

ANNUAL REPORT

2013

İşLeasing®



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

YILLIK FAALİYET RAPORUNA DAİR UYGUNLUK RAPORU

**İş Finansal Kiralama Anonim Şirketi
Yönetim Kurulu'na:**

1. Bağımsız denetim çalışmamızın bir parçası olarak, İş Finansal Kiralama Anonim Şirketi'nin ("Şirket") 31 Aralık 2013 tarihi itibarıyla hazırlanan yıllık faaliyet raporu içinde yer alan finansal bilgilerin ve Yönetim Kurulu'nun değerlendirmelerinin ve açıklamalarının, bağımsız denetimden geçmiş aynı tarihli finansal tablolar ile uyumlu olup olmadığını değerlendirmiş bulunuyoruz.
 2. Rapor konusu yıllık faaliyet raporunun Şirketlerin Yıllık Faaliyet Raporunun Asgari İçeriğinin Belirlenmesine İlişkin Yönetmeliğe uygun olarak hazırlanması Şirket yönetiminin sorumluluğundadır.
 3. Bağımsız denetim kuruluşu olarak üzerimize düşen sorumluluk, yıllık faaliyet raporunda yer alan finansal bilgilerin, bağımsız denetimden geçmiş ve 3 Mart 2014 tarihli bağımsız denetçi raporuna konu olan finansal tablolar ile uyumluluğuna ilişkin olarak görüş bildirmektir.
 4. Değerlendirmemiz, 6102 sayılı Türk Ticaret Kanunu ("TTK") uyarınca yürürlüğe konulan yıllık faaliyet raporu hazırlanmasına ve yayımlanmasına ilişkin usul ve esaslara uygun olarak gerçekleştirilmiştir. Bu düzenlemeler, denetimin yıllık faaliyet raporunda yer alan finansal bilgilerin bağımsız denetimden geçmiş finansal tablolar ve bağımsız denetçinin denetim sırasında elde ettiği bilgiler ile uyumuna ilişkin önemli bir hatanın olup olmadığı konusunda makul güvence sağlamak üzere planlanmasını ve yürütülmesini öngörmektedir.
- Değerlendirmelerimizin, uygunluk görüşümüzün oluşturulmasına makul ve yeterli bir dayanak oluşturduğuna inanıyoruz.
5. Değerlendirmemiz sonucunda, ilişikteki yıllık faaliyet raporunda yer alan finansal bilgilerin, ve Yönetim Kurulu'nun değerlendirmelerinin ve açıklamalarının, tüm önemli taraflarıyla, İş Finansal Kiralama Anonim Şirketi'nin, bağımsız denetimden geçmiş finansal tablolarında verilen bilgiler ile uyumlu olmadığına dair önemli herhangi bir hususa rastlanmamıştır.

İstanbul,
3 Mart 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova, SMMM
Sorumlu Ortak, Başdenetçi

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Company Profile



Having a distinct perspective creates the difference

■ SHORTLY, İŞ LEASING

With its continuously expanding service network, strong portfolio and stabilized growth, İş Leasing is among the most reliable and respectful companies of its sector.

With its customer portfolio and top quality service approach throughout Turkey, İş Leasing has shown a stabilized growth since its foundation and has become one of the most powerful and reliable companies of its sector.

Laying the foundation of its strong corporate structure in 1988, İş Leasing has been founded as a partnership of International Finance Corporation

(IFC), Societe Generale and İş Bank. After acquiring all shares of its foreign partners in 1995, Türkiye İş Bank has speeded up and expanded the operations of the Company. Thanks to branches of İş Bank spreading all over Turkey, İş Leasing has in a short time become one of the leading companies of the developing sector. After its initial public offering in March 2000, the shareholding structure of İş Leasing has been shaped as today.

With its strong shareholding structure covering leader corporations, İş Leasing is a base for reliable and trustworthy investments.

Shareholder	Shares(%)
Publicly Traded Shares	42.67
Türkiye Sınai Kalkınma Bankası A.Ş.	28.56
Türkiye İş Bankası A.Ş.	27.79
Camiş Yatırım Holding A.Ş.	0.83
T. Şişe ve Cam Fab. A.Ş.	0.08
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0.07

■ 2013 AND PROMINENT DEVELOPMENTS

İş Leasing, with a total transaction volume of 490 million USD in 2013, increased its market share to 7% by a total growth of 66% as regards the past year.

In 2013 characterized by a growth trend, though limited, in global economy, while USA recorded a growth under its potential, Euro Zone showed the signs of recovery following a recession of a long time. Just like 2012, the global economy has grown by a performance under expectations also in 2013.

The uptrend in USA long-term interest rates starting from May with the expectation of a gradual reduction in asset purchases by FED has resulted in a shrinkage of liquidity and a rise in funding costs for all developing market economies. These events have had its reflections on domestic markets in the form of an increase in volatility and a rise in exchange and interest rates particularly in the third quarter of the year and et seq.

Though the outlook of developing economies is still strong, in 2014, the propulsive force in growth is expected to come from the developed country economies. This change of growth composition with the effects of the decelerating growth and changing financial conditions encountered by the developing countries increases the tension on global economy. Although the 2014 growth forecasts for developing economies are still strong, the fact that liquidity has shifted in favor of the developed countries comes to the forefront as a significant threat.

Though it is positive to note that Euro Zone has come out of a very long recession by recording a

positive growth in the first half of 2013, it is also required to note that this positive development was primarily a result of relatively high growth rates of Germany and France, and is not spread over the Zone as a whole. Economic activity has maintained in recovery tendency, and internal demand conditions have continued to regenerate.

While the decisions of FED to reduce the monetary expansion and the expectations as to timing of reduction were one of the most important factors effecting our national markets in the last period of 2013, the interest rates for all maturities have quickly scaled upward, and Turkish Lira has also suffered a material loss in value, together with currencies of other developing countries.

However, differently from most of the other developing economies, the financial needs of the current account deficit in the Turkish economy pave the way for hard and sharp movements in changes of conjuncture. This has further become evident as a result of political turmoil which started on 17th of December, 2013.

Though the 2013 second quarter growth data of Turkey reveals that the economy has entered into a recovery process, the 2013 year-end growth rate has been revised and lowered to 3.6% by taking the data of second half into consideration. 2014 target has also been lowered by 1 point to 4%.

A review of the leasing sector reveals that the transaction volume of the sector has increased from 5.4 billion USD in 2012 to 7 billion USD in 2013. With a transaction volume of 490 million USD recorded in 2013, İř Leasing has grown by 66% as regards the past year. Also with the effects of products brought by the new Law which entered into force as of the end of 2012, the transaction volume of the sector has recorded a serious increase in 2013. A review of the distribution of transaction volume by groups of commodities reveals that increase is noted in many groups of commodities, and a significant portion of the volume is generated by real properties and equipments being the subject matter of sell and re-lease, and construction

machinery and equipments continued to get a significant share with 26.2%.

Penetration rate indicating the share of the leasing sector in investments has increased from 5.86% in 2012 to 6.54% in September 2013. With its penetration rate increasing as a result of law changes put into effect and tax incentives provided, the sector is foreseen to continue increasing its share in investments also in the coming period, and we believe that depending upon achievement of economic growth targets, the 2014 transaction volume of the sector will probably increase by 20% over 2013.

MAIN INDICATORS

('000 TL)	2013	2012	Change (%)
Total Assets	3.492.581	2.820.322	23,8
Leasing Receivables, Net	2.232.011	1.390.638	60,5
Shareholders' Equity	603.638	565.798	6,7
Net Profit/Loss	39.589	40.805	-2,9
Return on Assets (ROA) (%)	1,3	1,6	
Return on Equity (ROE) (%)	6,8	7,5	
Debt to Equity	4,8	3,9	
Cost/Revenue (%)	38	39	

+%23,80

2012	2.820.322
2013	3.492.581

Total Assets (Million TL)

+%60,50

2012	1.390.638
2013	2.232.011

Leasing Receivables (Million TL)

+%6,70

2012	565.798
2013	603.638

Shareholders' Equity (Million TL)

Share Performance

Due to the effects of the increase in interest rates, and the volatility continuing in markets, and the increasing political tension, and such regional factors of Syria in the recent times, the 2013 growth rate of the Turkish economy has been revised as 3.6%. It is foreseen that external financing potentialities, and investor and consumer confidences, and politics will play a determinant role on growth, and that structural reforms should be focused for the sake of catching a distinct momentum.

In spite of fluctuations in economic conjuncture, İş Leasing continues to be the strong business partner of investors by giving support to investments of

every scale. İş Leasing offered to public in 2000, with 42.7% of its capital being currently traded in Borsa Istanbul, constitutes the indicator share certificate of the sector. While Borsa Istanbul and its indices closed the year 2013 with a net fall, İş Leasing (ISFIN) stocks have maintained their existing level through a positive dissociation therefrom.

Aware of its responsibility and meticulously loyal to its corporate governance values and principles, İş Leasing continues to increase and strengthen its success graph by focusing on asset quality and profitability and without sacrificing integrity and transparency.

Corporate Governance

As a part of the rating conducted for the sake of development and transparency of corporate governance practices, İş Leasing has been rated as 9.11 over 10 by SAHA Rating in 2013. Furthermore,

according to the World Corporate Governance Index (WCGI), İş Leasing is among the 1st group of companies.

Credit Rating

As a requirement of importance given to corporate governance principles and transparency, our Company's rating is renewed every year. Fitch Ratings has independently confirmed its trust in our

Company with AAA rating being the highest national long-term rating that can be given to a Company based in Turkey.

Foreign Currency			Turkish Lira			National		
Long Term	Short Term	Outlook	Long Term	Short Term	Outlook	Long Term	Outlook	Support
BBB	F3	Stable	BBB	F3	Stable	AAA (tur)	Stable	2

Management and Assessment



Having a distinct perspective creates the difference

STRATEGIC PRINCIPLES

The source of confidence and support underlying investments is an innovative, high quality and customer-oriented service approach.

To offer the best service experience to customers

- High service quality targeting the customer satisfaction
- Business processes focused on efficiency
- High competence, experience and implementation skills
- Customer-oriented relationship management aimed at understanding and meeting the needs
- Widespread distribution channels

To focus on technological innovation for information, communication and services

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

Investment in competent human resources

- Education and training aimed at increases in experience, competence and efficiency
- Performance-based objective assessment

High asset quality and sustainable profitability

- Sustainable growth focused on main fields of activity
- High asset quality
- Developed assessment and measurement infrastructure

Effective resource management

- Access to appropriate resources thanks to high credibility
- Extensive resource and product variety
- Maturity and risk management consistent with assets

MESSAGE FROM THE CHAIRMAN

With its innovative financial solutions and customer-oriented service approach, İş Leasing further reinforced its market position by recording a great increase in its transaction volume in 2013.



Dear Shareholders,

We have left behind the year 2013 dominated by a lot of uncertainties for both developing and developed markets and full of many conjuncture mobility and fluctuations.

A look at the first half of the year indicates a modest recovery in the global economy. In this period, while USA has grown under its potential, a limited growth has been observed in Euro Zone following a recession of a long time. In the developing countries, growth has

slowed down, and financial fragilities have increased in line with the fluctuation in capital movements.

The long-lasting recession in Euro Zone and the weak internal demand observed in the basic developing countries have led a great many of international organizations to revise their growth forecasts downwards. Unemployment rates have not yet lowered to their pre-crisis levels and have maintained their high levels in many developed countries.

The continuing financial problems of, and abandonment of the expansionary money policy

at, developed countries, and the slowdown in developing countries are the factors increasing the fragility of global economy. Furthermore, the volatility observed in capital movements in the recent times further increases the risk exposures of developing economies.

After a growth of 2.2% under the expectations in 2012, the Turkish economy has grown by 4.4% with the contributions of domestic demand in the third quarter of 2013. During this period, due to the exports recording a horizontal plateau in line with the weak global demand, while the contribution of external demand to growth reduced, the contribution of internal demand started to rise. Abandonment of expansionary money policy by FED, and geopolitical tensions rising in the region have increased the financial risk perception, and triggered the volatility in capital movements and the upturn in interest and exchange rates, thereby making a negative effect on growth.

In the last quarter of 2013, as a result of global economic conditions, political tension and regional political factors, the year-end growth rate of the Turkish economy has been revised and lowered to 3.6% in the Mid-Term Plan.

It is foreseen that external financing potentialities, and investor and consumer confidences, and politics will play a determinant role on economic growth, and that structural reforms should be focused for the sake of catching a distinct momentum. High upward

risks in interest rate levels also constitute a risk for growth potential. Included among other risk factors are the approaching elections, political tensions, civic turmoil in neighboring countries, and probable global crisis.

In financial leasing sector which has entered into a growth trend since the last two years and has a growth potential, the performance of the sector is closely dependent upon economic stability and growth. In addition, the expansion of scope of financial leasing as a result of new legislative acts is another important factor for growth of the sector. With the Law on Financial Leasing, Factoring and Financial Companies that entered into effect in December 2012, and with the operating leasing, software leasing, sell and re-lease products and integral parts and appurtenances also being included in the coverage of financial leasing, the product diversification has increased, which in turn has made a positive contribution to 2013 growth momentum of the sector.

VAT and Corporate Tax exceptions enacted with the intention of equalizing the tax burden of sell and re-lease products with that of bank loans in August 2013 have increased the demand for such products, which in turn paved the way for a substantial increase in the total volume of transactions.

Furthermore, the expansion of the list of equipment groups the leasing VAT of which is reduced from 18 percent to 1 percent by a Decree of the Cabinet of

MESSAGE FROM THE CHAIRMAN

Ministers put into force in December 2013 has been welcomed with joy in the sector, and this incentive is expected to make a positive effect on transaction volume of the coming period.

Also with the effects of new products brought by the new Law as of the end of 2012, the sector transaction volume has recorded a serious increase in 2013, and the sector has completed the year 2013 with a transaction volume of 7 billion USD.

Under the competitive conditions of 2013, our Company has, by making best use of the momentum of growth in the sector, increased its transaction volume to 490 million USD representing a rise of 66% over the past year. Giving priority to focusing on profitable and sustainable projects and to service quality, our Company has come to the forefront with its effectiveness in portfolio and risk management and its performance in management of non-performing debts.

Since the date of its foundation, İş Leasing has at all times been a consistent, strong and reputable corporation standing beside the investors as their strong business partner. Giving strength to

investments with its deep-rooted existence and creating a difference with its top quality service approach, İş Leasing has strengthened its market position as a pioneer firm of the sector in 2013 as well.

We are hereby presenting to your approval our 2013 activity report, financial statements and net profit distribution proposal prepared in strict compliance with the Capital Markets Law and other applicable laws.

I, acting for myself and for the Board of Directors, wish to present my gratitude to all of our business partners and customers supporting our activities and operations, and to our employees enabling our Company to create a difference with its services, its service quality and the performance of investments supported by it.



SUAT İNCE

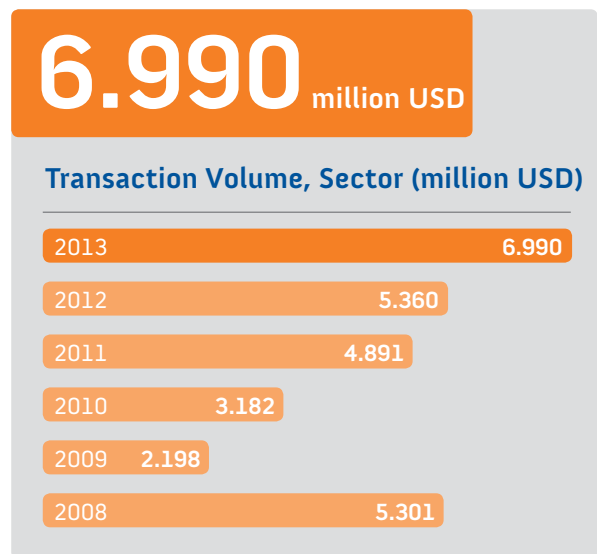
Chairman

AN OVERVIEW OF THE SECTOR

Leasing sector has reached a transaction volume of 6.9 billion USD in 2013, representing a rise of 30% in comparison to 2012.

Continuing its growth trend, the financial leasing sector increased its transaction volume in 2013 by 30% as regards the past year, thereby reaching a total transaction volume of 6.9 billion USD. A review of the distribution of transaction volume by groups of commodities reveals that increase is noted in many groups of commodities, and a significant portion of the volume is generated by real properties and equipments being the subject matter of sell and re-lease, and construction machinery and equipments continued to get a significant share with 26.2%.

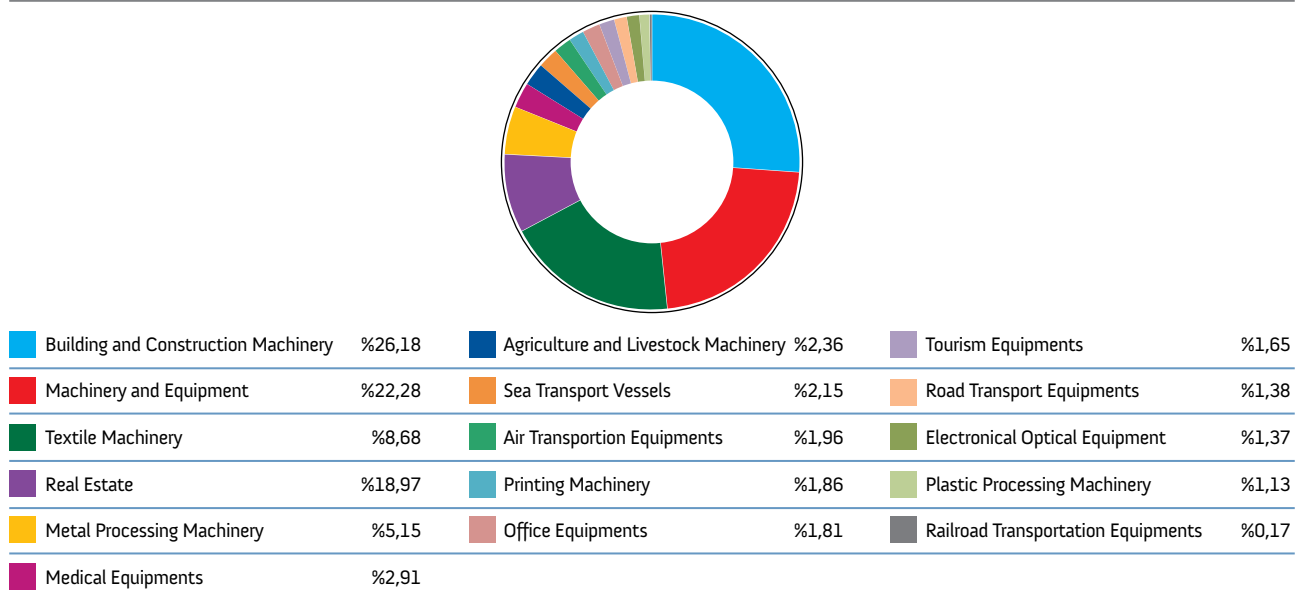
After mediating investments of 62 billion dollars in total in Turkey in its past of 28 years, the financial leasing sector has caught the long-expected momentum of growth under the effects of new legislation enacted as of the end of 2012. Penetration rate indicating the share of the financial leasing sector in investments has increased from 5.86% in 2012 to



6.54% in the third quarter of 2013.

The financial leasing sector, financing the investments of companies of every size and scale, still holds a significant growth potential. In financial leasing sector which has entered into a growth trend, the performance of the sector is closely dependent upon economic stability and growth. Foreseen to develop parallel to the growth performance of the national economy, the sector's transaction volume is further expected to increase by 20% in 2014 over 2013.

Distribution of Financial Leasing Transactions According to Product Groups



ASSESSMENT BY MANAGEMENT

HASAN K BOLAT
General Manager



TRANSACTION VOLUME

490 million USD

GROWTH

% **66.0**

MARKET SHARE

% **7.0**

SPECIAL FINANCIAL SOLUTIONS AND SERVICE QUALITY CREATE THE DIFFERENCE

Targeting a sustainable growth with its innovative solution approach, widespread service network and customer-oriented services, İş Leasing increased its transaction volume by 66% and continued to further expand its customer base in 2013.

What was the basic strategy of your Company, and how was it implemented, in 2013?

Our basic strategy is to continuously monitor the areas of needs and demands of our customers, and to produce solutions fit for needs with our competent and dynamic human resources, and to create value for investments with our innovative, flexible and top quality service approach. To this end, we have first of all evaluated our business processes, regional organization, portfolio and funding sources, and issued and implemented the required regulations. We have further strengthened our business processes based on efficiency and customer-oriented approach which differentiate us in the competition.

Upon evaluation of our regional organization structure, we have increased the number of our branch offices by organizing new organization units in the regions having a potential. As a result of efficiency analyses conducted by considering our existing human resources structure and our business processes, we have determined the optimum staff and completed the required personnel recruitments.

With a view to creating cost-effective sources consistent with repayment maturities of the projects financed by us, and by extensively using IFC (International Finance Corporation), country Eximbanks, bond issue, murabaha and the Gulf capital, we continued our policy of diversifying our funding sources and reducing the costs of sources and extending the costs to long-term.

What are the important factors of your success achieved in 2013?

In 2013, our transaction volume reached a level of 490 million USD, representing a growth of 66% in comparison to the figures of past year. It is unequivocal that our strategy of creating a widespread portfolio, continued by us with concentration since the last few years, has been effective on this volume increase.

Our weight given to construction machinery and manufacturing machinery and equipments continued this year as well. We continued to grow in commercial real properties and energy investments. By increasing our market share from 5.5% to 7%, we have acted as a strong business partner of investors also in 2013.

Determining the needs and demands of investors through intensive regional and company visits, and transferring our existing experiences particularly to our customers in SME (Small and Medium-scale Enterprises) segment, and offering them the best financial solutions in their long-term investments, and providing financial advice services, and supporting our sales team accordingly have been an important factor of this success.

On the other hand, also included among the factors effective on our success were to continue our efforts for expansion of our service network with a view to spreading on a larger area, and to continue creating fund sources in prioritized fields determined, and to spread the projects to be financed in these fields,

and to meticulously make our way in portfolio strategy and risk management.

Besides, important provisions of the Law on Financial Leasing, Factoring and Financial Companies that entered into effect in December 2012 gave momentum to segmental growth in general. The operating leasing, software leasing, sell and re-lease products and integral parts and appurtenances are also included in the coverage of financial leasing. The sector grew with the increasing product diversification. We, as İş Leasing, with the regulations issued and the strategy followed by us, made good use of the sector's growth momentum at a fairly good performance level, and realized a growth even above that of the sector as a whole.

What is your growth policy?

Taking the required measures and actions within the frame of our risk policies through growth over a widespread customer portfolio is seen by us as a critical factor in terms of portfolio quality. The transaction volume budgeted by us in line with the targeted market share is intended to be reached through support of projects of a great number of our customers. Since the last several years, we have scheduled and planned both the work flows in the Company and our human resources policy so as to serve a great many of our customers.

We wish to emphasize that it is important for us to particularly take our place as a solution partner beside the SMEs, being the keystone of our economy, and continue to grow together with them.

While the share of financial leasing sector's transaction volume in total investments is around 5% - 6% in our country, this rate is about 20% in Europe and North America. We, as financial leasing sector, basically aim to further increase the awareness about leasing, thereby creating a sustainable transaction volume and carrying the sector's transaction volume to a satisfactory size.

How did you expand your customer base, and what are your goals?

We have strengthened our field organization for the sake of creating a widespread customer base through accessing to more and more customers. In the last quarter of 2013, we have made the required arrangements in our human resources policy for further expansion of our regional structure. To this end, we have opened our branches in Trabzon, Çukurova, Konya, Şişli and Gebze, thus starting our activities thereat. In addition, we have greatly completed the preparations for penetrating into Denizli, Kayseri and Diyarbakır regions. All of these restructuring initiatives aim to further expand and spread our customer base. Through this widespread field organization, our goal is to increase our existing customer base and to continue gaining new customers in the coming years as well.

PERFORMANCE RESULTS OF İŞ LEASING

2013 Sectoral Distribution



Construction	%20,75	Textile	%5,82	Mining	%3,21
Transportation	%16,17	Healthcare	%5,75	Agriculture and Forestry	%2,94
Metal Industry	%14,17	Forest Products, Paper	%4,44	Chemical and Plastic	%2,67
Tourism	%6,96	Food and Beverage	%3,81	Retail and Wholesale	%2,05
Other Industry	%6,26	Finance	%3,30	Machinery and Equipment	%1,70

2013 Equipment Distribution



Real Estate	%28,76	Textile Machinery	%4,48	Printing Machinery	%2,16
Machinery and Equipment	%22,37	Medical Equipments	%3,78	Other	%2,16
Building and Construction Machinery	%18,04	Electronical Optical Equipment	%3,26	Road Transport Equipments	%1,55
Air Transportation Equipments	%5,26	Tourism Equipments	%2,17	Office Equipments	%1,20
Sea Transport Vessels	%4,81				

ACTIVITIES OF THE COMPANY

SERVICES

A reliable business partner offering widespread and solution-oriented services.

In 2013, continuing its sensitivity towards the developments in international and domestic markets, İş Leasing has further reinforced its market position through its solution-oriented approach aiming the needs of customers and its widespread portfolio creation strategy.

Developing and spreading the business models created by considering the customer needs and demands in its target sectors, thereby increasing the added value provided to its customers, İş Leasing has renewed and expanded its regional organization throughout Turkey. Trabzon, Konya and Çukurova service units, being satellites affiliated to main regions, were separated from their regions and converted into independent branches. Two new branches are opened in Şişli and Gebze, and the headcount is increased for better services.

İş Leasing continued its supports in all sub-segments of service and manufacturing sectors to SMEs, playing an important role in the national economy in terms of manufacturing and exports, and created a difference by providing quicker and local services thanks to its branches widespread all over the country.

In 2013, İş Leasing, continuing to be a reliable business partner of investors with a widespread service approach all over Turkey, provided the firms, operating in various different segments, sensitive towards changes, with a high need of effective use of sources, with financial leasing services fit to the composition of its customers, thereby contributing to the growth of such firms. As a result of its service approach focused on maximizing the customer satisfaction and loyalty, İş Leasing continued to expand its customer base.

PORTFOLIO

A widespread portfolio and balanced growth.

İş Leasing has adopted a widespread portfolio creation strategy, and the important factors underlying its success are segmental diversification, and effective portfolio and risk management. Targeting segmental diversification and widespread geographical distribution with its organization extending all over Turkey, İş Leasing effectively manages its portfolio risk distribution. İş Leasing, regularly including new enterprises into its portfolio,

continued to create a difference with its portfolio quality in 2013.

İş Leasing's portfolio is composed of a wide segmental base covering both the customers of İş Bank and its current customers, and such factors as marketing source and secondhand worthiness are continuously monitored. Equipments covered by financial leasing are spread over a wide range, thereby increasing the product diversification.

INFORMATION SYSTEMS

Effective data flow and sharing through a continuously renewed integrated system.

Seeing the information technologies as a significant factor in maintenance of its service quality, communication speed and innovativeness, İş Leasing continued its technologic investments in 2013 as well.

In 2013, in the new head offices at Tower 1, wireless network components are implemented. In order to control the outflow of corporate sensitive data in electronic media, the installation of data loss prevention software is completed, and regular reports are started to be taken.

Initiatives are started for renewal of the design and contents of the corporate website so as to include a more up-to-date technology, and in addition, a web application enabling the customer representatives, suppliers and İş Bank branches to have web-based access to, and guide, our Company is taken into our business plan.

Through a software project plan covering the managerial reports and quick access dashboard, it

is intended to make it possible for the management team to have instantaneous access to the information about sales, marketing and financial situation of our Company.

Thanks to automation of data flow through integration of a legal software purchased in 2013, it is planned to have quick access to current data about all pending lawsuits and legal actions and proceedings.

After-sales Services and Emergency Center are two important components of customer-oriented service approach of İş Leasing. Serving through a call center infrastructure and aiming to perpetuate the customer satisfaction, the After-sales Services Unit is an important service point for after-sales support demands of customers. The Emergency Center, modernized by most advanced technologies, is an assurance of provision of continuous 7/24 services to customers under all kinds of conditions.

İş Leasing website, with its dynamic infrastructure, assures realization of all transactions, including on-line applications, via internet.

HUMAN RESOURCES AND TRAINING

Goal is to develop and strengthen together through an effective management of human resources.

Basic purposes of the human resources applications are to work only with people with a high business volunteerism, fit to the corporate culture, for achievement of targets all together, and to guide and direct "human resources" considered as the most valuable assets as effectively as possible, and to create professional development opportunities, and to assure development and strengthening of business partners of our Company.

The human resources and training programs conducted in İş Leasing aim to increase the efficiency, and to consolidate a dynamic, development-

focused corporate culture, thereby developing the competences of employees, and as a result, to improve the total performance of our Company with dynamic employees with a high sense of responsibility. To this end, as a part of training activities of 2013, long-term training programs are organized and such activities are planned so as to be supported and maintained with technical training courses, in order to adapt the new staff members recruited in various different divisions of our Company to the corporate culture and values as quickly and accurately as possible.

In İş Leasing, the subjects of training are determined by considering the needs of employees, and all staff members are supported for participation in local and foreign training courses.

BOARD OF DIRECTORS



Suat İnce
(Chairman)

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



Ozan Gürsoy
(Vice Chairman)

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



Halil Eroğlu
(Member)

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



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

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



Hasan K. Bolat
(Member)

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



Prof. Dr. Mehmet Baha Karan
(Independent Member)

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



Z. Hansu Uçar
(Member)

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



Fikret Utku Özdemir
(Member)

Born in 1970, Mr. Özdemir is graduated from Middle East Technical University, Division of Business Administration in 1995. Holding a finance master's degree from Edhec Business School, Mr. Özdemir has started his job career as an inspector in Türkiye İş Bank in 1996. After an internship in risk management department between 2001 and 2002, Mr. Özdemir worked as Commercial Credits Allocation Unit Vice Manager between 2006 and 2009, and is appointed as Commercial Credits Allocation Unit Manager in 2009. Being appointed as international financial institutions department manager on 28 June 2013, Mr. Özdemir is a member of Board of Directors of İş Finansal Kiralama A.Ş. since 29 March 2013.



Ünal Çakmak
(Member)

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

EXECUTIVE MANAGEMENT



Nida Çetin

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

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



Dilek Korkut

(Assistant General Manager, Marketing/Sales, Operations)

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



Banu Altun

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

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



Onan Keleş
(Treasury & Financial Institutions Manager)



Pınar Sözen
(Operations Manager)



Neslihan Oruç
(Financial Management Manager)



Onur Tufan
(Risk Monitoring Manager)



A. Berrin Akçal
(Credits Manager)



Diğdem Erkan
(Human Resources Manager)



Esma Toker
(Marketing/Sales Manager)



Ahmet Murat Yıldırım
(Information Technologies Manager)



Nuran Güneş
(Legal Counsel)

Corporate Governance Practices



Having a distinct perspective creates the difference

BRIEF ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

In 2013, beside reaching a transaction volume of 490 million USD representing an increase of 66%, İş Leasing maintained its sound position in its sector with its market share of 7% as well. In 2013, expanding its leasing portfolio by 61% over the previous year, the Company recorded an increase of 24% in its total assets, and despite the fluctuations in conjuncture towards the end of 2013, caught a return on equity of 6.8%. Nevertheless, with its low impaired receivables ratio compared to the sector average of 4.8%, the Company continued to reap the fruits of its high asset quality policy and effective receivables management. Aiming to grow in a disciplined manner, the Company acted selectively in growth for the sake of effective and well-balanced management of the increasing profit margin pressure by not being involved in the fight for increase of market shares on the basis of price competition.

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

As of the end of 2013, capital of the Company is 424,3 million TL, and we have no finding showing, and are not of the opinion, that the capital of the Company is actually depleted or the Company is deeply in debt.

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

In 2013, the Company has recorded operating results in tandem with its strategic goals thanks to its dynamic balance sheet management and by focusing on sustainable growth strategies.

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

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

Information on direct or indirect subsidiaries of the Company and its shareholding rates are presented in details in the footnote no. 6 of financial statements.

Information on donations and grants made during the year:

Details of donations and grants made by the Company in 2013 are as below:

Fider Subscriptions	17,400 TL
Others	220 TL
Total	17,620 TL

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

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

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

Not applicable.

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

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

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

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

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

The Presidency of the Financial Crimes Investigation Board has, by a decision no. 394 in file 2448 dated 03 February 2012, decided to inflict a total administrative fine of TL 3,996 on the Company on the ground of breach of the provisions of article 3 of the Law on Prevention of Laundering of Crime Revenues no. 5549, without prejudice to the legal remedies of objection in connection therewith. By making use of the discount granted pursuant to article 17 of the Law on Misdemeanors no. 5326, the said fine has been paid by our Company in an amount of TL 2,997 on 24 February 2012, by reserving our rights of action against the said decision. Thereafter, our Company has brought forward a suit of nullity, but has lost the case. Our Company's objection against the decision has been dismissed by Istanbul 38th Criminal Court of First Instance.

The Company has applied to the Ministry of Justice to make use of Extraordinary Remedies, and as the Ministry found the grounds of application serious, the file has been sent to the Presidency of the Supreme Court of Appeals. The legal proceedings are pending.

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

During 2013 accounting period, the Company has been subject to a limited independent audit as of 30.06.2013, and to an independent audit as of 31.12.2013 by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Furthermore, as a requirement of full certification of corporate tax, the Company's financial statements have been subject to tax audit in quarterly periods by Başaran Nas Yeminli Mali Müşavirlik A.Ş.

Legal transactions and actions performed with the parent company, or an affiliate of parent company, in favor of the parent company or any affiliate thereof under direction of parent company; and all other measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in the past activity year; and according to the conditions and circumstances known by them as of the time the legal transaction is performed or the measure is taken or is avoided to be taken, whether an appropriate counter-

obligation is provided in each legal transaction or not, and whether the measure taken or avoided to be taken has caused damages to the company or not, and if the company has incurred damages, whether such damages are offset and balanced or not:

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

“Conclusion” section of the Affiliation Report:

During 2013 activity year, within the frame of the relevant provisions of the Turkish Commercial Code, our Company is affiliated to the group of companies of T. İş Bankası A.Ş. Pursuant to article 199 of the Turkish Commercial Code, our Company’s Board of Directors has incorporated the following statement in its affiliation report issued about its relations with its parent company and with affiliates of its parent company: “With respect to all transactions performed by the Company and its parent company and the affiliates thereof during the activity year of 01.01.2013 – 31.12.2013, to the best of its knowledge, all legal transactions and actions performed in favor of the parent company or any affiliate thereof under direction of parent company, and all measures taken or avoided to be taken in favor of the parent company or any affiliate thereof in 2013 activity year have been considered and evaluated. We hereby declare that our Company has not incurred damages due to a transaction conducted in 2013 within the knowledge of the Company.”

CHANGES WITHIN THE REPORT PERIOD

Increase in the Share Capital

The paid-in capital of the Company has been increased from 389.000 thousand TL to 424.365 thousand TL, with a portion of 35.365 thousand TL funded by 2012 profit shares allocated in the form of share certificates in line with the 2012 yearly profit distribution proposal approved by shareholders in the Annual General Assembly held on 28 March 2013, and the capital increase processes have been completed on 25 June 2013.

Annual General Assembly Held Within the Period

The Company's 2012 Annual General Assembly has been held at the Company headquarters on 28 March 2013. The meeting has been held with participation of shareholders representing a total capital of 230.6 million TL, corresponding to 59.3% of total capital of 389 million TL of the Company. In the meeting, the motions filed by the shareholders with respect to the agenda topics have been approved in unanimity.

Profit Distribution

According to the profit distribution table approved by the General Assembly, it is decided that out of 40.805 thousand TL net profit of the period calculated pursuant to the laws and regulations of the Capital Markets Board, a first rank of legal reserve funds of 1.861 thousand TL calculated over 37.226 thousand TL profit included in the legal records of the Company be set aside, and

the donations of 26 thousand TL made during the year be added there to, and out of the resulting net distributable profit of the period of 38.970 thousand TL, an amount of 35.365 thousand TL be fully allocated and distributed as first dividends to the shareholders in the form of bonus shares, and the remaining amount of 3.605 thousand TL be set aside as extraordinary reserves, and also that the deferred tax expenses of 21.146 thousand TL included in the consolidated net profit of the period of the Company be set off from the deferred tax reserves which are composed of the deferred tax income of the Company in the previous periods and cannot be distributed, and the resulting amount be transferred to extraordinary reserves account. Distribution of bonus shares has been completed on 25 June 2013.

Changes in Articles of Association

In the General Assembly held on 28 March 2013, articles 1., 3., 4., 6., 7., 8., 9., 10., 11., 12., 13., 14., 15., 16., 18., 20., 21., 22., 23., 24., 25., 27., 28., 34., 35. and 36 of the Corporate Articles of Association were modified, and articles 19., 26., 29., 30., 31., 32. and 33 of the Corporate Articles of Association was removed from Articles of Association. The General Assembly was registered on 15 April 2013 and Articles of Association was published in the Company's internet website.

Change of Board Members

At the board meeting held on 30 July 2013, Mrs. Z. Hansu UÇAR was elected as a member of board of

directors, corporate governance committee and risk management committee, following the resignation of Mr. M. Armağan SARAÇOĞLU.

At the board meeting held on 19 November 2013, Mr. Ünal ÇAKMAK was elected as a member of board of directors, following the resignation of Mrs. Ayşe Gülenç TUNA.

COMPANY RISK POLICIES

Credit Risk

Overall Principles Regarding the Credit Risk Management Process:

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

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

Market Risk

Overall Principles Regarding the Market Risk Management Process:

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

Liquidity Risk

Overall Principles Regarding the Liquidity Risk Management Process:

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

Operational Risk

Overall Principles Regarding the Operational Risk Management Process:

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

■ PROFIT DISTRIBUTION POLICY

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

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

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

Cash dividend payments are effected by no later than the end of second month following the date of meeting of the General Assembly of Shareholders where the profit distribution decision is taken.

Profit share distribution in the form of bonus shares is effected upon receipt of legal permissions and licenses.

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

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

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

DISCLOSURE POLICY

General Framework of the Disclosure Policy

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

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

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

Authorization and Responsibility

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

The Investor Relations Unit

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

Means and Methods in Disclosing Information to the Public

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

- Financial statements are prepared quarterly on a consolidated basis in accordance with International Accounting Standards and Turkey Accounting Standards as required by the Capital Market Board (CMB) including related footnotes and explanations as well as the independent audit report. These are sent to the Public Disclosure Platform (PDP) within legal time limits and are published on our company's website. Financial statements are also translated into English and published on the website.
- Financial statements prepared according to International Accounting Standards are also sent quarterly to the Financial Leasing Association (FIDER).
- Unconsolidated financial statements prepared according to International Accounting Standards and related information are also sent quarterly to Banking Regulation and Supervision Agency (BRSA), which are published as aggregated (Total Industry) on the BRSA website.
- Information on special circumstances required in the Capital Market Board (CMB) legislation is sent to the Public Disclosure Platform (PDP) within the required time limits. As a company policy, the disclosures of special circumstances are signed by the Assistant General Manager responsible from finance and the Accounting Manager; however should these be not in the office, they are being signed by responsables to be determined by the General Manager and submitted to the PDP. Disclosures of special circumstances are submitted to electronically reported under PDP system. Within 1 business day after the information is disclosed to the public, disclosures of special circumstances are published on our website and are accessible for further 5 years.
- Appropriate announcements are sent to the Commercial Registry Gazette and to daily newspapers in the event of changes to the articles of association, of meetings of the General Assembly, or capital increases.
- Our regular general assembly meetings are held within legal time frames every year and all activities performed to ensure the participation of shareholders to the general assembly are documented. The information regarding general assembly meetings is provided under our website www.isleasing.com.tr, to facilitate direct access of all shareholders. Starting from the date of invitation for general assembly, the annual report, financial statements and notes, profit distribution proposal, information memorandum prepared on relevant items of agenda of the general assembly, other relevant documents regarding agenda items, current articles of association, proposal on amendments of articles of association with explanation are provided for the scrutiny of our shareholders at our headquarters.
- Quarterly Operations Reports are prepared in accordance with Capital Market Board (CMB) legislation and corporate governance principles and upon approval of Board of Directors, submitted to PDP and published at our website. Company Annual Report, prepared every year prior to the General Assembly in both Turkish and English in a manner to include any relevant information and explanations is made available to shareholders and published on our website at (www.isleasing.com.tr).

- It is not planned to hold regular discussions and meetings with the press. When it appears necessary or in order to respond to requests from members of the press, certain announcements are made in the written and visual media. Announcements to written and visual media and data distribution institutions may be made by the Chairman of the Board of Directors, the General Manager or his deputy and other persons designated by those authorities.
- In the Communiqué on Material Events Subject to Disclosure, the future-oriented assessments are defined as “assessments which contain future plans and predictions considered as insider information, or which give an idea to investors about the issuer’s future activities, and financial situation and performance”. Where the future-oriented assessments are intended to be made public through press and media or other means of communication, the same information is further announced through PDP (Public Disclosure Platform) concurrently. In the case of a material change in the future-oriented assessments already made public, the public is separately informed thereof. Future-oriented prospects are made public with a prior written approval of the General Manager or the Deputy General Manager authorized by the Board of Directors of our Company.
- All meeting requests from shareholders are positively responded to and meetings are organized within the shortest possible time frame. From time to time teleconferences are organized by the Investor Relations Unit to provide information to shareholders and stakeholders. Such information is posted in Turkish and English on our website (www.isleasing.com.tr) to timely provide them to all market participants under equal conditions.
- In order to convey the Company’s sectoral performance, financial results, vision, strategies and targets to shareholders in a most efficient manner, the Investor Relations Unit accepts meeting requests from shareholders, investment houses, analysts and investors, actively arranges meetings and road-shows with interested parties and visits investors both in Turkey and abroad. Furthermore, to achieve effective publicity of our Company, The Investor Relations Unit prepares presentations and reports which are posted in Turkish and English on our website (www.isleasing.com.tr) to timely provide them to all market participants under equal conditions.
- Upon request of our shareholders, creditors, rating agencies and organizations doing research on our Company, financial statements and related information are sent by the Investor Relations Unit via e-mail. Within the framework of corporate governance principles, in the section “Special to the Investor” which is posted both in Turkish and in English on our website (www.isleasing.com.tr), detailed information and data are given on our Company. Every question from shareholders and other parties is answered by way of e-mails, letters, or telephone and similar means through the coordination of the Investor Relations Unit.

Other Disclosures

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

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

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

Monitoring News and Rumors About the Company

- In order to follow-up the news and rumors about our Company appearing on press-publication organs or web sites, the services of a Company specialized in media monitoring services are being utilized. All news appearing about our Company is sent by the service provider to our Company on a daily basis.
- In the event that news or rumors appear on written and visual media which are of significance to affect stakeholders investment decisions or the value of capital market instruments, are not originated by representative authorized persons of the Company, have a different content than the information previously made public through disclosure documents; an immediate disclosure is made to the public as to the validity and completeness of such information. In the event the information necessitates declaration of special circumstances, then the disclosure is made in the form of disclosure of special circumstances.

Deferring Disclosure of Internal Information

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

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

Criteria in Determining Persons with Administrative Responsibility

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

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

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

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

Confidentiality of Information to be Disclosed to the Public

- All information of the Company, encountered during the period of service which are in the nature of trade secret, and are not desired to be known by persons other than those authorized by the Company, shall be considered as "Company Information". All employees are obligated to protect company information during and after the termination of their service.
- Company Ethical Rules, outlining the rules of professional ethics and the sanctions to be applied by the company in case of discordance, in accordance with existing laws and regulations, are published and announced to all staff. Necessary measures are taken to prevent the usage of insider information.
- The list of persons with access to internal information is kept up-to-date within the company. Persons having access are required to keep such information confidential until it is announced to the public by a declaration of special circumstances. In order to ensure confidentiality until the declaration of special circumstances, company employees with access to internal information are informed about their responsibilities arising from relevant legislation. Independent auditors, consultants or other persons and institutions rendering services and having temporary access to internal information are contractually covered with a confidentiality clause.

COMPANY ETHICAL PRINCIPLES

Objective

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

Scope

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

General Principles

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

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

Forbidden Practices

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

- a) Avoid engaging in activities contrary to the interests and benefits of the sector.
- b) Even if the advantages accorded to the sector agree with the laws, they shall not be used, during the course of activities, to provide advantages to clients in a way contrary to the spirit of the statement of reasons of the Law on Financial Leasing and to the matters stated in these principles.

- c) Avoid engaging in behavior which could pave the way to unfair competition in the sector.
- d) Avoid engaging in any behavior or activities that are against the rules set by the Company's authorities, which are binding for all the employees and managers.

Obligation to Safeguard Confidentiality

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

Harmony in the Workplace

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

Audits

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

Effectiveness

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

DECLARATION OF CORPORATE GOVERNANCE RULES

Istanbul, 24 February 2014

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

DECLARATION OF CORPORATE GOVERNANCE RULES

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

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

Under this context, being listed under the corporate governance index of ISE, as a result of the rating process performed by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. in 2013, considering the emphasis on corporate governance rules, the willingness to perform this process consistently and dynamically and the improvement realized in the process since the previous rating score, corporate governance rating score of our company has been rated as 9.11 (91.14) and the rating report has been announced to public. This rating report has also been shared with the public under our company website (www.isleasing.com.tr), concerning to increase this corporate governance rating score, the protection of rights of shareholders, informing the public and maintaining transparency and the adjustment to the said rules in decisions and transactions concerning stakeholders and Board of Directors are aimed and in this context, effort for corporate governance compliance is maintained under the supervision of our committee.

Within this framework, the **Compliance Report on Principles of Corporate Governance** for 2013 prepared in light of our company's priorities on this subject, which is disclosing applied and unapplied aspects of the governance principles has been provided as Appendix.

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

Best Regards,

İş Finansal Kiralama A.Ş.
Corporate Governance Committee

Ozan GÜRSOY
Member

Z. Hansu UÇAR
Member

Prof. M. Baha KARAN
Chairman

COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

1. Compliance Report on Corporate Governance Principles

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

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

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

As a part of the rating works started in 2009 with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (“Saha Rating”) in order to assess the efficiency of the compliance initiatives, the Company’s overall level of compliance with corporate governance principles has been determined as “8.02” over “10”. As a result of this rating, the Company has been included in ISE Corporate Governance Index. As an indication of the Company’s commitment to implement the corporate governance principles as a continuous and dynamic process, its rating score has been regularly increased in the following years.

As a result of assessment by Saha Rating of the practices and activities of the Company in 2013, its level of compliance with corporate governance principles has been determined as “9.11” over “10”. Furthermore, according to the World Corporate Governance Index (WCGI), the Company is included among 1st group of companies.

Within the frame of its initiatives, the Company has complied with all of the mandatory rules included in the corporate governance principles, and has put into practice all of the required policies and measures in connection therewith. The Company’s management and internal control mechanisms are being operated efficiently and effectively. All of the corporate governance risks have been determined and are being actively managed. Rights and interests of shareholders and stakeholders are favoured fairly, and the public disclosure and transparency activities are at the maximum level. Structure and modus operandi of the Board are in the best practices category. However, the Company has not yet ensured full compliance with some rules and articles included in the corporate governance principles, though not mandatory, and the reasons of such non-compliance are explained and justified under the following headings.

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

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

In the Company, an Investor Relations Unit in charge of relations with shareholders has been formed. Our employees working in the Investor Relations Unit chaired by Nida Çetin and their communication data are presented here in below:

Name and Surname	Telephone Number	Elektronic Mail Adress
Sn. Nida Çetin	0 212 350 74 00	nidacetin@isleasing.com.tr
Sn. Onan Keleş	0 212 350 74 50	onankeles@isleasing.com.tr
Sn. Neslihan Oruç	0 212 350 74 70	neslihanoruc@isleasing.com.tr

Nida Çetin, as the head of this unit, reports directly to Prof. Dr. M. Baha Karan, Head of Corporate Governance Committee. Nida Çetin holds Capital Market Activities Advanced Level License and Corporate Governance Rating Specialist License certificates.

Said unit is in charge of use of shareholding rights, and establishes the communications and contacts between the Board and the shareholders.

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

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

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

All of 5 verbal and 1 written information demands received from shareholders during the report period have been met by the Investor Relations Unit, and a total of 10 information meetings have been organized for local and foreign investors, and shareholder records have been kept up-to-date.

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

The 2012 annual ordinary General Assembly has been held on 28.03.2013 in accordance with the applicable laws and regulations, and the Company's articles of association and other internal bylaws. All procedures required to be completed prior to the General Assembly meeting have been carried out in accordance with the corporate governance principles, and decisions taken in the General Assembly meeting have been made public in a timely manner.

3. The Use of Shareholders' Rights of Obtaining Information

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

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

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

Pursuant to the applicable laws, minority shareholders have the right to request the General Assembly to appoint a special auditor to inspect and audit some specific events and matters. None of the shareholders of the Company has requested the General Assembly to appoint a special auditor during 2013. However, the demand of appointment of special auditor is not incorporated as an individual right in the articles of association of the Company.

4. General Assembly Meetings

During the report period, one General Assembly meeting has been held, namely the 2012 Annual Ordinary Meeting of the General Assembly.

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

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

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

than shareholders, are accepted to the meetings of the General Assembly.

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

Information on the meeting has been further sent within the same period of time by registered mail, return requested, to the shareholders registered in the share book of the Company. All meeting-related information may also be retrieved from the Company's internet website.

No proposal has been received as to inclusion of topics in agenda of the General Assembly meetings.

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

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

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

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

Donations and grants made by the Company during the report period are detailed below, and these donations and grants will be presented to the information of shareholders as a separate agenda topic in the 2013 Annual Ordinary Meeting of the General Assembly. (Amounts are expressed in Turkish Lira.)

Fider Subscriptions	17.400 TL
Others	220 TL
TOTAL	17.620 TL

5. Voting and Minority Rights

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

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

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

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

However, the Board of Directors contains 2 independent directors who do not represent any shareholder of the Company.

The Company’s articles of association does not cover any minority interests recognized in favor of holders of shares lower than one-twentieth of the share capital.

6. Dividend Rights

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

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

Thereafter, pursuant to the Profit Shares Communiqué, no. II-19.1, published by the Capital Markets Board in the Official Gazette edition 28891 on 23 January 2014, the Company’s profit distribution policy has been updated and made public and published in the Company’s internet website. The revised profit distribution policy will be presented for approval in the 2013 annual ordinary meeting of the General Assembly of Shareholders. Full text of the profit distribution policy is given in the activity report.

For presentation to the approval of the General Assembly of Shareholders, the Board of Directors has determined the amount of first profit share of the year 2013 as 100% of the profit of period. If the profit distribution proposal is accepted and approved by the General Assembly of Shareholders, the 2013 profit shares will be distributed as bonus shares, and an amount of 15,000 Thousand TL projected to be distributed out of extraordinary reserves will be distributed in cash.

7. Transfer of Shares

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

PART II – INFORMING THE PUBLIC AND TRANSPARENCY

8. Disclosure Policy

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

Pursuant to the Material Events Communiqué, no. II-15.1, published by the Capital Markets Board in the Official Gazette edition 28891 on 23 January 2014, the Company's information policy has been updated and made public and published in the Company's internet website. The revised information policy will be presented to shareholders for information purposes in the 2013 annual ordinary meeting of the General Assembly of Shareholders. Full text of the information policy is given in the activity report.

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

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

Name and Surname	Telephone Number	Function	Elektronik Mail Adress
Sn. Nida Çetin	0 212 350 74 00	Head of Unit	nidacetin@isleasing.com.tr
Sn. Onan Keleş	0 212 350 74 50	Unit Officer	onankeles@isleasing.com.tr
Sn. Neslihan Oruç	0 212 350 74 70	Unit Officer	neslihanoruc@isleasing.com.tr

To the best of the Company's knowledge, there is no material change in the management and activities of the Company planned for the future periods. In such a case, within the frame of the applicable laws, the assumptions and the data and information relied upon in such assumptions are made public. If and when the estimates and assumptions contained in the future-oriented information made public are not realized or it is understood that they will not realize, the updated information will immediately be made public, together with reasons and justifications thereof.

9. Company's Website and Its Contents

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

Website contains information mentioned in the corporate governance principles. Information in the website are separately prepared in English as well for use by the foreign investors.

10. Annual Report

The Company's annual report is being prepared and made public in accordance with the principles set forth in the "Communiqué on Principles of Financial Reporting in Capital Markets", No. II-14.1, and the "Communiqué on Corporate Governance", No.II-17.1, published by the Capital Markets Board.

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

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

PART III - STAKEHOLDERS

11. Information to Stakeholders

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

The stakeholders policy of the Company formulated within the frame of its corporate governance principles has been made public, and is also published in the Company's website. Said policy contains provisions relating to protection and information of stakeholders and their participation in management, as well as information about human resources policy, and relations with customers and suppliers.

In information of shareholders and stakeholders, the Company has adopted to behave within the frame of equality, integrity, neutrality, consistency and timeliness principles. In this context, all statements and disclosures are required to be made timely, accurately, completely, comprehensibly and be easily accessible, in such manner to protect the rights and interests of the Company as well. Stakeholders are informed through public disclosures, minutes of general assembly meetings, annual reports, financial reports, public disclosure platform and the Company's website.

Information of stakeholders is under the responsibility of the Board of Directors, the Corporate Governance Committee and the Investor Relations Unit within the frame of the Company's disclosure policy.

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

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

12. Inclusion of Stakeholders in Company Management

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

Before material decisions are taken, to which extent the stakeholders will be affected therefrom is also taken into consideration. Efficient participation of employees in the decision making processes is assured through “employee satisfaction questionnaire” system. Results of the poll conducted for taking opinions and comments of employees are evaluated by the Company management and reported to the employees. Through this system, suggestions of employees aimed at improvement of their job and working conditions are collected and evaluated, and the suggestions found feasible are taken into consideration in formulation of the Company policies.

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

13. Human Resources Policy

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

- The principle of leveling the playing field and providing equal opportunities to candidates in equal conditions in recruitment is adopted, and recruitment criteria are determined in writing.
- Ultimate attention is shown to ensure reliable and high standards in and to improve the working atmosphere and conditions in line with the needs.
- In decisions as to training, appointment and promotion, in addition to the existing objective data, the Company’s interests are also taken into consideration.
- Decisions taken about the employees and developments affecting them are shared with the employees.
- With the intention of contributing to personal and performance development of employees, training plans

are prepared, and employees are taken to training within the frame of a yearly training plan.

- No discrimination of race, religion, language and sex is allowed among the employees, and respect is shown to human rights, and employees are protected against internal physical and emotional mobbing acts.

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

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

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

14. Ethical Rules and Social Responsibility

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

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

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

PART IV – THE BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

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

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

Name and Surname	Position	Executive/Non-executive	Term Of Office
Suat İnce	Chairman	Non-executive	2 years
Ozan Gürsoy	Vice Chairman	Non-executive	2 years
Halil Eroğlu	Member	Non-executive	2 years
M. Hakan Berument	Independent Member	Non-executive	2 years
M. Baha Karan	Independent Member	Non-executive	2 years
Hasan K. Bolat	Member/General Manager	Executive	2 years
Z. Hansu Uçar	Member	Non-executive	2 years
Fikret Utku Özdemir	Member	Non-executive	2 years
Ünal Çakmak	Member	Non-executive	2 years

It has been decided that the duties of nomination committee will be performed by the Corporate Governance Committee in the Company, and the committee has nominated two independent member nominees, and has presented to the Board of Directors on 08.03.2013 a committee report of the same date discussing whether the nominees meet the independence criteria or not.

Curriculum vitae of the Directors are as follows:

Suat İnce (*Chairman of Board of Directors*)

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

Ozan Gürsoy (*Vice Chairman*)

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

Halil Eroğlu (*Member*)

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

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

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

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

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

Hasan K. Bolat (*Member*)

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

Z. Hansu Uçar (*Member*)

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

Fikret Utku Özdemir (*Member*)

Born in 1970, Mr. Özdemir is graduated from Middle East Technical University, Division of Business Administration in 1995. Holding a finance master's degree from Edhec Business School, Mr. Özdemir has started his job career as an inspector in Türkiye İş Bank in 1996. After an internship in risk management department between 2001 and 2002, Mr. Özdemir worked as Commercial Credits Allocation Unit Vice Manager between 2006 and 2009, and is appointed as Commercial Credits Allocation Unit Manager in 2009. Being appointed as international financial institutions department manager on 28 June 2013, Mr. Özdemir is a member of Board of Directors of İş Finansal Kiralama A.Ş. since 29 March 2013.

Ünal Çakmak (*Member*)

Born in 1975, Mr. Çakmak is graduated from Selçuk University, Faculty of Economic and Administrative Sciences, Division of Business Administration, and further holds a MBA from Yeditepe University. Starting his job career as

an officer in Nişantaşı Branch of Türkiye İş Bank in 1999, Mr. Çakmak has served as Assistant Service Supervisor in Türkiye İş Bank's Software Development Department between 2001 and 2004, and as Assistant Service Supervisor and Second Manager in Commercial Credits Allocation Unit between 2004 and 2007, and is appointed as Second Manager to SME Credits Allocation Unit in 2007. Becoming Vice Manager in the same unit in 2009, Mr. Çakmak is currently working as Unit Manager in SME Credits Allocation Unit. Mr. Çakmak has been elected as a member of board of directors of İş Leasing on 19 November 2013.

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

INDEPENDENCE STATEMENT

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

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

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

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

Date : 08.03.2013

INDEPENDENCE STATEMENT

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

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

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

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

Date :08.03.2013

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

Outside jobs and duties of the Directors are as below:

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

During the report period, no event which eliminates the independence of the Directors has occurred.

The Directors have been elected in line with a motion presented by Group "A" Privileged Shareholders in the annual ordinary meeting of the General Assembly, and there is one female member among the Board of Directors.

At the board meeting held on 30 July 2013, Mrs. Z. Hansu UÇAR was elected as a member of board of directors, corporate governance committee and risk management committee, following the resignation of Mr. M. Armağan SARAÇOĞLU.

16. Fundamental Principles of the Board of Directors' Activities

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

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

A total of 7 Board meetings are held during 2013.

Date	Decision No.	Participation	Decision Quorum
29.01.2013	1988	6 directors attended.	Unanimous vote
14.03.2013	2004	7 directors attended.	Unanimous vote
16.04.2013	2013	8 directors attended.	Unanimous vote
28.05.2013	2034	All directors attended.	Unanimous vote
12.09.2013	2064	7 directors attended.	Unanimous vote
07.11.2013	2082	7 directors attended.	Unanimous vote
12.12.2013	2091	All directors attended.	Unanimous vote

Questions asked and comments made by the directors in the meetings, and if any, the justification of votes on decisions are recorded in the minutes of decisions. None of the directors has given a dissenting vote in 2013 meetings. According to articles of association of the Company, the Directors do not have any cast vote or veto right.

The Company does not have any internal written regulation relating to formal requirements of Board meetings, and such a regulation will be issued in 2014.

Pursuant to the articles of association of the Company, the Board of Directors meets majority of the members, and takes its decisions with affirmative vote of majority of the members present in the meeting.

During the report period, no related party transaction and no material transaction has been presented to the Independent Members of the Board of Directors for approval purposes.

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

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

Audit Committee

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

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

Duties and Operating Principles of Audit Committee

1. OBJECTIVE

These regulations are intended to set out the duties and the operating principles of Audit Committee (the “Committee”), established within the organization of the Board of Directors of İş Finansal Kiralama A.Ş. in accordance with the Capital Market Legislations and the Capital Markets Board Corporate Governance Principles.

2. LEGAL BASIS

These principles regarding the responsibilities and the operations of the Committee have been developed on the basis of and in accordance with the regulations and the provisions as per the Communiqué on Independent Auditing (Serial: X, No: 22) and the Communiqué on the Establishment and Implementation of Corporate Governance Principles (Serial: IV, NO: 56).

3. AUTHORITIES AND SCOPE

The Committee, the secretariat of which shall be conducted by the Manager of the Financial Management Division, shall be constituted by the Board of Directors of the members thereof and be so authorized as appropriate. All Committee members shall be appointed amongst the independent members of the Board of Directors.

The Committee shall oversee the accounting system of the Company, the public disclosure of the financial information, the independent auditing and functioning and the effectiveness of the internal control system of the Company.

The Committee shall be authorized to determine the independent audit firm, from which the Company shall procure service, and the scope of the service to be procured to be submitted to the Board of Directors for approval. The auditing process and activities shall be carried out under the oversight of the Committee.

The Committee shall, further, be authorized to identify and set forth the methods and the criteria applicable for the conclusion of the complaints related to the accounting practices, internal control system and independent audit of the Company and the treatment as confidential of the notifications by the Company's staff in respect of the same.

The Committee may refer to independent experts' opinions and procure consultancy services at the Company's cost on such matters it may deem necessary and expedient in respect of its activities; and may summon and refer to the opinions of the internal and the external auditors, employees and executives of the Company where it may deem so necessary.

The duties and the responsibilities of the Committee shall not discharge the Board of Directors from its responsibility under Turkish Code of Commerce.

The Manager of the Financial Management Division, being the secretary of the Committee, shall ensure any and all activities performed and actions taken by the Committee to be documented in writing and be so recorded, such documents and records to be properly archived and the members of the Committee to be informed effectively.

4. FORMATION OF THE COMMITTEE

Type of Committee	A Committee of the Board of Directors
Chairman	A member elected by the Committee members for the chair amongst them.
Members	The Members of the Board of Directors elected amongst the members thereof for the committee
Term of Office for the Members	Each member shall be appointed for a term of office of 1 year; and any member, whose term of office may expire, shall be eligible for reappointment.
Meeting Frequency	Minimum 4 times a year to be quarterly at the rarest.
Quorum for Resolution	The minimum meeting quorum for the Committee shall be the half of the total number of members; and the Committee shall adopt resolutions by unanimity.
Resolution on the Constitution	The Resolution No. 403, dated 31.01.2003, of the Board of Directors.
Immediate Superior Body	Board of Directors

The Committee shall comprise of minimum two members, all of whom shall be elected amongst the independent members of the Board; and any executive member of the Board may not be appointed to serve within the Committee.

5. MEETINGS AND REPORTING

The Committee shall convene for minimum four times a year, being quarterly at the latest.

Any meeting of the Committee shall be attended by the Committee members, the Manager of the Financial Management Division, who shall act as the secretary, and such Company staff members, to be summoned in respect of the agenda. The Committee may conduct interviews individually and hold meetings with the members of the Company's top management, the internal control officer, the concerned independent auditing firm and any Company staff member, serving at any hierarchical level, in accordance with the confidentiality principles, where it may deem so necessary.

Any resolution adopted at the Committee meetings shall be documented in writing in the form of minutes, which minutes shall be signed by the Committee Members and be submitted by the Chairman of the Committee to the Board of Directors. The Committee shall promptly notify the Board of Directors in writing of its findings and recommendations related to the field of its respective duties and responsibilities.

6. DUTIES AND RESPONSIBILITIES

6.1. Financial Statements and Public Disclosure

- The Committee shall review the annual and interim financial statements and the notes thereto, which are to be announced to public, for compliance with and consistency to the Communiqué on Uniform Chart of Accounts to Be Implemented by Financial leasing, Factoring and Financing Companies and Its Explanation As Well As the Form and Scope of Financial Statements to Be Announced to Public, Turkish Accounting Standards and Turkish Financial Reporting Standards ("TFRS") as well as the other regulations, communiqué, statements and circular notes issued by the Banking Regulation and Supervision Agency (BRSA) in respect of accounting and reporting principles, obtain the opinions of the Company executives in charge and the independent auditing firm and submit such as well as its findings and considerations to the Board of Directors in writing.
- The Committee shall review the annual report to be announced to public for the accuracy and consistency of the information contained therein, and shall submit its findings and considerations to the Board of Directors in writing.
- The Board of Directors shall be responsible for the formation of an internal control system to ensure the preparation and submission of the financial statements in the manner that they do not contain any materially

inaccurate information due to errors or misconduct in office, and the selection and implementation of appropriate accounting policies. The Committee shall review any changes to the accounting policies, the internal control system or the applicable legislations, which may materially affect the preparation of the financial statements, and shall report such changes to the Board of Directors.

- The Committee shall review material accounting and reporting issues as well as material legal problems and ensure the investigation of the impact thereof on the financial statements.
- The Committee shall review and ensure the proper conclusion of any complaints filed with the Company by, primarily, the shareholders and stakeholders in respect of the accounting practices, the internal control system and the independent audit, which may affect the financial statements. The Committee shall identify and set forth the methods and the criteria applicable for the treatment as confidential of the notifications by the Company's staff members on the aforesaid matters.
- The Committee shall review such events and transactions, the recognition as per the accounting records of which are subject to the consideration and determination of the Company's management at its sole discretion, such as the valuation of the assets and the resources, the guarantees and the sureties, the fulfillment of social responsibilities, the provisions for litigation, the actions filed against the Company, the other liabilities and the contingent events.

6.2. Independent Auditing Firm

- The selection and the replacement of the independent auditing firm, the commencement of the audit process and the monitoring and the assessment of the auditing activities shall be carried out under the oversight of the Committee.
- The Committee shall review the scope of audit and the auditing process proposed by the independent auditing firm, and inform the Board of Directors on the matters, which preclude its activities.
- The Committee shall negotiate the matters, which may pose a threat to the independent status of the independent auditing firm, and the preventive mechanisms established in place against such matters, assess the performance of the independent auditing firm in terms of the independent status thereof, and shall submit its findings and considerations on the matter to the Board of Directors.
- The Committee shall hold periodical meetings with the independent auditing firm on regular basis, and shall ensure the timely information of the Committee on and the discussion at the Committee of material issues, which may be detected either during or as a consequence of the auditing activities, and the actions recommended to be taken in respect thereof, and the communication to and the responding by the Company in respect of the recommendations provided by the independent auditing firm on the matter.

- The Committee shall review and approve any compensation and damages payable to the independent auditing firm.

6.3. Internal Audit and Internal Control

- The Committee shall review and ensure the revision as necessary of the operating regulations of the Internal Audit and Risk Management Division.
- The Committee shall review the reports drawn up by the Internal Audit and Risk Management Division, and ensure the communication to the Board of Directors and Head Office of the problems found and the recommendations offered for the elimination of such problems.
- The Committee shall review the results of the audits and the investigations conducted by the regulatory authorities and the Audit Committee of T. Is Bank, and shall inform and provide recommendations to the Board of Directors thereon.

6.4. Compliance with Legal and Internal Regulations

- The Committee shall monitor the Company's operations for compliance with the applicable legislations and internal regulations, assess the activities carried out by the Head Office on the matter, and identify and set forth the rules to be followed in the event of any action in breach of such regulations.
- The Committee shall review the outcomes of the investigations and proceedings initiated by the Company's management on such matters as misconduct in office, unjustified benefits, conflicts of interest, abuse of information of trade secret nature and incompliance with the applicable regulations through the monitoring system developed by the Company for compliance with the laws and the regulations.

During 2013, the Audit Committee has met eleven times and has taken eleven decisions. In its meetings, the Committee has reviewed and assessed the following issues:

- The distribution of tasks inside the Committee has been resolved, and chairman of the committee has been elected.
- The 2013 yearly audit plan prepared by the Company has been discussed and approved.
- It has been determined in due consultation with the responsible executives of the Company that the consolidated financial statements and their footnotes and annual reports have been prepared accurately in strict compliance with the applicable laws and the generally accepted principles and standards, and then, the consolidated financial statements have been presented to the Board of Directors' approval for being made public.

- The Committee has not detected any negative finding as to posting of the trading operations of the Company to accounting records, and operations and efficiency of internal control system, and performance of tax and legal obligations, and has found out that all such transactions have been conducted duly and properly during the report period.
- Determinations, comments and suggestions determined as a result of audit activities conducted by the Internal Audit Unit have first been shared with the Internal Audit and Risk Management Unit, and the latter has been ensured to take all complementary and preventive measures deemed necessary in connection therewith.
- The internal control, file audit and division/unit audit reports prepared by the Internal Audit and Risk Management Unit during the report period have been reviewed, and presented to the Board of Directors for approval.

Corporate Governance Committee

The Corporate Governance Committee is at the same time performing the functions of Nomination Committee and Remuneration Committee. The Company's Corporate Governance Committee is composed of three members. Chaired by Prof. Dr. M. Baha Karan, a non-executive Independent Member of the Board of Directors, the Corporate Governance Committee is composed of members Mr. Ozan Gürsoy and Mr. Z. Hansu Uçar, both being non-executive Members of the Board of Directors.

Duties and Operating Principles of Corporate Governance Committee

1. OBJECTIVE

These regulations are intended to set out the duties and the operating principles of the Corporate Governance Committee (the "Committee"), established within the organization of the Board of Directors of İş Finansal Kiralama A.Ş. in accordance with the Capital Market Legislations and the Capital Markets Board Corporate Governance Principles.

2. LEGAL BASIS

These principles regarding the responsibilities and the operations of the Committee have been developed on the basis of and in accordance with the regulations and the provisions as per the Communiqué on the Principles to Be Followed by Corporations (Serial: IV, No: 41) and the Communiqué on the Establishment and Implementation of Corporate Governance Principles (Serial: IV, NO: 56) of the Capital Markets Board.

3. AUTHORITIES AND SCOPE

The Committee, the secretariat of which shall be conducted by a staff member of the Investor Relations Division, shall be constituted by the Board of Directors of the members thereof and be so authorized as appropriate.

The duties of the Compensation Committee and the Nomination Committee, which are contemplated to be established pursuant to the provisions of Article 4.5.1 of the Communiqué on the Establishment and Implementation of Corporate Governance Principles (Serial: IV, No: 56) of the Capital Markets Board, shall also be performed by the Corporate Governance Committee.

The Committee shall be authorized to

- establish whether or not the Corporate Governance Principles are duly implemented at the Company, the reason for any failure in respect thereof, and the conflicts of interest, which may have arisen as a consequence of the failure of full compliance with the said principles; furnish the Board of Directors with recommendations for improvement on the matter, ensure the development, the adoption and the implementation of such principles within the organization of the Company, and oversee the activities of the Investor Relations Division,
- identify and set forth the policies and strategies for the determination of eligible members for the Board of Directors; assess the functioning, structure and efficiency of the Board of Directors and the committees formed and operating thereunder and to furnish the Board of Directors with recommendations on the matter; assess the performances of the members of the Board of Directors and the senior executives and identify and set forth the principles and practices applicable to the matter,
- identify and set forth the principles of compensation of the members of the Board of Directors and the senior executives as well as the criteria applicable for performance – based compensation of the same; furnish the Board of Directors with recommendations in respect of the compensation to be offered with consideration of the performance in the fulfillment of such criteria.

The Committee may refer to independent experts' opinions and procure consultancy services at the Company's cost on such matters it may deem necessary and expedient in respect of its activities; initiate and conduct examinations and investigations, and may summon and refer to the opinions of the internal and the external auditors, employees and executives of the Company where it may deem so necessary.

The concerned staff member of the Investor Relations Division, being the secretary of the Committee, shall ensure any and all activities performed and actions taken by the Committee to be documented in writing and be so recorded, such documents and records to be properly archived and the members of the Committee to be informed effectively.

4. FORMATION OF THE COMMITTEE

Type of Committee	A Committee of the Board of Directors
Chairman	An independent member of the Board of Directors elected by the Committee members for the chair amongst them.
Members	The members of the Board of Directors elected by the Board for the committee and, if so appointed, 1 senior executive of the Company, meeting the qualification requirements contemplated by the applicable legislations
Term of Office for the Members	Each member shall be appointed for a term of office of 1 year; and any member, whose term of office may expire, shall be eligible for re-appointment.
Meeting Frequency	Minimum 4 times a year to be quarterly at the rarest.
Quorum for Resolution	The minimum meeting quorum for the Committee shall be any more than half of the total number of members; and the Committee shall adopt resolutions by majority of the members.
Resolution on the Constitution	The Resolution No. 740, dated 02.03.2005, of the Board of Directors.
Immediate Superior Body	Board of Directors

In the cases where the Committee comprises of two members, both members, and in the cases, where the Committee comprises of more than two members, then the majority of the members shall be such members of the Board of Directors, who do not perform executive functions; and the Chairman of the Committee shall be elected amongst the independent members of the Board of Directors.

A senior executive, who holds a “Capital Market Activities Advanced Level License” and a “Corporate Governance Rating Specialist License” and is assigned to ensure the coordination in the corporate governance practices of the Company, may be appointed to hold a seat at the Committee.

5. MEETINGS AND REPORTING

The Committee shall convene for minimum four times a year, being quarterly at the latest.

Any meeting of the Committee shall be attended by the Committee members, the concerned staff member of the Investor Relations Division, who shall act as the secretary, and such Investor Relations Division staff members and other Company staff members, to be summoned in respect of the agenda. The Committee may conduct interviews individually and hold meetings with the members of the Company’s top management, the internal control officer, the concerned independent auditing firm and any Company staff member, serving at any hierarchical level, in accordance with the confidentiality principles, where it may deem so necessary.

Any resolution adopted at the Committee meetings shall be documented in writing, be signed by the Committee Members and be submitted by the Chairman of the Committee to the Board of Directors.

6. DUTIES AND RESPONSIBILITIES

6.1. Compliance with Corporate Governance Principles

- The Committee shall ensure the adoption and implementation within the Company's organization of the Corporate Governance Principles.
- The Committee shall establish whether or not the Corporate Governance Principles are duly implemented at the Company, the reason for any failure in respect thereof, and the conflicts of interest, which may have arisen as a consequence of the failure of full compliance with the said principles, and furnish the Board of Directors with recommendations for improvement on the matter.
- The Committee shall review and ensure the conclusion of the material complaints filed with the Company in respect of governance, and ensure the communication to the management of the notifications on the matter on the said matters within confidentiality.
- In the cases where the Company carries out independent corporate governance rating activities; the Committee shall identify the respective rating firm, review the matters established as per the rating report, and furnish the Board of Directors with recommendations for improvement.

6.2. Public Disclosure

- The Committee shall review the annual report to be announced to public and submit it to the Board of Directors for approval.
- The Committee shall develop recommendations to ensure the compliance of the statements and analysts' presentations to be disclosed publicly with the applicable laws and regulations as well as the Information Policy of the Company.

6.3. Investment Relations

- The Committee shall oversee the activities of the Investor Relations Division, and act in cooperation with the Board of Directors and the said Division in the maintenance of effective and efficient communication between the Company and the shareholders and the settlement and resolution of any controversies, which may so arise.

6.4. Nomination

The Committee is imposed also the duties of the Nomination Committee, and shall, in that regards,

- carry out activities for the formation of a transparent system to the end of the identification, assessment and training of eligible members for the Board of Directors, and the development of appropriate policies and strategies on the matter.
- assess any proposed independent member nominations by the management and the shareholders with due consideration of whether or not the proposed nominee meets the criteria for independent member status, document its considerations on the matter in the form of a report, and submit such report to the Board of Directors for approval.
- In the event of the resignation of any independent member; conduct appropriate assessments for the appointment of substitute independent members for the seats, which so become vacant, to serve until the next immediate shareholders' assembly meeting with a view to ensure the complementation of the members of the Board of Directors, and shall notify the Board of Directors in writing of the conclusions of such assessment.
- conduct periodical assessments on regular basis in respect of the structure and the efficiency of the Board of Directors, and furnish the Board of Directors with any revision recommendations on the said matters.
- identify and set forth the approach, principles and practices applicable for the performance assessment and career planning of the members of the Board of Directors and senior executives, and oversee the implementation thereof.

6.5. Compensation Principles

The Committee is imposed also the duties of the Compensation Committee, and shall, in that regards,

- establish and set forth recommendations in respect of the approach, principles and practices applicable for the compensation of the members of the Board of Directors and the senior executives with due consideration of the long term goals of the Company; and review and revise the Compensation Policy of the Company on regular basis.
- identify and set forth the performance criteria of the Company and the criteria applicable for compensation on the basis thereof, and submit such to the Board of Directors for approval.
- furnish the Board of Directors with recommendations in respect of the compensation to be offered to the members of the Board of Directors and the senior executives with consideration of the performance in the fulfillment of such criteria.

- The stock options and the performance-based compensation schemes of the Company shall not be applicable for the compensation of the independent members of the Board of Directors, who shall be duly and sufficiently compensated for the preservation and maintenance of the independent status thereof.

During 2013, the Corporate Governance Committee has met seven times and taken seven decisions. In its meetings, the Corporate Governance Committee has reviewed and assessed the following issues:

- The corporate governance principles compliance report issued by the Company for 2012 activity period has been reviewed, and presented to the Board of Directors for approval.
- Nominations for Independent Members of the Board of Directors have been evaluated as to whether the nominees meet the independence criteria or not, and then, a report on nominations for independent members has been presented to the Board of Directors.
- The distribution of tasks inside the Committee has been resolved, and chairman of the committee has been elected.
- The operations and efficiency of the Investor Relations Unit have been discussed, and it has been determined that the Unit has acted duly and properly in terms of information of investors and enlightenment of public.
- It is noted that the procedures relating to General Assembly meetings are carried out in compliance with the corporate governance principles, and that the decisions taken in such meetings are made public in a timely manner.
- It is noted that the financial reports and annual reports are made public within legal periods of time and are published in the Company's website.
- It is noted that the website is updated by the Investor Relations Unit.
- As a part of activities of the Investor Relations Unit, it is determined that all of the information demands of shareholders have been duly answered, and information meetings have been organized with investors and analyst at home and at abroad, during the report period.
- It is noted that the Company acts properly and duly in terms of implementation of the Corporate Governance Principles, and there is no important and material complaint reported by stakeholders to the Company.

Risk Management Committee

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

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

Duties and Operating Principles of Risk Management Committee

1. OBJECTIVE

These regulations are intended to set out the duties and the operating principles of the Risk Management Committee (the "Committee"), established within the organization of the Board of Directors of İŞ Finansal Kiralama A.Ş. in accordance with the Capital Market Legislations and the Capital Markets Board Corporate Governance Principles.

The objective of the Risk Management Committee, which is assigned to manage the risks, to which the Company may be exposed due to the operations carried out thereby, is to prepare the risk management strategies and policies to be implemented by the Company and submit such to the Board of Directors for approval, to identify in advance and on early basis of the risks, which may jeopardize the existence, development and the maintenance of the Company, to ensure the management in accordance with the corporate risk-taking profile of the Company of any such risks so identified, to ensure such risks to be taken into consideration throughout the decision – making mechanisms and the formation of effective and efficient internal control systems to that end, to assess the activities performed on the matter, and to monitor the practices performed, accordingly.

2. LEGAL BASIS

The principles regarding the responsibilities and the operation of the Committee are set out by the Communiqué on the Establishment and Implementation of Corporate Governance Principles (Serial: IV, No: 56) of the Capital Markets Board. The Committee shall also perform the duties contemplated by the said Communiqué to be performed by the Early Detection of Risk Committee.

3. AUTHORITIES AND SCOPE

The Committee, the secretariat of which shall be conducted by the Internal Audit and Risk Management Officer, shall be constituted by the Board of Directors of the members thereof and be so authorized as appropriate. The chairman of the Committee shall be appointed amongst the independent members of the Board of Directors.

The Committee may refer to independent experts' opinions and procure consultancy services at the Company's cost on such matters it may deem necessary and expedient in respect of its activities; and may summon and refer to the opinions of the internal and the external auditors, employees and executives of the Company where it may deem so necessary.

The Committee shall function to the end of the early detection and identification of the risks, which may jeopardize the existence, development and the maintenance of the Company, the taking of appropriate actions in respect of the risks so detected and identified, and the management of such risks.

The Committee shall review and revise as necessary the risk management systems of the Company at least once a year.

4. FORMATION OF THE COMMITTEE

Type of Committee	A Committee of the Board of Directors
Chairman	An independent member of the Board of Directors elected by the Committee members for the chair amongst them.
Members	The Members of the Board of Directors elected amongst the members
thereof for the committee	Each member shall be appointed for a term of office of 1 year; and any member, whose term of office may expire, shall be eligible for re-appointment.
Term of Office for the Members	Each member shall be appointed for a term of office of 1 year; and any member, whose term of office may expire, shall be eligible for reappointment.
Meeting Frequency	Minimum 12 times a year to be monthly at the rarest.
Quorum for Resolution	The minimum meeting quorum for the Committee shall be the half of the total number of members; and the Committee shall adopt resolutions by unanimity.
Resolution on the Constitution	The Resolution No. 891, dated 27.10.2005, of the Board of Directors.
Immediate Superior Body	Board of Directors

In the cases where the Committee comprises of two members, both members, and in the cases, where the Committee comprises of more than two members, then the majority of the members shall be such members of the Board of Directors, who do not perform executive functions; and the Chairman of the Committee shall be elected amongst the independent members of the Board of Directors.

5. MEETINGS AND REPORTING

The Committee shall convene for minimum twelve times a year, being monthly at the latest.

Any meeting of the Committee shall be attended by the Committee members, the Internal Audit and Risk Management Officer, who shall act as the secretary, and such Company staff members, to be summoned in

respect of the agenda. The Committee may conduct interviews individually and hold meetings with the members of the Company's top management, the internal control officer, the concerned independent auditing firm and any Company staff member, serving at any hierarchical level, in accordance with the confidentiality principles, where it may deem so necessary.

Any resolution adopted at the Committee meetings shall be documented in writing in the form of minutes, which minutes shall be signed by the Committee Members and be submitted by the Chairman of the Committee to the Board of Directors.

6. DUTIES AND RESPONSIBILITIES

The Board of Directors has assigned the Committee to establish and ensure the functionality of the risk management systems, to oversee, assess and direct the activities carried out on the matter, and to ensure the coordination as necessary. The Committee shall be responsible for the performance of the risk management activities in accordance with the Company's needs and risk policies in terms of the scope, procedures and methods related thereto and for the risk management processes. The risk management duties and responsibilities of the

Committee are provided as follows:

1. To prepare the risk management strategies and policies to be implemented by the Company and to submit the same to the Board of Directors for approval, and to furnish the Board of Directors with recommendations for the monitoring and the revision of such practices.
2. to furnish the Board of Directors with recommendations in the identification of the baseline risks, to which the Company is exposed, and to furnish the Board of Directors with recommendations for the monitoring and the elimination of any violation of such limits.
3. to review the Risk Reports to be prepared by the Internal Audit and Risk Management Division, and to submit the recommendations in respect of the actions to be taken for the findings as well as other matters included in such reports to the Board of Directors for consideration and approval.
4. to monitor the risk measurement methods and the results so derived in order to ensure the accuracy and reliability thereof and
5. to closely monitor the development of credit risk and the condition of and the course followed by the doubtful receivables portfolio.

During 2013, the Risk Management Committee has met nine times and has taken ten decisions. In its meetings, the Committee has reviewed and assessed the following issues:

- The distribution of tasks inside the Committee has been resolved, and chairman of the committee has been elected.

- It has been resolved that risk reports be prepared and issued 4 times a year in March, June, September and December months, and in addition, a summary risk report be issued on monthly basis, and such resolutions have been presented to the Board of Directors for information purposes.
- Periodic risk reports issued by the Company have been evaluated by the Committee, and it has been determined that the risks mentioned in the reports are within the limits of individual risks and total risks, as determined by the Board of Directors, and said reports have been presented to the Board of Directors for information purposes.
- Risk management systems have been reviewed, and necessary actions have been taken for preparation of risk management strategies and policies of the Company with a view to implementation of the required precautions and management of risks, and the results have been presented to the Board of Directors for approval purposes.

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

18. Risk Management and Internal Control Mechanism

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

Risk Management Committee regularly reviews the processes relating to measurement, assessment and management of risks, and reports its activities to the Board of Directors on monthly basis.

Furthermore, the Audit Committee, through internal audit activities, monitors and follows up the efficiency of risk management and internal control activities of the Company, and reports its results to the Board of Directors.

19. Strategic Goals of Company

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

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

20. Financial Rights

The Company's wage policy has been presented to the information of shareholders as a separate agenda item in the annual ordinary meeting of the General Assembly, and is further published in the Company's website. The purpose of the wage policy is to ensure that the Company's waging practices are conducted and managed in compliance with the relevant applicable laws and the scope, structure, strategies, long-term objectives and risk management structures of activities and operations of the Company, and in such manner to prevent excessive risk taking, and in reliance upon effective risk management. The policy covers all executives and employees of every level of the General Management and branches of the Company in terms of wage management.

The amounts of remunerations paid to the Directors and internal auditors are determined by the General Assembly. No fringe benefits or fees other than remunerations are paid to the Directors and auditors.

Remunerations of independent members of the Board of Directors are paid directly to them, and remunerations of other directors are paid to the corporations they are representing in the Board of Directors. During 2013, a total sum of 688 thousand TL has been paid to the members of board of directors.

The top echelon executives of the Company are eligible not only for wages and fringe benefits, but also for a bonus premium paid once a year and determined by the Board of Directors by taking into consideration such indicators as the Company's business volume, kind of activities, risk level, size of the managed and administered structure, factors relating to market segment, and inflation rate. Furthermore, company car and mobile phone are also allocated to the top echelon executives of the Company. During 2013, a total sum of 1.814 thousand TL has been paid to the top echelon executives of the Company.

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

DECLARATION OF INTERNAL CONTROL ENVIRONMENT

İş Finansal Kiralama A.Ş.

Declaration of Audit Committee on Internal Control Environment

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

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

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

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

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

İstanbul, 04 February 2014

President of Audit Committee
and Board Member
M. Hakan BERUMENT

Audit Committee and
Board Member
M. Baha KARAN

AGENDA OF THE GENERAL ASSEMBLY

CONCERNING THE ORDINARY ASSEMBLY MEETING OF İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ TO BE HELD ON 26 MARCH 2014

AGENDA

1. Opening and forming of the meeting's Presidential Board;
2. Reading and discussing the Board of Directors' Annual Report, Declaration of Compliance on Corporate Governance Principles and Independent Auditor Report relating to 2013 activities and operations;
3. Reading, discussing and approval of Financial Statements of 2013;
4. Release of the Directors;
5. Discussing and deciding the Profit Distribution Proposal of the Board of Directors, determining the Profit Distribution Date;
6. Approval of Directors elected as per article 363 of the Turkish Commercial Code and article 9 of the Articles of Association for the seats vacated in the Board of Directors during the period;
7. Election of Directors and determination of their term of office, and information of the shareholders about the outside duties and jobs of the Directors and their justification, according to the existing registered Articles of Association;
8. Determination of remunerations payable to the Directors;
9. Giving permission to persons named by the relevant applicable laws for performance of the transactions referred to in articles 395 and 396 of the Turkish Commercial Code;
10. Giving information about the transactions mentioned in article 1.3.6 of the Corporate Governance Principles;
11. Approval and election of independent audit firm proposed by the Board of Directors;
12. Presentation of the revised Profit Distribution Policy to the General Assembly for approval purposes;
13. Presentation of the revised Disclosure Policy to the General Assembly for information purposes;
14. Informing the General Assembly about the donations made in 2013;
15. Determination of an upper limit for donations of the Company pursuant to 5th paragraph of article 19 of the Capital Markets Law;

Venue of Meeting: İş Kuleleri, Kule 3, Kat 25

34330 4. Levent – İstanbul

Date of Meeting: 26 March 2014, 14:00 hours

PROFIT DISTRIBUTION PROPOSAL

PROFIT DISTRIBUTION PROPOSAL

İŞ FİNANSAL KİRALAMA A.Ş. 2013 Profit Distribution Table (Thousand TL)		
1. Paid in/Issued Share Capital		424.365
2. General Legal Reserves (According to Statutory Records)		19.774
Information on profit distribution privileges according to Articles of Association		
	As per SPK	As per Statutory Books
3. Profit for the Period	50.444	56.559
4. Taxes (-) (**)	(10.855)	(7.540)
5. Net Profit for the Period (=)	39.589	49.019
6. Previous Years' Losses (-)	-	-
7. General Legal Reserve (-)	2.451	2.451
8. NET DISTRIBUTABLE PROFIT (=)	37.138	46.568
9. Donation Made During the Year (+)	18	
10. Net Distributable Profit determined with the addition of donations made during the year	37.156	
11. First Dividend to Shareholders	37.138	
-Cash	-	
-Stocks	37.138	
- Total	37.138	
12. Dividends to Holders of Preferred Shares	0	
13. Other Dividend		
-To Board of Directors,		
-To Employees,		
-To Persons other than Shareholders	0	
14. Dividend to Holders of Usufruct Shares	0	
15. Second Dividend to Shareholders	0	
16. General Legal Reserves	0	
17. Statutory Reserves	0	
18. Other Reserves	0	
19. EXTRAORDINARY RESERVES	0	9.430
20. Other Sources Planned to be Distributed (*)	15.000	

(*) It was decided to distribute 15.000 thousand TL from extraordinary reserves of Company.

(**) 7.020 thousand TL of deferred taxation expense included in our consolidated profit for the year 2013 will be deducted from deferred tax classified in extraordinary reserves which will not be distributed.

İŞ FİNANSAL KİRALAMA A.Ş. 2013 DIVIDEND RATE TABLE

	GROUP	TOTAL DIVIDEND		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND FOR EACH 1 TL NOMINAL SHARE	
		CASH (THOUSAND TL)	BONUS (TOHUSAND TL)	RATE (%)	AMOUNT (TOHUSAND TL)	RATE (%)
GROSS	A					
	B					
	TOTAL	15.000	37.138	140 %	0,12286	12,29

BOARD DECISION REGARDING FINANCIAL STATEMENTS

İstanbul, 04 February 2014

ÇOK GİZLİ

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

I submit the subjects regarding the approval and disclosure of the audited consolidated financial statements and notes for the period 01.01.2013-31.12.2013 for your approval.

Best Regards,

Hasan K. Bolat
General Manager

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

Decision No: 2110

Decision Date: 04.02.2014

Suat İNCE
Chairman

Ozan GÜRSOY
Vice President

Halil EROĞLU
Member

M. Hakan BERUMENT
Member

Mehmet Baha KARAN
Member

Hasan K. BOLAT
Member

Z. Hansu UÇAR
Member

Fikret Utku ÖZDEMİR
Member

Ünal ÇAKMAK
Member

İŞ FİNANSAL KİRALAMA A.Ş. AUDIT COMMITTEE

Decision No: 76

Decision Date : 04.02.2014
Decision No : 2014.76
Meeting Hour : 10:00
Agenda Item No : 1

Subject: Regarding financial statements of the period 01.01.2013 – 31.12.2013

We confirm that the consolidated financial statements and footnotes of the Company pertaining to the period 01.01.2013 – 31.12.2013 which have been subject to an independent audit are accurate and that they have been prepared in accordance with the relevant legislation as well as with generally accepted accounting principles and standards. We have also consulted with the executives in charge of the company during our audit. We deem it appropriate to submit the said financial statements and their footnotes to the Board of Directors for approval and public disclosure.

M. Hakan BERUMENT
Chairman of Committee

Mehmet Baha KARAN
Member

Financial Statements



Having a distinct perspective creates the difference



*(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.



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

**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
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	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		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		1.365.004	2.127.577	3.492.581	1.585.286	1.235.036	2.820.322

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT 31 DECEMBER 2013

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

LIABILITIES	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2013

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

OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
		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	15.804	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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

INCOME AND 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		(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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

CHANGES IN EQUITY		Profit/Loss												subsequently to Profit/Loss											
		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	520.018				
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	-	-	520.018				
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	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	(52.039)	40.805	996	41.801			
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	52.039	2.624	-	34.350	15.065	(52.039)	-	-	-	-	-			
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	52.039	2.624	-	34.350	15.065	(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	-	-	-	8.144	-	112.907	19.251	-	93.656	-	40.805	40.805	-	13.004	565.798				
II.	Correction Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
III.	New Balance (I+II)	389.000	-	-	-	1.938	-	-	-	8.144	-	112.907	19.251	-	93.656	-	40.805	40.805	-	13.004	565.798				
IV.	Total Comprehensive Income	-	-	-	-	-	-	328	-	(4.182)	-	-	-	-	-	-	-	-	-	(495)	(4.349)				
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
VI.	Capital Increase from internal reserves	35.365	-	-	-	-	-	-	-	-	-	(15.376)	-	-	(15.376)	-	(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)	-	-	-	-	-			
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	2.040	2.040	-	-	-	(2.040)	-	-	-	-	-			
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Balance at the End of the Period (31.12.2013)		424.365	-	-	-	1.938	-	328	-	3.962	-	99.571	21.291	-	78.280	-	58.365	18.776	39.589	15.109	603.638				

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

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 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 in Operating Assets And Liabilities		174.634	62.853
1.1.1	Interests Received/Lease Income		187.471	165.451
1.1.2	Interest 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY
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		
3.1	TO OWNERS OF STOCKS (TRY)	-	0.10489
3.2	TO OWNERS OF STOCKS (%)	-	10,49%
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.

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

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

(*)The company name "İş Faktoring 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).

Dividend Payable

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

Approval of the Financial Statements

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

Accounting Standards Applied

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

(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)

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:

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

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

(i) Subsidiaries

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

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

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

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.

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

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

2.2 Changes in Accounting Policies (Continued)

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

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

(ii) Presentation of items of other comprehensive income

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

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

(iii) Employee benefits

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

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

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

2. 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.

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

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. Revenue

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Tangible Assets

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

<u>Definition</u>	<u>Years</u>
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	5 years

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

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 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).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Impairment of Non-Financial Assets

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

e. Borrowing Costs

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

f. Financial Assets Held For Sale

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

g. Financial Instruments

Financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available for sale financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Finance lease receivables, factoring receivables and other receivables

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

Provision for doubtful finance lease receivables, factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease and factoring receivables. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated 20 July 2007 and numbered 26588 by BRSA, the Group's specific provision rate allocated for the below finance lease receivables considering their collaterals as at 1 January 2008 are as follows: 20%, at a minimum, for finance lease receivables overdue more than 150 days not exceeding 240 days, 50%, at a minimum, for finance lease receivables overdue more than 240 days not exceeding 360 days; and 100%, at a minimum, for finance lease receivables overdue more than 1 year.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

h. Business Combinations

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

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

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

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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:

	<u>31 December 2013</u>	<u>31 December 2012</u>
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.

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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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

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

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

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

p. Employee Benefits / Reserve for Employee Termination Benefits

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Statement of Cash Flows

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

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

s. Share Capital and Dividends

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

t. Related Parties

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

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

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

Financial assets held for trading:

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

	31 December 2013		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

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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.

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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	
		Incorporation and location	Voting right (%)	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<u>Name of the investment</u>	<u>Core business</u>						
<u>Quoted Investments:</u>							
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
<u>Unquoted investments:</u>							
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
<u>Short-term factoring receivables (*)</u>		
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)
	<u>946.110</u>	<u>1.014.944</u>
Non-performing factoring receivables (**)	13.969	10.902
Provision for non-performing factoring receivables (**)	(13.969)	(10.902)
	<u>946.110</u>	<u>1.014.944</u>

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

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

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).

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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):

<u>Collateral type</u>	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)

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8. LEASE RECEIVABLES

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

<u>31 December 2013</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	32.817	-	32.817
Non-performing finance lease receivables (*)	107.512	2.073	109.585
Uninvoiced finance lease receivables	768.032	1.465.063	2.233.095
Less: Unearned interest income	(130.690)	(163.309)	(293.999)
Leasing contracts in progress (**)	-	157.526	157.526
Advances given for lease transactions	-	45.640	45.640
Specific provisions (*)	(51.657)	(996)	(52.653)
Net finance lease receivables	<u>726.014</u>	<u>1.505.997</u>	<u>2.232.011</u>
<u>31 December 2012</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
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	<u>462.387</u>	<u>928.251</u>	<u>1.390.638</u>

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

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 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:

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

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

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

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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.

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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):

<u>Collateral type</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
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:

	<u>31 December 2013</u>	<u>31 December 2012</u>
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:

<u>Collateral type</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
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).

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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:

<u>Guarantee type:</u>	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:

<u>Movement of specific provisions:</u>	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.).

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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
<u>Finance lease receivables</u>		
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
<u>Factoring receivables</u>		
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
<u>Payables to related parties</u>		
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
<u>Deposits placed to related parties</u>		
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
<u>Derivative financial assets held for trading</u>		
Türkiye İş Bankası A.Ş.	-	6.131
	-	6.131
	31 December 2013	31 December 2012
<u>Derivative financial liabilities held for trading</u>		
Türkiye İş Bankası A.Ş.	69.920	3.810
	69.920	3.810

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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.

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

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2012</u>
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

İş Bank AG (*)

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

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2012</u>
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

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

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2012</u>
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

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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
<u>Finance lease interest income from related parties</u>		
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 San.ve 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
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	4.329	681
Total	4.329	681
<u>Dividend income from related parties</u>		
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
<u>Finance expense</u>		
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
<u>Rent expense</u>		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	2.262	714
Türkiye İş Bankası A.Ş.	-	1.108
Total	2.262	1.822
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	2.746	2.145
Total	2.746	2.145

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9. RELATED PARTIES (Continued)

	31 December 2013	31 December 2012
<u>Factoring commission income</u>		
Şişe Cam Dış Tic.A.Ş.	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
Kültür Yayınları İş-Türk Ltd. Şti.	39	177
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	-	40
Total	1.944	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

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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 (*)

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

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

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

10. TANGIBLE ASSETS

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

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2013	179	2.888	1.867	2.541	7.475
Additions	-	207	-	688	895
Disposals	-	(207)	-	(32)	(239)
Closing balance at 31 December 2013	<u>179</u>	<u>2.888</u>	<u>1.867</u>	<u>3.197</u>	<u>8.131</u>
<u>Accumulated depreciation</u>					
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	<u>(93)</u>	<u>(2.213)</u>	<u>(1.867)</u>	<u>(2.264)</u>	<u>(6.437)</u>
Carrying amounts at 31 December 2013	<u>86</u>	<u>675</u>	<u>-</u>	<u>933</u>	<u>1.694</u>

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10. TANGIBLE ASSETS (Continued)

	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvements	Total
<u>Cost</u>					
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
<u>Accumulated depreciation</u>					
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
<u>Cost</u>		
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
<u>Amortization</u>		
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

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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 2013, 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.

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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
<u>Temporary differences subject to deferred tax</u>		
Investment incentive – with withholding tax	174.912	169.576
Investment incentive – without withholding 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
<u>Deferred tax assets / (liabilities)</u>		
Investment incentive – with withholding tax	350	339
Investment incentive – without withholding 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 withholding tax" and 20% for the other items (31 December 2012: 0.2% and 20%).

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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:

	<u>31 December 2013</u>	<u>31 December 2012</u>
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	<u>44.268</u>	<u>51.370</u>

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:

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

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

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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

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16. FUNDS BORROWED (Continued)

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

<u>Maturity analysis of borrowings</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
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:

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

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2012</u>
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:

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

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16. FUNDS BORROWED (Continued)

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2012</u>
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:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
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:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
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.

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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%, 4rd coupon interest rate is 1,89%, 5th coupon interest rate is 1,77%, 6th coupon interest rate is 1,65%, 7th 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.

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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 % (1st coupon interest rate is 2,58, 2nd coupon interest rate is 2,18, 3rd coupon interest rate is 1,79, 4th coupon interest rate is 1,78, 5th coupon interest rate is 1,95, 6th 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 % (1st coupon interest rate is 1,92, 2nd 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.

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20. TAXES AND DUTIES PAYABLE

As at 31 December 2013 and 31 December 2012, 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:

	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
31 December 2013			
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			
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

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22. EMPLOYEE BENEFITS

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

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

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

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
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:

	<u>31 December 2013</u>	<u>31 December 2012</u>
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	<u>1.759</u>	<u>2.001</u>

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Balance at the beginning of the period	477	325
Provision set during the period	178	152
Balance at the end of the period	<u>655</u>	<u>477</u>

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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

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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:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2013</u>	<u>(%)</u>	<u>31 December 2012</u>
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
Camış 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;

<u>Shareholders</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Nemtaş Nemrut Liman İşletmeleri A.Ş.	22.500.000	22.500.000
Total	600.000.000	600.000.000

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

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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:

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

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:

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

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).

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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
			<u>843.920</u>
Currency Swap Sales:			
USD	157.182.425		335.474
Euro	189.759.339		557.228
			<u>892.703</u>
		31 December 2013	
		Amount as	
		Original Currency	TRY
Forward Purchase Transactions:			
TRY	-		8.230
			<u>8.230</u>
Forward Sales Transactions:			
Euro	2.579.106		7.574
			<u>7.574</u>

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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
		<u>309.161</u>
Currency Swap Sales:		
USD	122.345.600	218.093
Euro	36.729.825	86.378
		<u>304.471</u>
	31 December 2012	
	Amount as	
	Original Currency	TRY
Forward Purchase Transactions:		
TRY	-	1.960
		<u>1.960</u>
Forward Sales Transactions:		
USD	950.000	1.694
Euro	100.000	235
		<u>1.929</u>

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

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29. SEGMENT REPORTING

Information regarding the Group's operating business segments is based on the Group's management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

Business segments

The Group comprises the following main business segments:

- Leasing Includes the Group's finance lease activities
- Factoring operations Includes the Group's factoring activities

<u>31 December 2013</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
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

<u>31 December 2012</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
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

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29. SEGMENT REPORTING (Continued)

31 December 2013	Leasing	Factoring	Consolidation Adjustments	Consolidated
Operating Income	125.745	58.489	-	184.234
Financial Expenses (-)	(80.188)	(35.260)	-	(115.448)
Gross Profit / Loss	45.557	23.229	-	68.786
Operating Expense (-)	(21.686)	(8.758)	-	(30.444)
Gross Operating Profit/Loss	23.871	14.471	-	38.342
Other Operating Income	187.298	4.200	(18.776)	172.722
Provision for Losses on Non-Performing Receivables (-)	(14.197)	(3.411)	-	(17.608)
Other operating Expenses (-)	(140.412)	-	-	(140.412)
Net Operating Profit / Loss	56.560	15.260	(18.776)	53.044
Profit or Loss from Continuing Operations	56.560	15.260	(18.776)	53.044
Provision for Taxes from Continuing Operations (±)	(7.539)	(3.316)	-	(10.855)
Net Profit or Loss from Continuing Operations	49.021	11.944	(18.776)	42.189
Non-controlling Interests	-	-	(2.600)	(2.600)
Net Profit or Loss for the Period	49.021	11.944	(21.376)	39.589
Fixed Asset Additions	883	212	-	1.095
Depreciation and Amortisation	(570)	(192)	-	(762)
31 December 2012	Leasing	Factoring	Consolidation Adjustments	Consolidated
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.

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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)	(1.263)
	(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

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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.

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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:

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

(*) 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.

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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.

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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%.

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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:

	<u>1 January- 31 December 2013</u>	<u>1 January 31 December 2012</u>
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.

	<u>31 December 2013</u>	<u>31 December 2012</u>
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	<u>42.436.500.000</u>	<u>38.900.000.000</u>

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

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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".

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Financial Assets:</u>		
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
<u>Financial Liabilities:</u>		
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.

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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:

	USD 000	Euro 000	CHF 000	GBP 000	JPY 000	TRY Equivalent
31 December 2013 (*)						
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
	<u>20</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>
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	<u>(1.148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.449)</u>
Total liabilities (**)	<u>(333.936)</u>	<u>(223.760)</u>	<u>(9)</u>	<u>(81)</u>	<u>(887)</u>	<u>(1.370.143)</u>
Balance sheet position	<u>159.178</u>	<u>192.335</u>	<u>(9)</u>	<u>20</u>	<u>(861)</u>	<u>904.557</u>
Off balance sheet position	<u>(157.182)</u>	<u>(192.338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900.276)</u>
Net foreign currency position	<u>1.996</u>	<u>(3)</u>	<u>(9)</u>	<u>20</u>	<u>(861)</u>	<u>4.281</u>

(*) 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.

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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.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2013				
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(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2012				
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.

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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:

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Fixed rate instruments</u>		
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	-	-
<u>Variable rate instruments</u>		
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.

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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).

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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

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

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

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

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

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

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2012, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables						Fair value through profit/loss financial assets	Insurance receivables	Other Receivables
	Finance Lease Receivables			Factoring Receivables					
31 December 2012	Related party	Third party	Third party	Related party	Third party	Third party	Deposits		
Exposure to maximum credit risk as at reporting date ^(*)	38.707	1.351.931		24.090	990.854		317.154	8.723	2.198
- The portion of maximum risk covered by guarantee	-	107.915		-	854		-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	38.707	1.123.506		24.090	990.767		317.154	8.723	2.198
- The portion covered by guarantee	-	72.028		-	854		-	-	-
	-	-		-	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	-			-	-		-	-	-
D. Net carrying value of impaired assets	-	43.721		-	-		-	-	-
- Overdue (gross book value)	-	81.557		-	10.902		-	-	-
- Impairment (-)	-	(56.502)		-	(10.902)		-	-	-
- Covered portion of net book value (with letter of guarantee etc) ^(**&#223)	-	8.963		-	-		-	-	-
- Not past due (gross book value)	-	20.130		-	-		-	-	-
- Impairment (-)	-	(1.464)		-	-		-	-	-
- Covered portion of net book value (with letter of guarantee etc.) ^(**&#223)	-	-		-	-		-	-	-
E. Off balance sheet items with credit risks	-	-		-	-		-	-	-

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

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

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 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	<u>100,00</u>	<u>100,00</u>

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 13,74% 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	<u>100,00</u>	<u>100,00</u>

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

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

	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
	<u>648.660</u>	<u>130.483</u>	<u>561.064</u>	<u>108.769</u>

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

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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

	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)
<u>Contractual Maturities</u>						
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	<u>3.211.684</u>	<u>3.503.022</u>	<u>1.153.485</u>	<u>881.974</u>	<u>1.386.806</u>	<u>80.757</u>
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	<u>2.755.835</u>	<u>2.919.896</u>	<u>1.088.964</u>	<u>652.190</u>	<u>1.178.742</u>	<u>-</u>

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

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (Continued)

31 December 2012

	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)
<u>Contractual Maturities</u>						
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	<u>2.708.572</u>	<u>2.924.098</u>	<u>1.352.497</u>	<u>529.076</u>	<u>944.018</u>	<u>98.507</u>
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	<u>2.236.626</u>	<u>2.303.578</u>	<u>1.214.345</u>	<u>575.536</u>	<u>512.158</u>	<u>1.539</u>

(*) 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.

	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)
<u>31 December 2013</u>						
<u>Contractual Maturities</u>						
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)	-
<u>31 December 2012</u>						
<u>Contractual Maturities</u>						
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)

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

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

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

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

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

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40. 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
<u>Financial Assets</u>								
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
<u>Financial liabilities</u>								
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

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(I) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 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.

ADDRESSES

Head Office:

İş Kuleleri, Kule 1, Kat: 6, 4. Levent 34330 İstanbul / Turkey
Tel: (+90 212) 350 74 00 Fax: (+90 212) 350 74 99

Kozyatağı Branch:

Kozyatağı Mahallesi, Bayar Caddesi, Gülbahar Sokak No: 17, Kat: 5, D: 54, Kozyatağı, İstanbul / Turkey
Tel: (+90 216) 688 75 58 - (+90 216) 688 75 59 Fax: (+90 216) 688 49 76

Avcılar Branch:

Bahçelievler Mah., Yanyol D-100 Sokağı, Metroport Busidence, No: 14B, D: 609, Bahçelievler 34180 İstanbul / Turkey
Tel: (+90 212) 442 05 21 Fax: (+90 212) 442 05 97

Şişli Branch:

19 Mayıs Mahallesi, Atamin Apartmanı No: 210, Kat: 3, D: 4, Şişli, İstanbul / Turkey

Gebze Branch:

Gebze Organize Sanayi Bölgesi, 1600. Sokak, No: 1601/3, Gebze 41480 Kocaeli / Turkey

Central Anatolian Regional Branch:

Vizyon Plaza, Yıldızevler Mahallesi, 714. Sokak, No: 5/43, Çankaya 06550 Ankara / Turkey
Tel: (+90 312) 446 68 30 - (+90 312) 446 68 34 Fax: (+90 312) 447 36 96

Aegean Regional Branch:

Şehit Fethi Bey Caddesi, M. Münir Birsal Plaza, No: 36, Kat: 3, D: 9, Çankaya, Alsancak 35240 İzmir / Turkey
Tel: (+90 232) 483 22 04 - (+90 232) 483 39 20 Fax: (+90 232) 483 12 38

South Anatolian Regional Branch:

İncilipınar Mahallesi, Gazimuhtarpaşa Bulvarı, Kepkepzade Park İş Merkezi, A Blok, Kat: 7, No: 26
Şehitkamil 27160 Gaziantep / Turkey
Tel: (+90 342) 230 44 49 - (+90 342) 230 17 15 Fax: (+90 342) 220 92 62

Marmara Regional Branch:

Odunluk Mahallesi, Akademi Caddesi, Zeno Business Center, No: 2 C-17, Nilüfer, Bursa / Turkey
Tel: (+90 224) 452 56 52 - (+90 224) 452 32 40 Fax: (+90 224) 451 41 55

Mediterranean Regional Branch:

Şirinyalı Mahallesi, Eski Lara Caddesi, No: 121/8, Adonis Otel Karşısı, Lara 07160 Antalya / Turkey
Tel: (+90 242) 316 91 34 - (+90 242) 316 91 38 Fax: (+90 242) 316 91 78

Çukurova Branch:

Çınarlı Mahallesi, Turhan Cemal Beriker Bulvarı, No: 31, Seyhan, Adana / Turkey
Tel: (+90 322) 363 04 81 Fax: (+90 322) 363 04 82

Trabzon Branch:

Kahramanmaraş Caddesi, No: 28/A, Merkez 61200 Trabzon / Turkey
Tel: (+90 462) 321 14 22 Fax: (+90 462) 321 14 23

Konya Branch:

Büsan Organize Sanayi Bölgesi, Fevzi Çakmak Mahallesi, Ankara Yolu, No: 224, Karatay, Konya / Turkey
Tel: (+90 332) 345 44 27 - Fax: (+90 332) 345 44 28

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