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

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss	1.616	15	-	1.631
Derivative financial assets held for trading	-	7.092	-	7.092
Available-for-sale financial assets (*)	24.276	-	277	24.553
Total financial assets carried at fair value	**25.892**	**7.107**	**277**	**33.276**
Derivative financial liabilities held for trading	-	7.089	-	7.089
Total financial liabilities carried at fair value	**-**	**7.089**	**-**	**7.089**

(*) As at 31 December 2012, securities that are not publicly traded amounting to TRY 1.042 have been measured at cost.