







CONFORMITY REPORT OF ANNUAL ACTIVITY REPORT



INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS

**To The Board of Directors of Vakıf Finansal Kiralama Anonim Şirketi;
Report on Annual Activity Report of Board of Directors within the scope of
External Audit Guidelines**

1. We have audited annual activity report of Vakıf Leasing Inc. ("Company"), and its subsidiaries (hereafter referred as "Group") for the accounting period ending on 31 December, 2015.

Responsibility of Board of Directors for the Annual Activity Report

2. Company's management is responsible for preparation of annual activity report, which coincides with consolidated financial statements in accordance with Turkish Commercial Code ("TCC") under article 514 of law number 6102, and which reflects provisions of "Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1)" ("Communiqué") of Capital Markets Board ("CMB"), and for assurance of internal control required for preparation of such an activity report.

Responsibility of Independent Auditor

3. Our responsibility is to issue an opinion based on the independent audit we carried out in accordance to article 397 of TCC and Communiqué, in order to evaluate whether the financial information in this activity report coincides with consolidated financial statements of the independent auditors report of Group, dated 18 February, 2015.

We carried out an independent audit in accordance to External Audit Standards, which is a part of Turkish Auditing Standards issued by Public Oversight Accounting and Auditing Standards Authority. These standards ensure reconciliation to ethical provisions and executions and assure that independent audit and financial information within this activity report coincide with consolidated financial statements.

Independent audit involves application of audit procedures in order to obtain audit evidence about historical financial data. The selection of such procedures is based on professional judgment of independent auditor.

We believe that audit evidence we obtain while an independent audit is sufficient and appropriate to provide a basis for an audit opinion.



Opinion

4. As a result of our assessment, we found no evidence of inconsistency regarding the information stated in audited financial data of Board of Directors and consolidated financial statements.

Other liabilities arising from legislation

5. In accordance with the third paragraph of Article 402 of Turkish Commercial Code, law number 6102; there was no evidence that need to be reported about that Vakıf Leasing Inc. cannot continue on activities in the foreseeable future within the framework of BDS 570 "continuity of business".

**Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.**
a member of
PricewaterhouseCoopers


**Zeynep Uras, SMMM
Sorumlu Denetçi**



Başaran Nas
Independent Auditor and Independent Accountant Public Accountant Inc.
A member of PricewaterhouseCoopers

Zeynep URAS, Independent Accountant and Financial Advisor

Cap AuditorIstanbul, March 4, 2016



future towards you



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*Vakıf Leasing
In its 27th Year*



MESSAGE FROM CHAIRMAN OF BOARD DIRECTORS



// Established in 1988 as one of the first leasing companies under the leadership of our majority shareholder Vakıfbank, our company has remained in 2015 too as in previous years as a company preserving its pioneering role in use, promotion and development of the product of Financial Leasing prevailing both across the entire world and in our country. //

Established in 1988 as one of the first leasing companies under the leadership of our majority shareholder Vakıfbank, our company has remained in 2015 too as in previous years as a company preserving its pioneering role in use, promotion and development of the product of Financial Leasing prevailing both across the entire world and in our country.

With its intensified customer relations, our Company has contributed significantly to the national economy by financing investments of manufacturing and service industries as well as SMEs, and using its resources in line with the requirements of economic development, it has continued to be a symbol for a long-established tradition and experience.

It will be appropriate to state that, in 2015 during which worldwide economic and structural disruptions continued and in an environment where our country witnessed two political elections, our Company was affected at the very least by the negativities brought by the global crisis.

Keeping its fingers on the economy due to the fact that it directly finances investments and production, Financial Leasing sector has enabled various investments to be actualized and has become an outstanding financial player in demands for fixed capital investments owing to the powerful fiscal policies in force in our country and determined economic measures taken.

While currently almost 7% of private-sector fixed capital investments in our country is financed through financial leasing, it is observed that this number reaches up to 30% in developed countries. This is also an indicator showing that there still lies a lot of ground for the industry to cover.

Improvement of economic market share and enhancement of product range of non-bank financial sector in our country, strengthening and intensifying fields of activity and providing required support for SMEs can be made possible through enabling the industry to have access over investible resources from both inside and outside the country in equality of competition and opportunities, and economic stabilization will positively contribute to the development process of leasing sector.

As Vakıf Leasing, preserving our intensive customer relation and loyalty despite all the negative conditions experienced during 2015 and without compromising our high quality service concept, we have brought best solutions for the incoming investment demands maintaining our notion of risk and thus succeeded to become a company that has made a difference across the industry.

Aiming at national economic development, enabling new employment opportunities and supporting our SMES serving as the locomotives of our national economy, our Company will preserve its customer-oriented, open-for-improvement and prudent approach and maintain its position as one of the most important financial players in the financial leasing sector in 2016 as well.

I would like to take this opportunity to thank our customers, employees and all the other social shareholders for their ongoing support and confidence on behalf of our Board of Directors and stakeholders, and congratulate all those who have contributed to our development.

Best Regards,



MESSAGE OF THE GENERAL MANAGER



//

Our Company has completed 2015 with pride and confidence of taking firms steps forward in our journey ongoing for 28 years, and continued to contribute to the national economy despite the global economic uncertainty with its confidence-oriented concept of service and dynamic human resources having the ability to make a difference.

//

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As the result of synergy and common shares created with our majority shareholder Vakıfbank, one of the most well-established banks of Turkey, we are delighted to see that the support and quality service we provide for financial markets have increasingly grown.

With the powerful financial structure of our Company, our dynamic policy of human resources and alternative financial solutions we offer for investors, we believe that our share in the financial leasing sector will be on the rise next year.

Positive contributions of new financing methods such as operational leasing, sale and lease back and software leasing, which were introduced to the market by the Law on Financial Leasing, Factoring and Financing Companies No. 6361 being effective upon publication in the Official Gazette No. 28496 dated 13.12.2012, to the profoundness and maturity of the sector having a 31-year background in Turkey have been adopted by the industry and it is also expected that these developments will contribute to the sector also in the years to come.

In 2015 our Company raised its year-over-year size of assets up to 1,5 Billion TLs with an increase of 25%, its leasing receivables to 1,3 Billion TLs with 22%, and shareholders' equity to 143 Million TLs with 36%, and maintained its growth trend. Giving precedence to profitability regarded as the requirement of healthy growth, our company generated a net profit of 23,6 Million TLs in 2015.

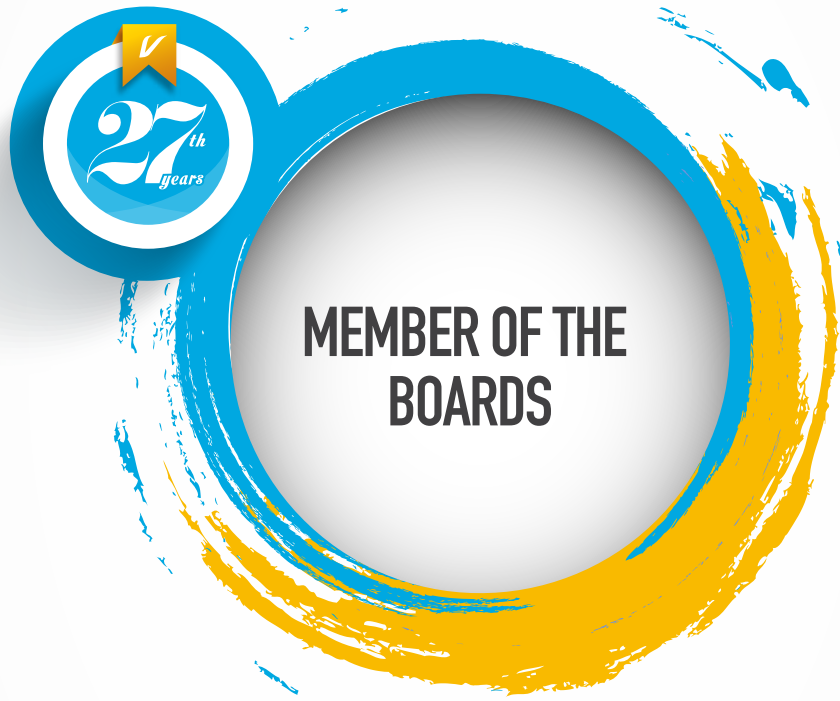
Thanks to its experience of a quarter-century, Vakıf Leasing will continue its support for small- and medium-scale investors and its contribution to the country's economy in 2016 as much as in 2015 with its strong capital structure, modern-educated team of experts accommodating themselves to competitive conditions and its organic model of growth.

After a prospering year, submitting our International Financial Reporting Standards (IFRS) activity report and financial statements for 2015 enclosed in the attachment, I would like to thank our customers, economic and social shareholders and all our stockholders for their support and confidence, and to express my gratitude to our Board of Directors and colleagues for their vigorous and devoted efforts and contributions.

Best Regards,



Osman Zeki ÖZGER
General Manager



MEMBER OF THE BOARDS



Left to Right

Osman DEMREN
Member of the Board,
Deputy Chairman

✓ Prof.Dr.Şükrü KARATEPE
Member of the Board

✓ Osman Zeki ÖZGER
Member of the Board /
General Manager

✓ Şeref AKSAÇ
Chairman of the
Board

✓ Erkut AKPINAR
Member of the Board

✓ Telat KARAPINAR
Member of the Board

✓ İbrahim Halil ÇİFTÇİ
Member of the Board





Şeref AKSAÇ
Chairman of the Board

(01.04.2015 - ...)

He was born in Bayburt in 1956. He graduated Istanbul Academy of Economics and Commercial Sciences, Faculty of Political Sciences, Department of Public Administration in 1979. Starting his professional career in 1982 as a Deputy Inspector at T.C. Ziraat Bankası A.Ş., Aksaç was promoted to become an Inspector in 1986. He performed duties as Istanbul Branch Deputy Manager between 1990 and 1993 and as a Manager in various branches of the Bank from 1993 to 2003. He was assigned as the Vice General Manager Responsible for Human Resources between 2003 and 2005. In addition to these positions, he worked as the member of Board of Supervisors at Başak Sigorta and of Board of Directors at Türkmen Turkish Joint-Stock Commercial Bank and Ziraat Yatırım ve Menkul Değerler. While Aksaç held a position at Ziraat Hayat ve Emeklilik A.Ş. as Sales and Marketing Vice General Manager and Deputy General Manager in August 2012, he was assigned as the General Manager of Ziraat Hayat ve Emeklilik A.Ş. as of March 2013. He is married and a father of one. On 30.04.2014 he was elected as the Member of Board of Directors at the Extraordinary General Meeting of T. Vakıflar Bankası T.A.O. Also performing a duty as a Member of Credit Committee and the Committee of Accounting at T.Vakıflar Bankası T.A.O., Şeref AKSAÇ has preserved its position as the Board Chairman of our Company since 01.04.2015 and has been working as the Vice President of the Board at Vakıf Emeklilik A.Ş.



Osman DEMREN
Member of the Board, Deputy Chairman

(31.03.2011 - ...)

Joining T. Vakıflar Bankası T.A.O. as a Deputy Inspector on December 16, 1996, Osman Demren then worked at the Bank as a Deputy Manager, Branch and Regional Director and was later promoted to become the Deputy General Manager on March 23, 2011. He graduated Dokuz Eylül University, Faculty of Economic and Administrative Sciences, Department of Business Administration. Completing his postgraduate education at Okan University, Banking Program, Osman Demren is knowledgeable in English language. He has been working as the Deputy General Manager at T. Vakıflar Bankası T.A.O. since April 6, 2011. He is responsible for Commercial and Corporate Loans Department, Personal Loans and SME Loans Department and the Department of Intelligence. Elected as a Board Member for Vakıf Finansal Kiralama A.Ş. to be effective from March 31, 2011, Osman DEMREN has been performing his duties as the Vice President of the Board of Directors since April 1, 2015. He is a Member of the Boards of Vakıfbank International A.G. and Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.



Erkut AKPINAR
Member of the Board

(01.04.2015 - ...)

Born in 1972, Erkut AKPINAR is a graduate of Ankara University, Faculty of Political Sciences, Department of International Relations. Taking office in 1997 as a Vice Financial Analyst at Vakıfbank, he continued his duty as a Deputy Inspector in 1998. He worked as the Vice Manager of Kızılay Branch of the Bank, as Vice General Manager at the Austria-based subsidiary of the Bank named Vakıfbank International AG from 2007 to 2011 and as the General Manager between 2011 and 2014. Holding a position as the President of Vakıfbank Private Banking since August 1, 2014, AKPINAR can speak English and German. Elected as the Board Member of Vakıf Finansal Kiralama A.Ş. on 01.04.2014, Erkut AKPINAR is also a member of Committee of Corporate Management and Committee of Early Detection of Risk.



Telat KARAPINAR
Member of the Board

(30.04.2012 - ...)

Telat KARAPINAR who graduated from the faculty of law, İstanbul University in 1992, was self-employed lawyer in between 1994-2002. Telat KARAPINAR who was the deputy in 22nd period of the Grand National Assembly of Turkey, has been being a member of the executive board of Vakıf Finansal Kiralama A.Ş. since 16.04.2014.



Prof.Dr.Şükrü KARATEPE
Member of the Board

(29.03.2012 - ...)

Graduating from Ankara Faculty of Law in 1973, Şükrü KARATEPE became a Doctor of Administrative Law in 1983, Associate Professor of Constitution in 1989 and a Professor in 2012. He worked as a Council Member of Faculty of Economic and Administrative Sciences and Head of the Department of Public Administration at Ege University, Kayseri Metropolitan Municipality Mayor, Chairman of the Board of Electricity Corporation Of Kayseri and Surroundings, Member of Board of Supervisors at the companies affiliated to Erdemir Group and Board Member at Vakıf Yatırım Menkul Değerler A.Ş. Elected as the Board Member of Vakıf Yatırım Menkul Değerler A.Ş. on March 29, 2012, Şükrü KARATEPE is a Member at the Committee of Supervisors. Additionally, Şükrü KARATEPE currently works as the Senior Advisor to the President.



İbrahim Halil ÇİFTÇİ
Member of the Board

(29.03.2012 - ...)

İbrahim Halil ÇİFTÇİ who graduated from the department of Business Administration, Middle East Technical University, was respectively the auditor in the committee of inspector of İş Bankası in between 1974-2001, the vice director of 2nd Credits Regional Directorate, the director of 2nd Credits Regional Directorate, the regional director of İstanbul, the director of Taksim branch and Galata branch. Between 1987 and 2008, ÇİFTÇİ was a member of the executive boards of Trakya İplik San. A.Ş., Man Motor San. A.Ş., Topkapı Şişe Cam Cam San. A.Ş., Anadolu Cam San. A.Ş., Anadolu Sigorta A.Ş., Şişecam Fabrikaları A.Ş., İş Girişim A.Ş. and İş Factoring A.Ş. İbrahim Halil ÇİFTÇİ was the general director of İş Finansal Kiralama A.Ş. between 2001-2009 and the vice chairman of the executive board of Financial Leasing Association in between 2004 and 2009. He who was appointed as a member of Vakıf Finansal Kiralama A.Ş. in 16.04.2014, is also the member of the Corporate Governance Board and the Early Detection of Risk Committee. Halil İbrahim ÇİFTÇİ is the vice president of Economic Research Foundation and the member of the executive board of İstanbul Üniversitesi Teknokent A.Ş.



Osman Zeki ÖZGER
Member of the Board / General Manager

(07.04.2008 - ...)

Osman Zeki ÖZGER who taken the responsibility of the president of T. Vakıflar Bankası T.A.O. Anadolu Kurumsal Merkezi at the end of 2006 after having being the director in the various banks, has been being the chairman and member of the executive board in "Vakıf Finansal Kiralama A.Ş.". Osman Zeki ÖZGER who has been being the chairman of the executive board of Association of Financial Institutions since the date of the report, graduated from the faculty of science, Atatürk University.



THE MANAGEMENT



Osman Zeki ÖZGER
General Manager



Özgür SELÇUK
Deputy General Manager

**Mehmet İlkay
COŞKUN**
Group Manager

Yılmaz Arslan AYDIN
Group Manager

Emre AYDEDE
Group Manager

Tolga AKOCAK
Marketing Manager

Gonca YADİGAR
Marketing Manager

**Ahmet Erdoğan
NEHROZOĞLU**
Ankara Branch Manager

Ferruh ATALAY
Adana Branch Manager

Levent DEMİRCİ
Bursa Branch Manager

Bora KIRGIZ
İzmir Branch Manager

Mustafa ÇOLAK
Gebze Branch Manager

Murat KURTTAŞ
Antalya Branch Manager

Melda AKGÜN
Insurance and
Operations Manager

Cengiz KURT
Finance and
Risk Management Manager

Mustafa SARITAŞ
Information Technology
Manager

Vedat YILMAZ
Administrative Services
Manager

Hülya YILDIRIM
Asset and
Risk Management Manager

**Sadık Çağlar
KAYNAK**
Internal Control Manager



Vakıf Leasing
Size Doğru Gelecek





GENERAL INFORMATION REGARDING COMPANY



• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	65.000 BinTL
• Number of Employees	53
• Board Chairman	Şeref AKSAÇ
• General Manager	Osman Zeki ÖZGER
• Independent Auditing Firm	Başaran Nas Independent Auditor and independent Accountant Public Accountant Inc.
• Address - Corporate Headquarters	Büyükdere Av. Matbuat Street Gazeteciler Site No: 13 Esentepe/Şişli/İstanbul
• Telephone	90 (212) 337 67 67 - (Santral)
• Trade Registry Number	248616
• Fax	90 (212) 337 67 99
• Website	www.vakifleasing.com.tr

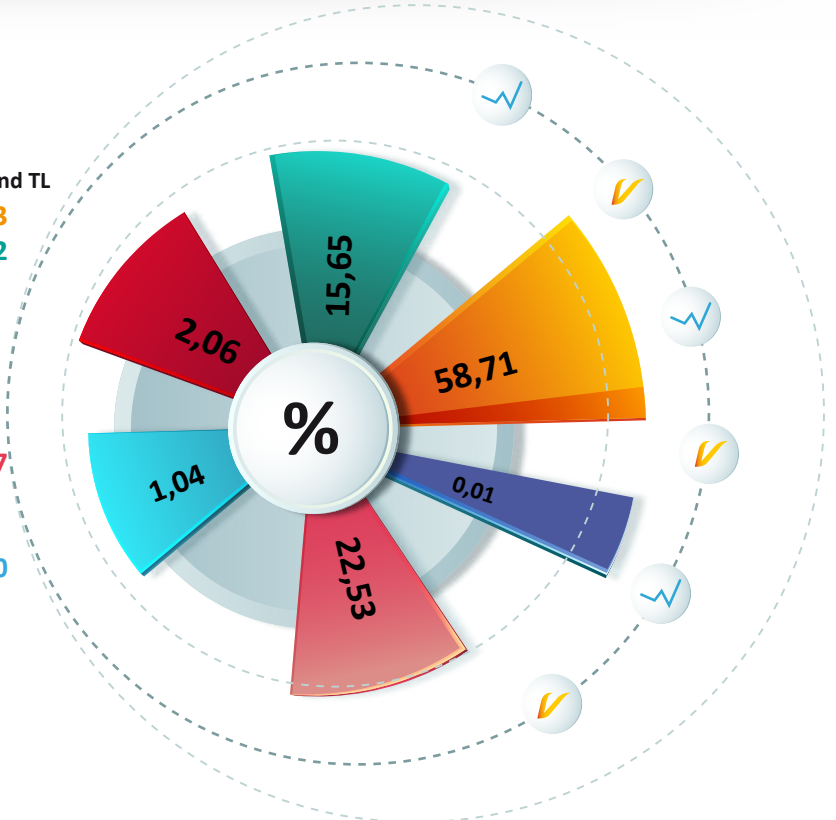
AVAILABLE FOR SALE FINANCIAL ASSETS

- Vakıf Insurance Intermediary Services Ltd.
- Vakıf Factoring Services Inc.
- Vakıf Marketing Ind. and Trade Inc.
- Vakıf Energy and Mining Inc.
- Doğu Investment Holding Inc.
- Vakıf Investment Securities, Inc.
- World Vakıf UBB. Co. Ltd. (In liquidation)

PARTNERSHIP STRUCTURE

- **T.Vakıflar Bankası TAO**
- **Güneş Insurance Inc.**
- **T. Vakıflar Bankası T.A.O. Employees and Serv. Retirement Fund Provident Fund Foundation**
- **VakıfBank Staff Private Social Security Services Foundation**
- **Public Offering**
- **Other partners**
- Toplam**

%	Thousand TL
% 58,71	38.163
% 15,65	10.172
% 2,06	1.340
% 1,04	675
% 22,53	14.647
% 0,01	3
% 100,00	65,000





CORPORATE IDENTITY / HISTORY - MILESTONES

Vakıf Leasing was established on 15 September, 1988 under the title of VAKIF FİNANSAL KİRALAMA A.Ş. as a subsidiary of Vakıfbank. It was quoted on Istanbul Stock Market in 1991 and became the first publicly-traded leasing company.

Having successfully operated for 27 years, Vakıf Leasing continues to be one of the assets of Turkey by contributing economic and employment growth. Providing advantage in leasing to its investors due to its deterministic, assured and progressive approach, Vakıf Leasing takes firm steps towards the future by help of its experience in making right decisions at right time.

Vakıf Leasing has a wide range of expertise, especially in investments of real estate, energy, technology, transport and tourism.

The most remarkable indicator of the innovative approach of Vakıf Leasing is that it is the first company providing leasing services to sectors like aircraft, aviation; or wind energy.

Vakıf Leasing has branches in Ankara, Adana, İzmir and Bursa and carries on its extensive operations by providing service with its almost 900 Vakıfbank branches all over the country, and with its broad customer portfolio and service network.

2015

Vakıf Leasing reached at 1,505,588 BinTL assets, 23,637 BinTL'lik Net profit in 2015.

2014

Vakıf Leasing reached at 289,848 USD endorsement in 2014.

2013

Vakıf Leasing active total assets reached at 1,066,607 TL.

2012

Vakıf Leasing active reached at 806,909 TL and equity capital reached at 107,400 TL.

2007

The Central Anatolia Agency was opened.

1991

Vakıf Leasing was the first leasing public

1988

Vakıf Leasing was established





CORPORATE IDENTITY / Our vision - Our mission - Our values - Our Codes Of Conduct



OUR VISION

*To be a **Leader Company**, which is the first choice of investors in the Leasing sector by providing the optimal financial opportunities in customer investments; and which aims for utmost customer satisfaction and service quality.*



OUR MISSION

*To create **continuous value** for our customers, employees and shareholders by development of a successful, modern and customer-oriented approach.*



OUR VALUES

*High-quality service based on information and creativity;
Rapid and effective decision-making;
A strong sense of responsibility on a long lasting development approach
Open communication based on mutual trust,
Employees who devoted to success and team spirit,
Commitment to ethical and professional codes of conduct*



OUR CODES OF CONDUCT

*High-quality service based on information and creativity;
Rapid and effective decision-making;
A strong sense of responsibility on a long lasting development approach
Open communication based on mutual trust,
Employees who devoted to success and team spirit,
Commitment to ethical and professional codes of conduct*



*Vakif Leasing
In its 27th Year*



**VAKIF FINANCIAL LEASING INC. CORPORATE
GOVERNANCE COMPLIANCE REPORT****CHAPTER I –
CORPORATE GOVERNANCE COMPLIANCE STATEMENT**

Vakıf Finansal Kiralama A.Ş. ("Vakıf Leasing" or "Company") is affiliated to the corporate governance guidelines designated in accordance with the Law on Financial leasing, Factoring and Financing Companies, capital market legislations and Turkish Commercial Code and relevant regulations to regulate the establishment and operating principles of and related regulations, and pays utmost attention to the implementation of these principles. It has adopted concepts of equality, transparency, accountability, and responsibility of Corporate Governance Principles ("Principles") published by Capital Market Board ("CMB").

The company is in concordance with the following principles of Corporate Governance Principles included in Communiqué on Corporate Governance No. II-17.1, published in the Official Gazette No. 28871 dated 3 January, 2014:

a-) Company fully complies with following principles: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12.), (4.5.13.), (4.6.2.) and (4.6.3.). Duty, authorization and responsibility of "Directorate of Investor Relations", which performs operations as the Directorate of Financial Affairs and Investor Affairs, were revised in accordance with framework stated in Article 11 of Communiqué on Corporate Governance and thereby ensured full compliance with the relevant legislation

b-) b-) About non-mandatory principles;

There are no female members in the Board of Directors of the Company. Neither target time nor ratio has been determined for the existence rate of females within Board of Directors. Therefore, compliance with the advisory principle 4.3.9 is out of question. There has been no conflict of interest among stakeholders up to now due to nonfulfillment of the mentioned principle.

CHAPTER II - STAKEHOLDERS

Directorate of Investor Relations operates under Deputy General Manager Özgür SELÇUK, for performance of tasks of Directorate of Investor Relations as part of the Directorate of Financial Affairs and Investor Relations.

Directorate of Financial Affairs and Investor Relations, which manages relationships with institutional investors, rating agencies, and shareholders, makes presentation of execution of all activities to the Board, in addition to presentation of comparative financial analysis with competitors quarterly.

The license of section manager is as shown below;

Name/Surname	Title	License
Özgür SELÇUK	Deputy General Manager	Corporate Governance Rating
Serves as a member of the Corporate Governance Committee in accordance to paragraph 2 of Article 11 of Communiqué on Corporate Governance.		

Staff involved to carry out tasks of Directorate of Investor Relations within Directorate of Financial Affairs and Investor Relations is as shown below;

Name / Surname	Title	Phone Number	E-mail address
Özgür SELÇUK	Deputy General Manager	0212 337 67 67	O.SELCUK@vakifleasing.com.tr
Mehmet İlkey COŞKUN	Group Coordinator	0212 337 67 67	I.COSKUN@vakifleasing.com.tr
Neslihan YILDIZLI	Specialist	0212 337 67 67	N.YILDIZLI@vakifleasing.com.tr
Fatma HAFIZOĞLU	Specialist	0212 337 67 67	F.HAFIZOGLU@vakifleasing.com.tr

Main duties and responsibilities of Directorate of Investor Relations are as follows;

- Ensure to keep records of the shareholders safe and current,
- Respond to written requests of shareholders regarding the company, excluding publicly undisclosed, confidential information and trade secrets related to the Company,
- Ensure that the General Assembly meetings are held in accordance with the standing legislation; Articles of Association or other internal arrangements,
- Issue necessary documents for shareholders to make use of during the General Assembly,
- Ensure that voting records are kept and reports regarding the results are sent to shareholders,
- Supervise and monitor any kind issues regarding public disclosure, including legislation and the company's disclosure policy.

During 2015 Directorate of Investor Relations;

- organized that the Ordinary General Meeting in 2015 was held according to scope and method required by the Relevant Law, Capital Market Law, Communiqué on Corporate Governance, Articles of Association and other legislations.



VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

2.2 Utilization of Shareholders' Right to Information

Questions addressed to the Department of Investor Relations by shareholders are first consulted to top authority on the matter and then are responded either written or by call, except for confidential information and trade secrets regarding the Company.

In 2015, no information requests are delivered to the Investor Relations Department while questions asked on call were replied as required. Information and developments concerning shareholders, regarding Company, such as stock transactions, capital increase, dividend taking operations, general meeting, financial reports, disclosures or etc. are regularly transmitted to the parties either by website, by phone or via mail. In addition, the status of stocks of domestic shareholders in operating cycle, information requests on share transactions after conversion of existing shares or death of a shareholder are sent, if requested in written form. On the other hand, request for the appointment of a special auditor is not regulated as an individual right in the Articles of Association and no such demand was made during the concerned activity period.

2.3 General Assembly Meetings

General Assembly Meeting on the 2014 activity period of our Company was held at the head office, on April 1, 2015, with the participation by shareholder representatives, the Commissioner from the Ministry of Customs and Trade, and holders of 77% of total shares.

Company held the Ordinary General Assembly Meeting in 2015 in accordance with the provisions of "Regulations on the General Assembly to be held in Electronic Media in Incorporated Company" and "Communiqué on General Assembly System to be applied in the General Assembly of Incorporated Company". Thus, stakeholders had the opportunity to participate in the General Assembly meetings electronically, to make suggestions, to declare their views and to vote.

In order to inform the shareholder, letter of invitation, agenda, sample of power of attorney and information required for voting in the General Assembly were announced to public prior to General Assembly meetings, via Public Disclosure Platform, Turkey Trade Registry Gazette and at least two daily newspapers that are published throughout Turkey in accordance with relevant legislations; besides, these documents were also published on the website of Company. The calls for e-General Assembly, which allows participation through electronic media, and which gives possibility to make recommendations; to announce views or to vote in General Assembly Meeting of Company, are made through CRA system at least 21 days before, excluding days of meetings. In addition, such documents are sent via mail to registered current addresses of shareholders.

Bank Balance Sheet and Profit & Loss Statement, Board of Directors' Annual Report, Auditor's Report of fiscal year 2014 and Report of the Independent External Auditors were issued before General Assembly and are available for surveillance of our shareholders before meeting, in Company's Headquarters or on CRA system. In addition, letter of invitation, agenda and samples of power of attorney for the General Assembly might be obtained upon request of the stakeholders. Those shareholders, who have right to attend the General Assembly, and who fulfilled required procedures for participation, attended the Annual General Meeting in 2015.

On announcement and invitation letters issued prior to the General Assembly:

- Date, time and place of the meeting,
- Agenda of the meeting,
- By which state body it is held (Company Board of Directors),
- Annual Report and addresses where balance, profit and loss statements will be presented for examination by partners (General Directorate) for ordinary meeting announcements,
- samples of power of attorney for those unable to attend the meeting themselves are announced.

Activity Report included documents, such as Company activities, information of executives, company balance sheets, balance sheet footnotes, Independent Auditors' Report, or Report on Compliance with Corporate Governance Principles. Activity Report is presented to shareholders upon request of Directorate of Investor Relations, before or after General Assembly.

Regardless their share, all shareholders have the right to take the floor, to express their opinion and to ask questions regarding issues of agenda during Ordinary General Assembly. The questions of shareholders, who participated Ordinary General Assembly meeting on April 1, 2015, either physically or electronically; their requests and thoughts; the answers of Chairman of the meeting and Council Board were recorded as minutes throughout General Assembly Meeting. General Assembly meeting minutes and attachments were delivered to shareholders and were announced to the public by Public Disclosure Platform, Turkey Trade Registry Gazette, and e-Company Information Portal and e-General Assembly Electronics General Assembly System in accordance with relevant legislation after the General Assembly, and also were posted on the website of the Company.

Since approval of majority of independent Board Members were not achieved, in 2015, the decision by the General Assembly was not required.

Amendments were made on the articles 8 and 9 stated in the chapters titled as "Goal and Scope" of the Articles of Associations.

In accordance with the last topic of the agenda, shareholders and other invitees used their right to ask questions, after receiving satisfying responses by company managers in return, they expressed their good wishes.

**VAKIF FINANCIAL LEASING INC. CORPORATE
GOVERNANCE COMPLIANCE REPORT**

There exists no relevance, which may cause a conflict of interest, between shareholders, Board Members, Administrative Managers or their spouses, blood relatives or second-degree relatives with Company or its subsidiaries. In addition, it is clearly understood that certain party did not transact a commercial business in operation field neither on their own nor on someone else's account and that they did not carry out any transaction with another shareholder in terms of unlimited partnership dealing with the same type of commercial business.

In accordance with the last topic of the agenda, shareholders and other invitees used their right o ask questions, after receiving satisfying responses by company managers in return, they expressed their good wishes.

2.4 Voting and Minority Rights

Provisions relating to voting rights of shareholders and to use of these rights are described in Articles of Association of Company.

Those, who have or represent ten shares at the General Assembly, have right of one vote. Those, who have more than ten shares, have right to vote according to a number, which is determined according to the above ratio without being subject to restrictions.

No reciprocal shareholding is present within capital of Company. The use of minority rights is subject to Turkish Commercial Code, Capital Market Law, relevant legislations; communiqués and resolutions of CMB

2.5 Profit Share Right

There exists no privilege regarding participation in profit of The Company.

The profit distribution policy of Company was redefined according to Capital Market Legislation, provisions of Turkish Commercial Code, tax legislation and other related legislation provisions.

Profit distribution proposal of Company's Board of Directors, which was prepared for submission to the General Assembly for approval; Any profit distribution proposal made by Board of Directors for submission of approval of the General Assembly is prepared in such a way to protect delicate balance between shareholder expectations; the profitability status of Company and need for future growth.

Accordingly,"As per Articles of Association, it is agreed to make a first dividend payment at the rates and amounts specified by the Capital Markets Board in case of any distributable profit."

In Articles of Association, there exists no regulation provision regarding distribution of an advance dividend.

Every year, Board of Directors presents a proposal regarding profit sharing to General Assembly and to shareholders, together with activity report prior to the General Assembly. The proposal regarding profit sharing of the Board of Directors is discussed and resolved in General Assembly. Decisions taken in 2015 regarding profit sharing for 2014 were implemented and necessary notifications were made to the authorities. Relevant decisions were also announced to public through the Public Disclosure Platform on the very same day.

2.6 Assignment of Shares

There exists no provision in Articles of Association, which restricts the assignment of shares. According to Article 7 of Articles of Association, all Company shares are registered, and might be assigned in accordance with the provisions of the related legislation.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY**3.1 Corporate Website and Content**

You may have access to website of Company, with alternatives in Turkish or English: www.vakifleasing.com.tr.

Website of Company is compatible with the principles regarding corporate website of Communiqué on Corporate Governance (II-17.1) numbered (2.1.1), (2.1.2) and (2.1.3), issued on January 3, 2014, by the CMB.

3.2 Activity Report

Activity Report of the Company is issued in accordance with the principles regarding annual report of Communiqué on Corporate Governance (II-17.1), with article number (2.2.1) and (2.2.2), published on January 3, 2014 by the CMB.



VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

CHAPTER IV - Stakeholders

4.1 Informing of Stakeholders

Vakifleasing stakeholders are regularly informed through activity reports, news and statements on website about issues regarding stakeholders.

In order to ensure accurate and reliable information flow, the information disclosed in financial statements, published in every quarter, are shared with investors through the website; or are announced in PDP. Any questions or demands of investors are responded via phone and email.

4.2 Participation Stakeholders' in Management

In our Company, there exists two different models concerning the contribution of stakeholders to management: Committee Meeting: Decisions that are taken in regular committee meetings are implemented by our company.

Proposal System: Via this system, employees have possibility to submit their recommendations regarding improvement and development of Company in every respect, and appropriate recommendations are taken into consideration.

Moreover, in order to inform employees regarding the general status of the Company and to receive their recommendations, "Weekly General Assessment Meetings" are organized, where financial structure and performance data of Company are evaluated with employees.

4.3 İnsan Kaynakları Politikası

Our Human Resources Policy is conducted within the framework of personnel regulations, which entered in force in 2005. In addition, we perform career planning and development. Our company plays a major role in the success and development of the sector. Vakif Leasing places importance particularly on education and thus, provides equipment necessary for efficient operation to its employees, considering its employees as its major capital. It works with employees who make researches, and who have visionary, creative and problem solving qualities.

All employees at our Company have a notion of working with team spirit and a high level of innovative creativity.

In Vakif Leasing, recruitments and promotions are carried out by decisions given by Board of Directors within the framework of Personnel Regulations. There exists no discrimination in any means among our employees of Company, and our employees are equal under any circumstance.

4.4 Ethics and Social Responsibility

- Full compliance with the regulations issued by the law.
- Honesty, transparency and accountability in the relationship with the customer- seller-creditor.
- Operating by taking into account the grounds of economic growth, in addition to profitability.
- Respect to confidential information and privacy to keep secrets.
- Respect to common interest of the sector in order not to create an unfair competition

Vakif Leasing is aware of its social responsibilities towards its customers, employees and society; and strives for fulfilling these responsibilities in the best possible way. It obeys all the regulations regarding the business life; stands behind the commitments it announces to public; gives confidence; encourages its employees towards honest and ethical conduct; takes all the precautions necessary for the security of its premises, does not conduct deceptive promotional or marketing activities; and obeys and encourages regulations prohibiting discrimination. Vakif Leasing strives for solving the customer problems quickly, covers the significant part of its employees' health expenses and continuously aims for increasing its service quality.

CHAPTER V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

The structure of the Board of Directors is defined as follows according to Article 8 of Articles of Association:

"The company's operations and management are conducted by a Board of Directors consisting of at least five members, including General Manager. Every year, Board of Directors chooses a Chairman among the members and a Deputy Chairman to deputize him in his absence. Chairman of the Board and General Manager cannot be the same person. All members of Board, excluding General Manager, are elected by shareholders represented in General Assembly in accordance with the provisions of the Turkish Commercial Code. The majority of Board Members are not responsible from daily activities. Non-ordinary Board Members are elected from the candidates who could conduct his/her work independently without any influence according to Capital Markets Board. General Manager and Deputy General Manager are ordinary members of the Board of Directors. General Manager and his Deputy should have a bachelor degree and should be experienced in finance or business administration for at least seven years.

**VAKIF FINANCIAL LEASING INC. CORPORATE
GOVERNANCE COMPLIANCE REPORT**

NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Şeref AKSAÇ	Chairman of the Board	01/04/2015
Osman DEMREN	Deputy Chairman of the Board	31/03/2011
Erkut AKPINAR	Member of the Board	01/04/2015
	Member of Corporate Governance Committee	09/04/2015
	Early Identification of Risk Committee Member	09/04/2015
Prof.Dr.Şükrü KARATEPE	Independent Memeber of the Board	29/03/2012
	Member of the Audit Committee - Chariman	11/04/2012
Telat KARAPINAR	Member of the Board	30/04/2012
İbrahim Halil ÇİFTÇİ	Yönetim Kurulu Üyesi	29/03/2012
	Corporate Governance Committee - Chariman	11/04/2012
	Early Identification of Risk Committee - Chairman	30/04/2013
	Member of the Audit Committee	11/04/2012
Osman Zeki ÖZGER	Member of the Board - General Manager	07/04/2008

There exists no executive assignment of Chairman of the Board of Directors. General Manager Osman Zeki ÖZGER is executive member in the Board of Directors.

Personal background of Members of Board of Directors are published in the Activity Report. Pursuant to statement with serial IV article no. 56 of Corporate Governance Principles of CMB concerning establishment of a Corporate Governance Committee, election of two independent members is foreseen. Şükrü KARATEPE and İbrahim Halil ÇİFTÇİ fulfill requirements for being an Independent Member in accordance with articles 4.3.6 and 4.3.7 of Corporate Governance Principles of CMB. Their declarations of independence corresponding relevant legislation; Articles of Association and relevant communiqué were presented in report of March 6, 2015. Independent Members were presented to Board of Directors on March 11, 2015.

No circumstance, which invalidates the declaration of independence of independent members of Board of Directors; or independence of Members within relevant operating cycle, is encountered.

VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

Partnerships and tasks of members of Board of Directors outside company:

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Şeref AKSAÇ	T.Vakıf Bank TAO.	Member of the Board
	Vakıf Emeklilik A.Ş.	Deputy Chairman of the Board
Osman DEMREN	T.Vakıf Bank TAO.	Deputy General Manager
	Vakıfbank International A.G.	Member of the Board
	Vakıf Real Estate Investment Inc.	Member of the Board
Erkut AKPINAR	T.Vakıf Bank TAO.	Chairman of the Retail Banking

5.2 Activity Principles of Board of Directors

General Assembly regarding activities of the Company is held either in headquarters of Company; or in a location, where majority of Board Members request. However, General Assembly should gather at least once on a monthly basis. Though not gathered acknowledgedly, presence of all members at the meeting place on a given day and time does not prejudice to the validity of Assembly. Those who have right to participate in the General Assembly may participate via an electronic media in accordance with Article 1527 of the Turkish Commercial Code. Company may install a system that allow stakeholders to participate and to vote through electronic media in accordance with the provisions of Communiqué on General Assembly; and also may purchase service from systems formed with this purpose. In General Assembly to be held, it is ensured that stakeholders use their rights that are set forth in the relevant legislation within framework of Communiqué provisions via a system established in accordance with this provision of Articles of Association or through a system offering support services. Turkish Commercial Code shall apply for quorum regarding General Assembly.

The agenda of General Assembly is determined according to provisions and authority stipulated in the Articles of Association. 30 General Assembly meetings were held between January 1, 2015 and December 31, 2014. General Assembly regarding activities of Company is held either in headquarters of Company; or in a location, where majority of Board Members request. However, General Assembly should gather at least once on a monthly basis. Turkish Commercial Code shall apply for quorum regarding General Assembly. The task of informing and communicating Board Members is carried about by General Manager Secretary. Decisions taken that need be disclosed to the public are announced immediately after meeting.

All members actively take part in meetings held on following issues:

- Identification of operation fields of Company, approval of business and financing plans;
- Summoning for Ordinary or Extraordinary General Assembly and its organization;
- Confirmation of annual report to be submitted in General Assembly;
- Selection of the Chairman, Deputy Chairman of Board and appointment of new members;
- Establishment of administrative units or termination of its activities;
- Appointment or dismissal of the CEO/General Manager;
- Establishment of committees;
- Integration, distribution, reorganization, sale either of Company or of 10% of shares; or investments for an amount over 10 %, expenses exceeding 10% of total share;
- Determination of Company's dividend policy, or profit share;
- Capital increase or decrease.

5.3 Number, Structure and Independence of Committees Formed Within Board of Directors

Establishment of an audit Committee consisting of two members (President- Şükrü KARATEPE, Member- İbrahim Halil ÇİFTÇİ), a Corporate Management Committee of three members (President - İbrahim Halil ÇİFTÇİ, Member – Erkut AKPINAR, Member - Özgür SELÇUK) and Early Detection Committee of Risk of two members (President- İbrahim Halil ÇİFTÇİ, Member – Erkut AKPINAR) are held in accordance with Communiqué on Corporate Governance, which requests this establishment in order to fulfill the duties and responsibilities of General Assembly for publicly traded companies.

There are six members in our Board of Directors. And Board Members might be member of more than one committee, since the number of members of committees related the Board of Directors are more than the number of members of Board of Directors, in accordance with principles stated in the CMB Corporate Governance principles and the BRSA.

**VAKIF FINANCIAL LEASING INC. CORPORATE
GOVERNANCE COMPLIANCE REPORT****5.4 Risk Management and Internal Control Mechanism****- Internal Control:**

Internal control mechanism, which is in service directly under the Board, serves with the objective to perform controls effectively and to develop a control system that covers risks in all areas, and to report results periodically to the Audit Committee.

It controls whether Company's operations, systems and processes are carried out in accordance with regulations, management strategies and policies and leasing practices, while carrying out a systemic and disciplined approach regarding workflows, duties and responsibilities of employees and taking necessary steps for risk assessment; or prevention.

While presenting an opinion concerning development of internal regulations and practices of Company, it provides independent and objective assurance and consulting services in order to enrich and improve activities, with an objective to improve Company's corporate efficacy governance.

In order to prevent the damage that could affect achievement to Company goals, establishment of an internal control system is foreseen for defining, evaluation, monitoring, managing of potential credit, market and operational risks that may affect Company's assets and for using such results during decision mechanism.

Internal Control Manager fulfills its duties as Exclusively Compliance Officer, which ensures that necessary measures in compliance with legislation of Financial Crimes Research Board are taken; realization of supervision and establishment of communication with Board.

- Risk management:

Risk Management consists of two members elected from Board of Directors. Directorate of Risk Management carries on its activities within the framework of national legislation and international regulations and standards through Members of Committee for the Early Detection of Risks. Directorate of Risk Management submits its report periodically to Committee for the Early Identification of Risks.

5.5 The Company's Strategic Goals

The strategic goals formed by our managers are evaluated at the end of each year and targets are approved for following year. In addition, Board of Directors evaluate achievement to set goals.

5.6 Financial Rights

During Ordinary General Assembly meeting, on April 1, 2015, it was decided to pay 3,150 TLs monthly to members of Board of Directors.

There exists no other fee or other rights granted to Members of Board. Wages and benefits for members of the Board are not determined by their performance. Company is not insured against damages caused by a Board Member throughout his duty term.


Company has not given any loan or credit to any Board member; or there exists not any warrant or guarantee such as a compensation is given in benefit of a third party or per a third party given as a personal debt.

In accordance with Corporate Governance Principles, all other benefits ensured by fees paid to senior executives in addition to Members of Board of Directors are disclosed to public through activity report. However, statement is made not on the basis of a person, but on the basis of Board of Directors and senior manager distinction.

Our Company has paid gross wage of 282 thousand TLs to Board members and 849 thousand TLs to General Manager and Deputy General Manager in 2015.


İbrahim Halil ÇİFTÇİ
Kurumsal Yönetim Komitesi Başkanı
Chairman of Corporate Governance Committee


Özgür SELÇUK
Kurumsal Yönetim Komitesi Üyesi
Member of Corporate Governance Committee


Erkut AKPINAR
Kurumsal Yönetim Komitesi Üyesi
Member of Corporate Governance Committee

**DECLARATIONS OF INDEPENDENCY UNDER SCOPE OF THE NOTIFICATION
ON DETERMINATION AND IMPLEMENTATION OF CORPORATE
GOVERNANCE PRINCIPLES****VAKIF LEASING INC.
İSTANBUL****HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUÉ ON
CORPORATE GOVERNANCE**

I hereby declare, acknowledge and undertake that

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

ç) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

d) I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,

e) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

g) I have not conducted membership of board of directors more than a term of six years in the last ten years, from Board of Directors.

h) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

i) I have not been registered and announced as a board member representing a legal entity.

In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.

06.03.2015


İbrahim Halil ÇİFTÇİ
Bağımsız Yönetim Kurulu Üyesi
Independent Member of
Board of Directors

**DECLARATIONS OF INDEPENDENCY UNDER SCOPE OF THE NOTIFICATION
ON DETERMINATION AND IMPLEMENTATION OF CORPORATE
GOVERNANCE PRINCIPLES****VAKIF LEASING INC.
İSTANBUL****HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUÉ ON
CORPORATE GOVERNANCE**

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b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

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06.03.2015

Prof. Dr. Şükrü KARATEPE
Bağımsız Yönetim Kurulu Üyesi
Independent Member of
Board of Directors



AFFILIATION REPORT – 2015

The Affiliation Report Prepared As Per Article 199 of Turkish Commercial Code

As per article 199 of Turkish Commercial Code no 6102, which was enforced in 1 July, 2012, the report on relations of Vakıf Financial Leasing Inc. and its controlling shareholder T.Vakıflar Bankası T.A.O., and affiliated partnerships for the previous year of operation has been compiled. Under frame of the information presented to our Board of Director, it has been concluded that in all the transaction conducted between Vakıf Financial Leasing Inc., and with its controlling shareholder and affiliated companies, pursuant to the conditions and terms being known to us by the time of transaction was made, or measure was taken or refrained to be taken, a proper counter action was performed in all transaction and that there is no measures taken or refrained to be taken, which could damage the company and thus, there has been no transaction or measure which may be required offsetting under this frame.



BRIEFING ON OTHER ISSUES

1.1 No amendments were made in 2015 in the capital and partnership structure or the organization chart of the Company.

1.2 The Company put new leasing software into practice in 2015.

1.3 No research and development activities were carried out during 2015.

1.4 During the financial year of 2015, a limited independent audit on June 30, 2015 and an independent audit on December 31, 2015 were conducted within the Company by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. In addition to this, as part of the corporate tax full approval, Company financial statements went through tax auditing in three-month periods by NSR Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

1.5 There are no ongoing lawsuits or legal proceedings that have been brought in action against the Company and may have negative effects over the financial situation and/or operating results of the Company.

1.6 There are no administrative or juridical sanctions imposed on the company and its managing body members due to implementations contrary to legislation provisions.

1.7 No extraordinary general meeting was held during the year.

1.8 The Company has no acquired shares of its own.

1.9 Turnover of Vakıf Leasing fell by 15,53% in 2015 compared to the previous year, down from 289,848 Thousand USD to 250,894 Thousand USD. Number of transactions which was 317 in 2014 was 412 in 2015.

According to the activated agreement data, volume of transactions of Vakıf Leasing amounting to 269,264 Thousand USD in 2014 receded by 17,30% to 222,675 Thousand USD in 2015. While the number of activated agreements in 2014 was 326, it reached 388 in 2015.

The Company, aiming at disciplined growth, acted selectively in this growth in order to achieve a balanced and efficient management over pressure of profit margin increasing as a result of the competition while making no compromises on its strategy of creating high quality portfolio and public extension in annual transactions.

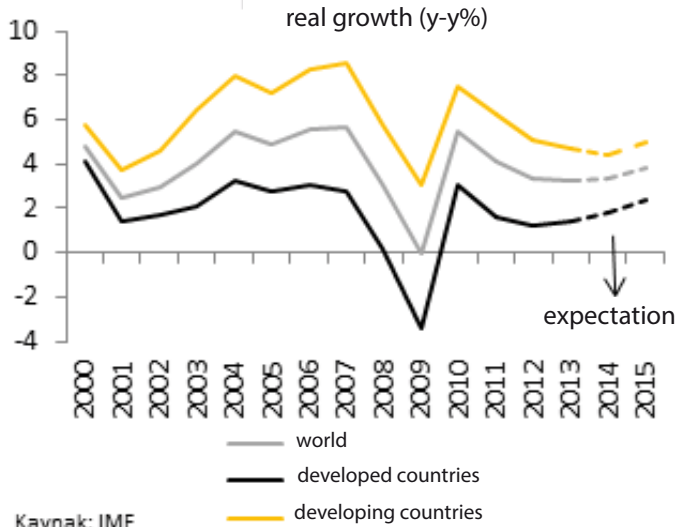
1.10 The Company's paid-up capital as of 2015 is 65 million TLs and there are no findings or convictions that the capital is unreciprocated and the Company is in debt.



2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

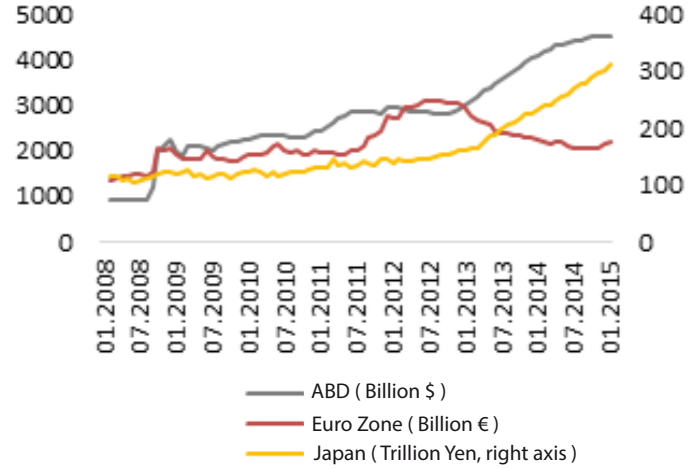
GLOBAL ECONOMY

Moderate growth in global economy continues



Based on the fact that the 3,4 % growth of global economy in 2014 has achieved a moderate growth performance of 3,1 % in 2015 according to the recently published World Economic Outlook by IMF, it is expected that the global growth will increase within 2015. In US economy, Gross Domestic Product growth rate is revised to 2,1 % from 2 %, which is announced previously on the third quarter of the year. Thus, US economy is expected to complete 2015 with a growth rate of 2,6% by the end of the year. Euro Region's annual growth of 1,6 % in accordance with the expectations was affected by the increase in private consumption and public expenditures, but due to the weak course of the global economy, exports negatively influenced the growth. While Japanese economy experienced narrowing in four consecutive quarters, after a limited increase of 0,7% in the second quarter of 2015, a growth of 1,6 % was achieved in the third quarter. Chinese economy, which has an important place in the growth performance of global economy, completed 2014 with 7,3 % of growth. Though the fact that the last quarter growth data is slightly above the expectations with a rate of 6,9%, it is striking that it displayed the slowest growth performance since the first quarter of 2009. On the other hand, a number of measures, particularly devaluation, were taken to enliven the economy in China, expected recovery has not yet been witnessed. In this regard, it is considered that Chinese economy has some fragilities and that it continues to pose negative risk on the global growth.

Central Bank Balance Sheet Size



While the implementation of expansionist fiscal policy in European and Japanese economies is pursued, Federal Reserve of USA has taken the first step into tightening policy.

In order to recover economies after global financial crisis, expansionist monetary policies were implemented in developed countries such as USA, Europe and Japan. In 2014 and 2015, there had been separation of monetary policies in developed countries' central banks. In 29 October, 2014, The Federal Reserve (FED) ended the third round of quantitative easing program (QE3), which began in September, 2012 and decided to increase interests for the first time in almost last ten years in December 2015. Interest rate in ABD was raised from the range of 0-0,25 % to the range of 0,25-0,50% with an increase rate of 0.25. In her statement after the meeting, Fed President Janet Yellen remarked that there might be 4 interest increases in 2016 and officially used the term "gradual" for the first time for interest rate hikes for the upcoming periods.

In Europe, struggling with low inflation and high unemployment rates for a long time, European Central Bank (ECB) maintains the expansionist monetary policy in order to support the economic activity. In March 2015, ECB decided to implement a bond-buying program which monthly amounts to 60 Billion Euros and will continue until September 2016. During the year, it was discussed that the program can be extended and the interest rates could be reduced and at the meeting held in December, ECB reduced the interest rate on deposits for 10 basis points from 0,20% to 0,0 % and extended the time for asset-buying program from September 2016 to March 2017.

2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

Asset-purchasing quantities remained stable at 60 billion euros. Making a statement after the meeting, ECB President Mario Draghi explained that monetary expansion will continue until achieving the inflation target and the bond-buying program will be diversified through regional bonds.

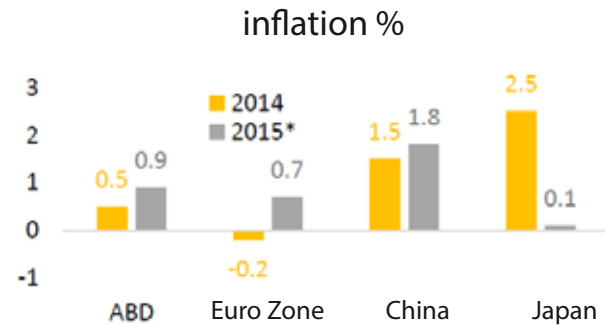
In Japanese economy, expansionist policies continue to be implemented in order to revive the economy. Japan Central Bank announced that it would maintain implementing the expansionist monetary policy until the inflation rate reached 2 %. Besides, Japanese government approved 2016 financial year budget 2016 requiring high tax yield for the recovery of economy and reduction of public debt. Japanese Prime Minister Shinzo Abe invited companies to pay high wages and increase capital expenditures in order to overcome deflation.

Weak performance of Chinese economy in 2015 led decision-making mechanisms to take more political steps in order for recovering the economy. In this regard, People's Bank of China (POBC) resorted to a devaluation in the currency of renminbi (yuan) and tried both to boost exports and balance the recently-accelerating capital outflows. On the other hand, negotiations in November 2015 on including currency of Yuan in the basket of SDR (Special Drawing Rights) described as the international reserve assets created by IMF was positively responded and it was decided to add Yuan to the SDR basket as the fifth currency as of January 2016. Lastly, People's Bank of China reduced interest rates for the sixth time since 2014 to support economy.

Interest rate for loaning with one-year maturity was reduced to 4,35 % and one-year maturity interest rate on deposits to 1,5%. Additionally, in October 2015 witnessing the last interest rate cut, it was decided to make a cut of 50 basis points in reserve ratio.

Developed and developing country's economy continued to struggle with the deflation problem also in 2015. Unlike the other countries implementing expansionist monetary policy, US economy, which began exit strategy in 2014, remained under the 2 % of inflation level, determined by FED as the targeted level, with 0,5 % of inflation rate in 2014. In Euro Region, 2014 inflation rate receded by 0,2 % in annual basis. While this situation caused the deflation concerns related to the Region, it is expected for the countries to end 2015 with a more positive overall Outlook compared to the previous year. Despite the expansionist monetary policies which continue to be implemented in Japan, the concerns related to the low inflation rate did not come to an end also in 2015. According to IMF, the inflation rate is expected to increase in USA, Euro Region and China, while a sharp fall in inflation is expected in Japan.

World economies continue to struggle with deflation.

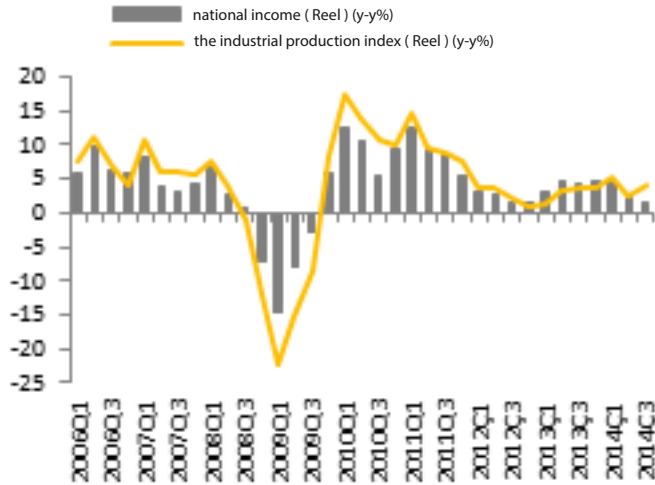


Oil prices experiencing fierce recessions in 2014 continued to fall in 2015 as well. Oil prices traded at a maximum level of 66,6 dollars/barrel in May fell down to 36,5 dollars/barrel by the last month of the year. As well as the excessive surplus on the global basis, the fact that Organization of the Petroleum Exporting Countries' (OPEC) deciding not to constraint oil production during the meeting on November 25, had an influence over the decrease in oil prices. With the increase of downstream pressure in oil prices after OPEC decision, inability to meet oil production costs caused the closure of various oil wells and rigs in USA. While the decrease in oil prices had a positive effect on petroleum importer countries like Turkey, it negatively affected the petroleum exporter countries like Russia. On the other hand, both outgoing effects of OPEC decisions and Iran's statements that they will not constraint oil production in 2016 and even increase it if demanded cause demand-related concerns to continue. However, the fact that growth expectation for global economy in 2016 is more positive compared to the one for 2015 may result that the downstream pressure caused by the demand-related concerns in oil prices will not be felt so intensively as expected. Moreover, OPEC's statements that decline in oil prices will not keep going in that way and there will be a recovery in prices within a year has raised the expectation across the market that the organization will take measures for prices in the forthcoming period. Therefore, it may be possible for oil prices to follow a softer course in 2016 at a level of 35 dollars/barrel.

2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

TURKISH ECONOMY

Turkish economy has grown by 4 % in the third quarter of 2015.



In the third quarter of 2015, Turkey's Gross Domestic Product has grown by 4% with fixed prices compared to the same quarter of 2014. Turkish economy, growing 2,5% in the first quarter of the year and 3,8% in the second quarter, has grown by 3,4% in real in the first nine months period of 2015, compared to the same period of 2014 and thereby it is observed that the growth in the first nine months of 2015 accelerated compared to the first nine months of 2014. With the current prices, Gross Domestic Product has increased by 11, 1 % in the first nine months compared to the same period of the previous year. Gross Domestic Product data has revealed that Turkish economy displayed a higher performance than expected in the third quarter of 2015. According the Gross Domestic Product data, distinguished from season and calendar effects, the growth rate increased by 1,3% in the third quarter compared to the second quarter.

Household consumption expenditure, growing by 1,8 % in 2015 compared to the previous year and contributing 1,27 points to the GDP growth rate, increased by 3,6% in the first three quarters of 2015 compared to the same period of the previous year and contributed 2,54 points to the GDP growth rate. Household consumption expenditure, constituting 70,2 % of the GDP in the first three quarters of 2015 had a tendency to increase in the third quarter compared to the previous quarter. Highest contribution in the growth in the first nine months of 2015 came from household consumption expenditures.

Public consumption expenditure, growing by 4,7 % in 2015 compared to the previous year and contributing 0,52 points to the GDP growth rate, increased by 5,9% in the first three quarters of 2015 compared to the same period of the previous year and contributed 0,62 points to the GDP growth rate.

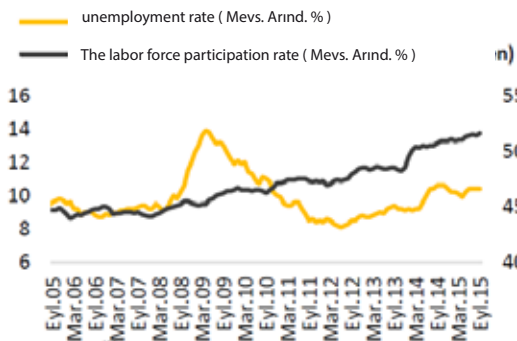
While the public investment expenditures receded by 1,9 % in the first nine months of 2015 compared to the same period of 2014, private sector investments increased by 4,3 %. Investment expenditures positively contributed to the total GDP growth with a total point of 0,76. The fact that the recession in private sector investments in the first quarter of 2015 came to an end after the second quarter indicates that private sector dynamism is able increase. Though a recession was recorded in the private sector investments in the third quarter, increase in the first two months of the year atoned for the decline in the third one.

While exports fell by 1% in the first nine months of 2015 compared to the same period of previous year, imports increased by 1,4% during the same period. While depreciation of TL in 2015 compared to 2014 adversely affected exports, it served decisively in the increase of imports. Therefore, net exports making the largest contribution to growth in the first nine months of 2014 negatively contributed to it in the same period of 2015.

While the service industry had a share of 59,1% within GDP in the first nine months of 2015, it grew by 4,4 % compared to the same period of 2014. Highest contribution in the growth in the first nine months of 2015 came from service industry with 2,61 points. Finance and insurance activities under the service industry maintained their strong Outlook in the first quarter of the year and grew by 10% in the first nine months compared to the previous year and contributed to overall growth with 1,34 points. As for the agricultural industry growing by 8,9% in the first three quarters of 2015 in comparison with the same period of previous year, though it had a small share within the gross domestic product, it ranked among the fastest-growing industries and thereby it brought a contribution of 0,82 points to the GDP growth of the agricultural industry in the period in question. In the agricultural industry which narrowed in 2014 due to unfavorable weather conditions such as drought, normalization of these conditions this year and basis effect from the last year were influential over the industry to have a significant contribution to the growth. It was observed that the manufacturing industry which grew by 3,5% in the first nine months of 2014 and was one of the industries with highest contribution showed a growth of 2,5% in 2015 compared to the same quarter of the previous year and its contribution to the growth decreased to some extent.

2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

When considered in general, though real GDP data displayed a weaker performance in the first quarter of 2015 compared to 2014, growth performance increased gradually in the second and third quarters of the year. Thereby, Turkish economy which grew 3,4% in the first nine months of 2015 compared to 2014 had a higher performance than expected. As well as macro-prudential measures taken by public authorities early in 2014 to restrain consumption had an impact on individual credit card usage and slowdown of consumer loans, it also decreased household consumption. Easing of macro-prudential restrictions to some extent in the beginning of 2015 influenced the increase experienced in household consumption starting from the first quarter of 2015. In this respect, increase in household consumption expenditures enabled 2015 growth to be higher compared to that of 2014. Recovery in the agricultural industry which narrowed in 2014 due to unfavorable weather conditions such as drought, which was brought by the normalization of these conditions this year and basis effect from the last year, also contributed to the high growth of 2015. Thus, though it had a small share within the gross domestic product, it ranked among the fastest-growing industries. Making a good start in the last quarter of the year and regarded as the precursor of growth, industrial production will support growth in the last quarter of the year. Moreover, acceleration of investments with the conclusion of electoral uncertainty, recovery in the construction industry which is an influential sector over many others, and the upturn observed in exports will significantly contribute to the overall economy in the forthcoming period. In this respect, Turkish economy is expected to end 2016 with a growth of 4%, which is its MTP target.

Unemployment rate of November 2014 is 10,9 %.

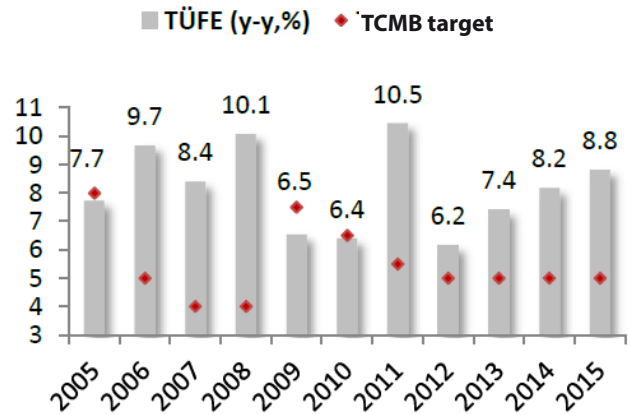
As of the September 2015, unemployment rate, according to the data undistinguished from the seasonal effects, was 10,3% and 10,4% according to the distinguished data. Unemployment rate reached the highest level since March 2015 with the data of September. The case that no significant revival was observed in the economic activity prevented the rate of unemployment to decrease in the moderate growth environment. According to the data distinguished from the seasonal factors, as of September 2015, an employment increase over the historical average was achieved in agriculture, industry and service sectors.

It is predicted that the expected increase in the growth performance of 2016 will function to decrease unemployment. In case that growth in the workforce particularly with the effect of increasing women's participation in the work force lately is continued, it may restrict the potential decrease in the unemployment rate. It is also considered that rise in minimum wage will increase informal employment to some extent and will also stimulate a little increase in unemployment.

Foreign trade deficit fell down to 65,5 billion dollars on the annual basis in November 2015.

For the mentioned recovery, increase in the exports was effective. Recession in energy imports ensured by the drop in oil prices played a significant role in the decrease of foreign trade deficit in January-November period in 2015. Weak domestic demand in the same period was also influential over the recession in the foreign trade deficit. However, it was observed in the same period that exports declined due to continuance of economic problems in countries which are our important trade partners and the recession in the EUR/USD parity.

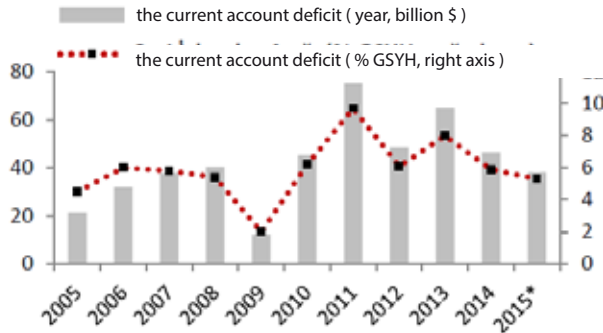
Drop in energy prices and the fact that the base effect with positive reflection over foreign trade deficit will come to an end next year and TL's increase in value against Euro continues indicate that recovery in the foreign trade deficit may be reversed in 2016. An increase that can occur with the contribution of latest developments with Russia and decrease in post-electoral uncertainties makes it possible for the recovery in the foreign trade deficit that has been ongoing so far to get reversed.

2015 yılında enflasyon kur kaynaklı yüksek seyretmiştir

2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

With an increase of 8,81% in 2015 compared to the previous one, inflation ended 2015 with a rate higher than the target of CBT for the end of 2015. In 2015, developments in exchange rate and food prices along with the fall in international oil prices were determinant over inflation. While the fall in international oil prices in 2015 affected inflation downwardly, fluctuation in the currency during the year caused an upward pressure in inflation. Thus, inflation ended the year with a rise. In the forthcoming period, course of food prices as well as motion in foreign exchanges may be influential over inflation. Furthermore, it seems probable that minimum wage increase of 30% in the new year will have an upward impact on inflation in 2016 with a point between 0,5 and 0,8. Taking all these into consideration, it is foreseen that upstream pressures over inflation may continue in 2016 and the possibility for inflation to get higher than expected by the end of the year has increased.

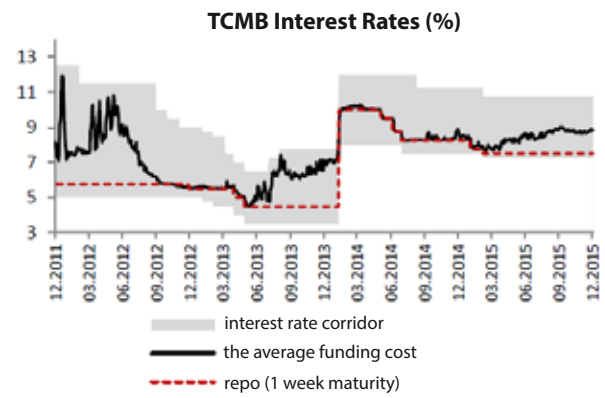
With the influence of recovery in foreign trade, current accounts deficit receded to 38,1 billion dollars on annual basis in October 2015.



Annual current accounts deficit amounting to 5,9% of the Gross Domestic Product (GDP) with 46,5 billion US dollars in 2014 receded to 38,1 billion USD in October 2015 according to the 12-month cumulative figures. In the recovery of current accounts deficit in the first ten months of 2015, narrowing in the foreign trade deficit played a determinant role. Especially the decrease in energy imports due to the decline in oil prices significantly contributed to the recovery of current accounts deficit. Additionally, recession in the global trade volume was another determinant factor in the recovery of current account deficit. While foreign trade improvements in January-October 2015 compared to the same period of the previous year supported the narrowing of current accounts deficit, decrease in net service revenues and increased outflow of foreign currency in income balance adversely affected the balance of current accounts. Decrease in the number tourists entering the country due to the troubles encountered in the surrounding economies was determinant over the fall in net service revenues while increased outflow of foreign currency in the income balance was affected by the rise in profit transfers.

With the effect of the fact that positive contribution of sharp fall in energy prices to the current deficit will be restricted due to the base effect next year, latest developments with Russia and the increase in domestic consumption probable to occur after decrease in post-electoral uncertainties, it is possible that recovery in foreign trade may be more limited compared to 2015.

While CBT maintained its firm stance in monetary policies in 2015, it also signaled the steps towards simplification in interest policy.



Central Bank of Turkey (CBT), following a policy protecting the financial stability besides the price stability, continued to use interest and non-interest tools in combination also in 2015. At CBT's MPC meeting in January, with a discount of 50 base points, policy interest rate was reduced to 7,75% whereas no amendments made in either lower or upper range of interest rate corridor. This discount in policy interest rate was especially influenced by the expectation for inflation to recede thanks to the falling commodity prices, oil in the first place. During the MPC meeting in February, CBT made discounts both in policy interest rate and the upper and lower band of the interest rate corridor. Thus, CBT reduced policy interest rate to 7,5% with a decrease of 25 base points and marginal funding rate, the upper band of the interest rate corridor to 10,75% with a decline of 50 base points and the lower band to 7,25% with a reduction of 25 base points. Consequently, interest rate which was 8,25% in the end of 2014 was reduced to 7,50% beginning from February 2015. During the press conference for the inflation report issued by CBT in July, CBT President Erdem Başçı announced that they can apply to reduction in monetary policies. In August, CBT revealed the route map to be followed during the process of normalization of global monetary policies and steps towards the simplification of monetary policies within this context.

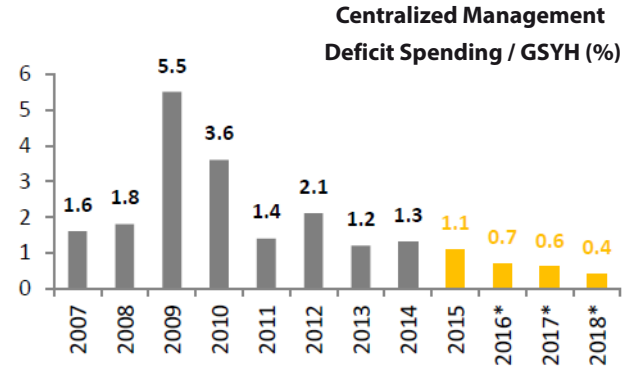
2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

In this regard, CBT divided the steps to be taken into two periods of time as pre- and post-normalization, and stated that the interest rate corridor can be made symmetrical and narrowed during the normalization process. On the other hand, expectations that Federal Reserve of USA (Fed) will increase interest rates had an impact over CBT's monetary policies. Within the scope of the route map it published in August, CBT announced that they will wait for Fed's decision of interest rate increase to make any changes in the interest rates.

In December, Fed applied to an increase of 25 base points in interest rates and raised policy interest rate to the range of 0,25-0,50% and stated that the increase in interest rates would gradually continue in the later period. After Fed meeting, CBT increased the interest from 0,24% to 0,49% which it pays for required reserves in dollars, reserve options and free accounts. At the MPC meeting in December, CBT decided not to make any changes in interest rates and kept them at 7,50%. Moreover, after Fed had started increasing interest rates, CBT pointed out that starting from January 2016, steps towards simplification can be taken in case that the decline in the mobility of market is permanent. During the meeting in December, CBT underscored once again that for the upcoming period, decisions on monetary policies will depend on inflation Outlook and the firm stand in monetary policies will be maintained.

In addition to the developments in inflation, mobility in foreign exchange and geopolitical developments will also play a significant part in the policy to be followed by CBT in 2016. While the Centralized administration budget balance had a surplus of 3,6 billion TL in November 2014, it had a surplus of 798 million TLs in the same period of 2015. Thus, the centralized administration budget balance deficit, which was 11,3 billion TRY in the first eleven months of 2014, was reduced to 5,4 billion TLs in the same period of 2015. While centralized administration budget expenditures increased by 12,3% in 2015 compared to the previous year, budget incomes increased by 14,2%. While 2014 centralized administration budget rate to GDP deficit in the rate of 1,3 % is expected to become 1,1 % in 2015 within the scope of Medium Term Program (2016-2018), the mentioned rate is expected to recede to 0,7% in 2016. Additionally, it is foreseen that part covered by the state of the minimum wage increase of 30% to cause an additional load over the budget. Therefore, it is possible to come across a budget deficit in 2016 higher than the MTP target. On the other hand, non-interest surplus in the first eleven months of 2015 increased by 23,5% compared to the same period of previous year. It is observed that non-interest surplus, which is important in terms of debt management and was 37,1 billion TLs in January-November 2014, was at the level of 45,8 billion TLs in the same period of 2015.

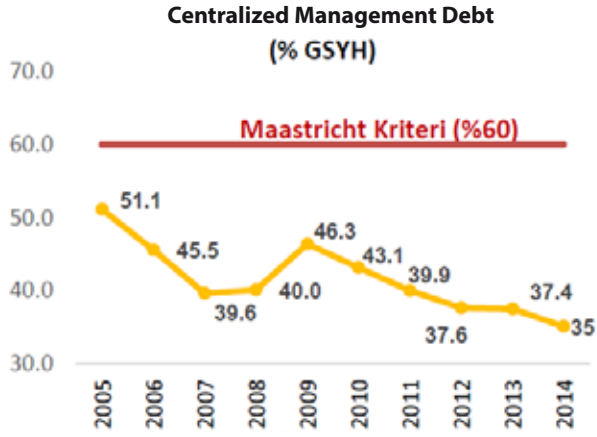
Budget balance had a deficit of 798 million TRY in November 2015.



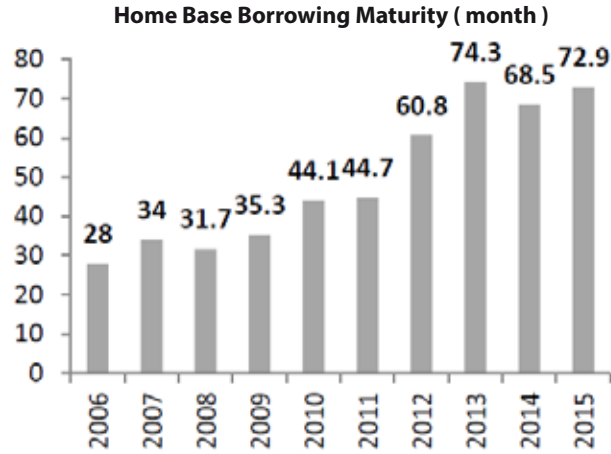
Centralization gross debt stock was 676,3 Billion TL as of November 2015. A part of gross debt amounting to 439,5 billion TLs were composed of debts in TL and the other 236,8-billion part was currency debts. Considering gross national product rate of the debt stock within the framework of Maastricht Criteria, also called 'EU Fiscal Rule', it is observed that there has been a regular decrease particularly since 2009. The fact that the rate in question is below the Maastricht Criteria reveals the development in fiscal policy and public administration in Turkey that took investible rating.

2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

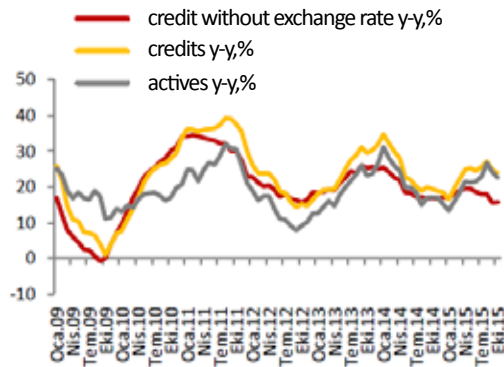
Centralization Gross Debt Stock



When the realizations in 2015 are examined, monthly average cost of fixed income domestic borrowing in TL fell from 9,7% in 2014 to 9,3% in January-October 2015. Average cumulative due date of domestic borrowing which was 68,5 months in 2014, rose to 72,9 months in 2015. On the other hand with the purpose of diversifying debt instruments and expanding investor base, lease certificates which were issued in 2012 for the first time and started to be issued regularly in the domestic market from 2013 were pursued also in 2015. In this context, leasing certificates amounting to 3,4 billion TLs in total were issued in February and August. Within the scope of 2016 loan strategy announced by the Undersecretariat of Treasury, it is predicted that there will be a domestic borrowing totaling 74,9 billion TLs in 2016 and total national debt rollover ratio will be 84,4%.

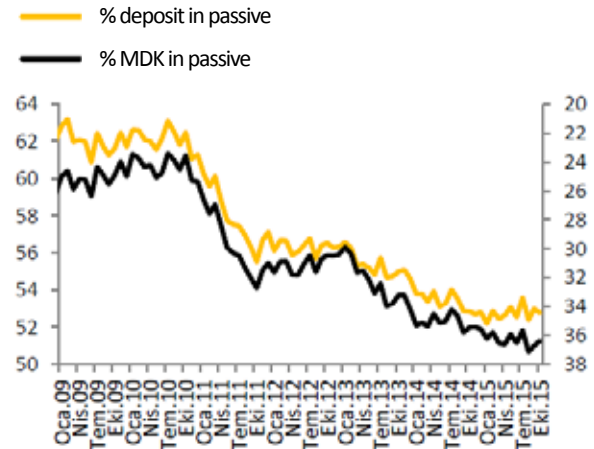


2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

Banking Sector**Credit growth of banking sector rose in 2015**

Increasing by 22,5% in October 2015 compared to the same period of previous year, size of assets of Turkish banking sector reached up to 2 trillion 348 billion TLs. Thus, the rate of the sector's size of assets over GDP in the third quarter of 2015 was 126,6%. Loans continued to be determinant in the asset growth in 2015 too and share of loans in total assets preserved their historical levels and raised up to 62,4%. Both increase in exchange rate and reduction of measures in 2015 which were taken in previous years by policy makers for promoting personal savings were influential over increase rate of loans. Restriction on installments by credit cards and maturity limitation in personal loans imposed previously with the directive by Banking Regulation and Supervision Agency (BRSA) becoming effective on November 25, were softened. This change in question will enable annual increase rate of personal loans to rise in the upcoming period. Annual increase rate of personal loans which was 7,3% in 2014 rose to 9,5% in October 2015. Thus, it brought annual increase rate of total loans from 18,5% in December 2014 up to 23,9% in October 2015. Thereby loan growth reached 1.466 billion TLs as of October 2015. Annual increase rate of receivables in collection (RIC) rising in the second half of 2015 receded starting from the third quarter of the year and was 24,6% as of October 2015. In the same period rate of loans becoming non-performing raised to 3%.

While share of loans in assets increased in 2015, share of security portfolio in assets decreased. Share of SP in assets which was 15,1% in December 2014 fell down to 13,9% in October 2015. Increase in currency in 2015 led annual increase rate of SP to rise and SP increased by 10,5% up to 325,6 billion TLs in October 2015 on the annual basis. The fact that portfolio sales of foreign investors were covered by domestic banking sector was another reason for the rise in the annual increase rate of SP.

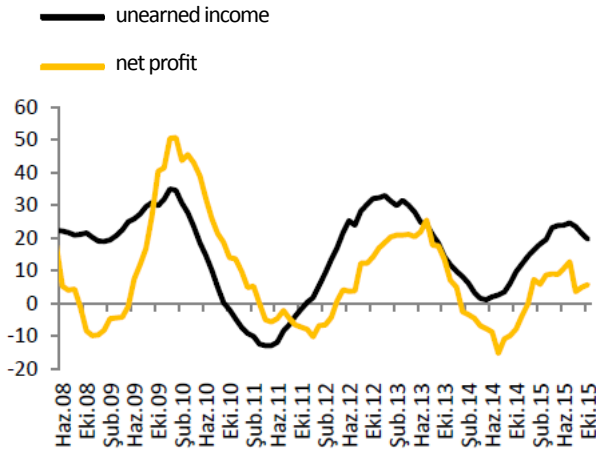
Share of deposits in liabilities increased in 2015 to some extent.

Share of deposits, which displayed a slightly upward trend in the third quarter of 2015, in sources of funds of banking sector was 52,7% in October 2015. Gaining momentum since the beginning of 2015, increase rate of deposits accelerated further in the last quarter and deposits recorded an increase of 22,3% by October 2015 on the annual basis. Rise in exchange rate played a determining role in the increase of share of deposits in liabilities in 2015. Similarly to the situation in 2014, it was witnessed also in 2015 that deposits centered around short terms. Share of 1 to 3-month deposits in liabilities, which was 46,6% in December 2014, rose to 56% by October 2015.

Regarded as an alternative source of fund for the banking sector, non-deposit sources (NDS) preserved its importance as a balance item towards which the sector's tendency enhanced with the increase in cost of funding. Experiencing the highest annual increase rate in August 2015 since April 2014, NDS also maintained its powerful rise in October and increased by 25,6% to 853,4 billion TLs compared to the same period of the previous year. During the same period, share of NDS in liabilities was 36,4%. Constantly falling starting from the end of 2014 until July 2015, annual increase rate of equities recorded a more accelerated rise in October and reached 14,2%. Share of equities in total liabilities was 10,9% for the period in question.

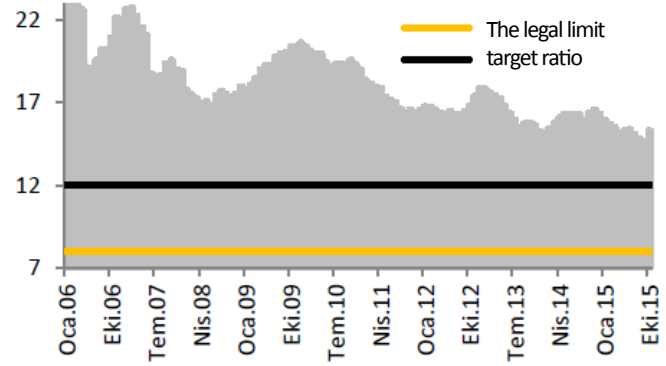
2015 GLOBAL ECONOMY IN THE WORLD AND TURKEY

After the decrease experienced during 2014, profitability recovered in 2015.



Net profit for the period decreasing throughout 2014 started to rise again in 2015 with the contribution by the base effect and increased by 5,7% on the annual basis in October despite the slowdown to a degree in the third quarter. Thereby net profit for the period was 25,1 billion TLs by October. Net interest incomes had an influence over the increase in profitability. Net interest incomes increased 19,5% on the annual basis in October 2015 up to 62,8 billion TLs. Profitability ratios displayed a parallel Outlook in 2014. Return on assets which was 1,23% in 2014 year-end was 1,21% in October 2015 while return on equity having a rate of 10,6% in 2014 was 11,1% in 2015. As for 2016, it is expected for the profitability to display a better performance compared to 2015.

Capital Adequacy



Considering the improvement of capital adequacy ratio indicating the rate of sector's capital over risk-weighted assets, it was observed that, though the said ratio is above the legal limit of 8% and the target ratio of 12%, it was in a trend of regression but displayed an upward movement starting from October. Thereby capital adequacy ratio (CAR) which was 16,28% at the end of 2014 was 15,3% by October 2015. Falling down of CAR since the first quarter marks the necessity for equity accumulation that will meet risk-weighted assets of the banks to grow further. Due to the shift to BASEL III, BRSA will put new regulations into effect in March 2016. It seems possible that these regulations will create a downward effect over capital adequacy ratios of the banks. Nevertheless, regulations made by BRSA on risk-weighted items for the benefit of banks regarding consumer loans will decrease downstream pressures over the capital adequacy ratio.

With Fed increasing interest rates starting from the last month of 2015, a source of uncertainty has been eliminated. Moreover, it stated that interest rate increases will be gradually made in 2016. This statement has eased the pressure over interests and exchange rate. Increase in the exchange rate was a determinant factor over growth of loans and thus assets of the banking sector in 2015 and accordingly led to accelerated rises. It is expected in 2016 that a slowdown will be experienced in the annual increase rates of loans and assets.

LEASING SECTOR IN 2015

LEASING SECTOR IN 2015

Leasing sector advanced 7,637,138 USD active contract sum in 2014 to 6,364,877 USD by a %16,66 decrease in 2014. In the same period the number of contracts was 20,302 pcs and it raised to 23,125 pcs by an increase of 13,91%.

Vakif Leasing raised its indorsement from 289,848 USD to 250,894 USD year over year by i decreasing it 15,53 % in 2015. While the number of transaction was 317 in 2014, it became 412.

According to active contract data in Vakif Leasing, while the transaction sum was 269,264 USD in 2014, it became 222,675 USD by a17,30 % decrease in 2015. While the number of active contracts was 326 in 2014, it became 388 in 2015.

One thousand USD-Leasing Sector

Period	2014	2015	increase %
First 3-month period	1,624,885	1,477,837	-9,05
Second 3-month period	1,865,957	1,666,075	-10,71
Third 3-month period	1,920,021	1,650,160	-14,06
Fourth 3-month period	2,226,275	1,570,805	-29,44
TOTAL	7,637,138	6,364,877	-16,66
Number of contracts	20,302	23,125	13,91

One thousand USD-Vakif Leasing

Period	2014	2015	increase %
First 3-month period	75,786	72,140	-4,81
Second 3-month period	73,496	45,932	-37,50
Third 3-month period	33,356	59,350	77,93
Fourth 3-month period	86,626	45,253	-47,76
TOTAL	269,264	222,675	-17,30
Number of contracts	326	388	19,02



GENERAL ASSESSMENT

Being one of the first players of the Turkish leasing sector and maintaining its pioneering role in the use, promotion and improvement of Financial Leasing products since 1988, Vakıf Leasing achieved an effective trading volume of 223 Million dollars in 2015.

Having the aim of financially mediating for SMEs and investors in commercial segments forming the majority of its customer portfolio, Vakıf Leasing targets to increase its sectoral market share of 3,50 percent and to enhance its corporate development in a highly competitive, brisk environment.

In 2015 the instrument of Sale and Lease Back had a positive impact on the trading Volume of Vakıf Leasing in parallel with the sector. In line with its sustainable objectives for the upcoming period, Vakıf Leasing intends to concentrate on real-estate, heavy and construction machinery and to continue promoting the tools becoming effective with the new law in 2016 as well.

Alternative financing options brought by the new law has earned dynamism for our company with its almost 30-year experience, sectoral knowledge and solution-oriented employees. The instrument of “Sale and Lease Back” particularly preferred by companies in need of capital and pursuing the goal of expanding their businesses can further increase the credibility of their balance sheets as well as strengthening the equity.

With its trading volume of 223 million dollars in 2015 Vakıf Leasing took the 11th place among the sector and increased its assets by 25% compared to the previous year to 1,5 Billion TLs, its leasing receivables by 22% to 1,3 Billion TLs and its equities by 36% to 144 Million TLs, thus maintaining its growth trend.

Among our goals for 2016, a healthy growth takes the first place considering our trading volume, Turkey’s domestic market growth and demands for commercial loans.

In order to provide on-premise service and quick response for its investors, Vakıf Leasing is represented by its branches in Ankara, İzmir, Adana, Bursa, Antalya and Gebze, and plans to achieve this goal with the extension of its branch network throughout Turkey and personnel support.

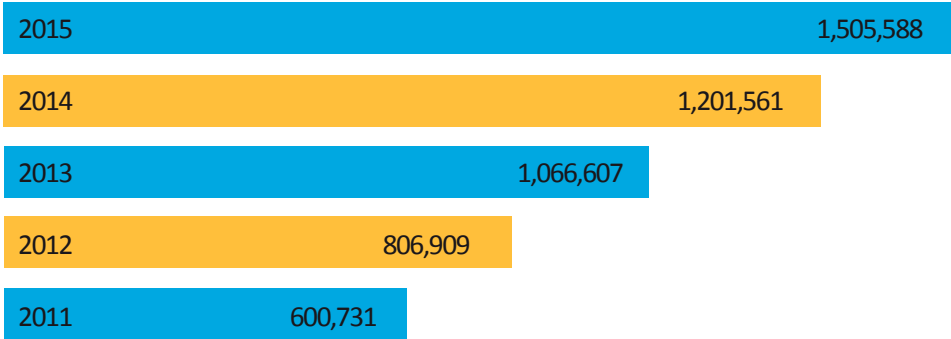




PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY FINANCIAL INDICATORS

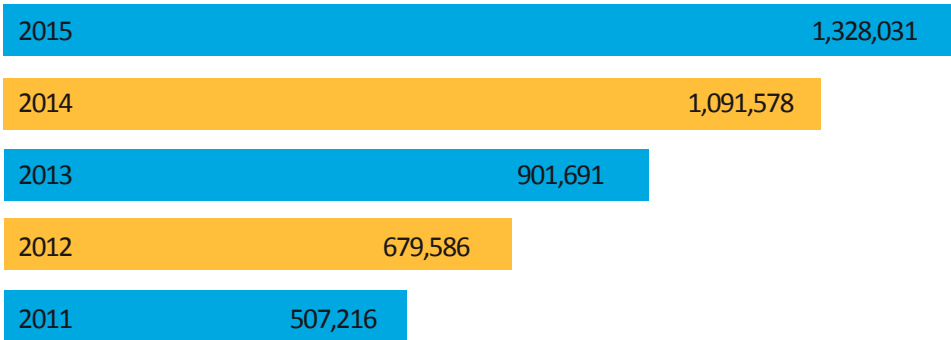
TOTAL ASSETS (THOUSAND TL)



+%25.3

Total assets of Vakıf Leasing raised to 1,505,588 with a 25,3 % increase when it is compared to the last year.

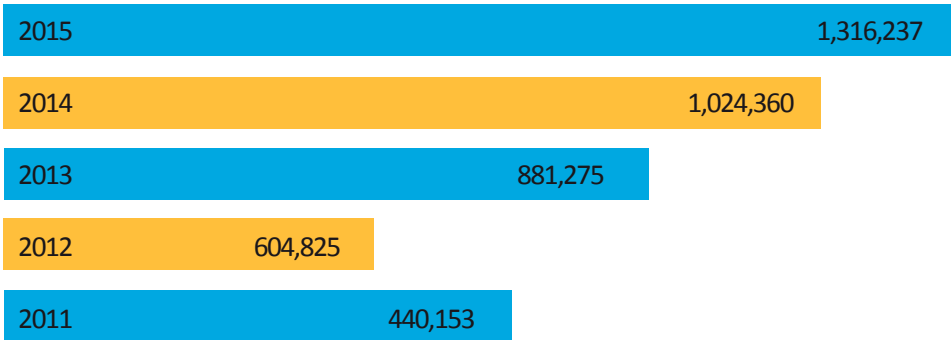
LEASING RECEIVABLES (THOUSAND TL)



+%21.7

Total leasing receivables of Vakıf Leasing raised to 1,328,031 with a 21, 7 % increase when it is compared to the last year.

CREDITS OBTAINED



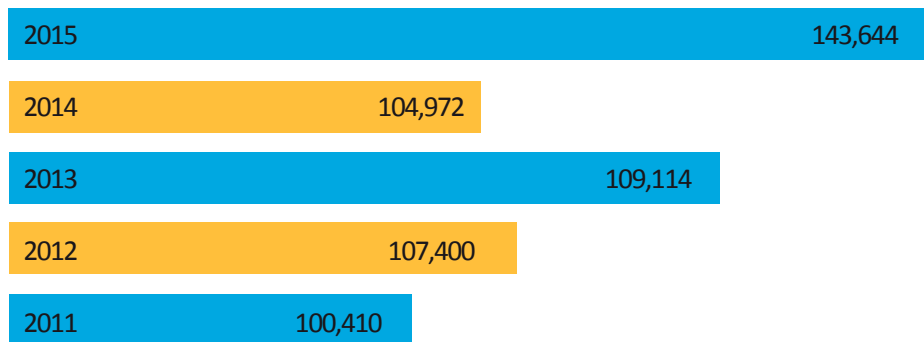
+%28.5

Total credits obtained of Vakıf Leasing raised to 1,316,237 with a 28,5 % increase when it is compared to the last year.

PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY FINANCIAL INDICATORS

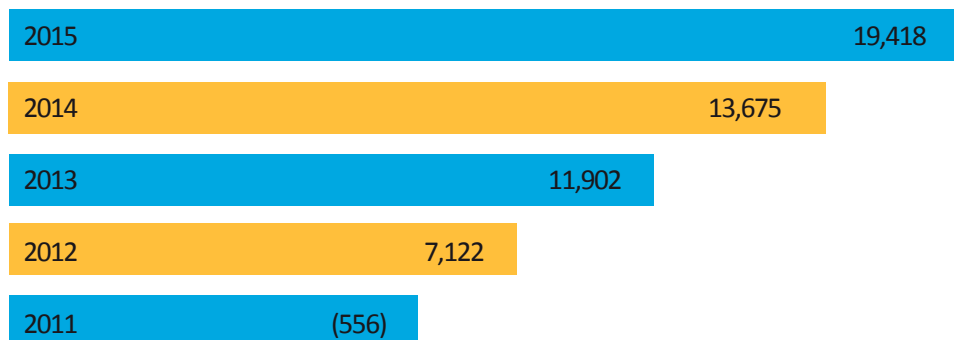
SHAREHOLDERS' EQUITY (THOUSAND TRY)



+%36.8

Total shareholders' equity of Vakıf Leasing became 143,644 TRY with a +36, 8 % increase when it is compared to the last year.

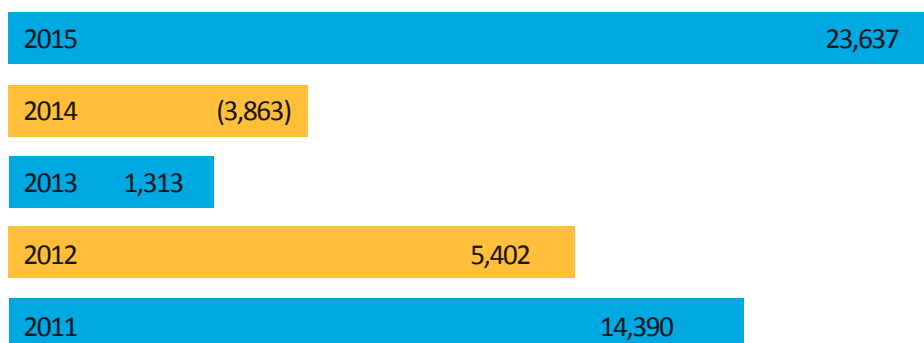
GROSS PROFIT/LOSS (THOUSAND TL)



+%42.0

The gross profit of Vakıf Leasing raised to 19,418 TRY with a 42 % increase when it is compared to the last year

NET PROFIT (THOUSAND TRY)



+%711.8

Net profit of Vakıf Leasing became (23,637) TRY with a +711,8 % increase when it is compared to the last year.



PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY RATIOS

Net Rental Receivables / Assets

2015	0.88
2014	0.91
2013	0.85
2012	0.84
2011	0.84

Shareholders equity/ Liabilities

2015	0.10
2014	0.09
2013	0.10
2012	0.13
2011	0.17

Gross non-performing loans/ (Gross loans+ Gross non-performing loans)

2015	0.10
2014	0.10
2013	0.11
2012	0.07
2011	0.15

Gross non-performing loans/ (Gross loans+ Gross non-performing loans)

2015	0.11
2014	0.11
2013	0.12
2012	0.08
2011	0.06

Gross non-performing loans

2015	0.11
2014	0.11
2013	0.12
2012	0.07
2011	0.05

Net Profit/ shareholders' equity

2015	0.16
2014	-0.04
2013	0.01
2012	0.05
2011	0.14

Net profit / Assets

2015	0.016
2014	-0.003
2013	0.001
2012	0.007
2011	0.02



PRESS STATEMENT



JCR Eurasia Rating

"Global Knowledge Supported by Local Experience"

PRESS RELEASE

Istanbul – June 08, 2015

JCR Eurasia Rating

has affirmed the credit ratings of

Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure

as "BBB (Trk)" on the Long Term National Scale
and "BBB-" on the Long Term International Scale,
and assigned 'Positive' outlooks to National Grades.

JCR Eurasia Rating has evaluated "Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure" in an investment grade category and affirmed the credit ratings of 'BBB (Trk)' on the Long Term National Scale and 'A-3 (Trk)' on the Short Term National Scale and assigned 'Positive' outlooks to National Grades. Additionally, JCR Eurasia Rating has also affirmed the Long Term International Foreign and Local Currency Ratings as 'BBB-'. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency	: BBB- / (Stable Outlook)
Long Term International Local Currency	: BBB- / (Stable Outlook)
Long Term National Local Rating	: BBB (Trk) / (Positive Outlook)
Short Term International Foreign Currency	: A-3 / (Stable Outlook)
Short Term International Local Currency	: A-3 / (Stable Outlook)
Short Term National Local Rating	: A-3 (Trk) / (Positive Outlook)
Sponsor Support	: 2
Stand Alone	: AB

The Turkish Leasing Sector continued to create value to the national economy through the financing of machinery and equipment investments. Moreover, with reinforced representative capability and power brought by recent legislation, the Leasing Sector, one of the leading sectors in the Non-Banking Financial Sector has contributed significantly to the improvement of working capital and financing of investments of SMEs via accelerated transaction volume due to tax exemptions introduced in 2013 and noteworthy transaction volume of recently developed sell & lease back products. The sector maintained its positive outlook for the upcoming years and improved its systemic support level through its comparatively low penetration level and creation of alternative funding channel for non-banking financial sector companies through the Takasbank (Istanbul Settlement and Custody Bank) Money Market membership regulation, despite the probable adverse effects of volatile market conditions derived from overseas and domestic economic and political developments.

Vakıf Finansal Kiralama A.Ş. carries out its domestic operations through its headquarters and four branches and has a high compliance level to corporate governance principles as the first publicly traded leasing company in Turkey. The Company takes advantage of its status as a bank-related company in terms of market recognition, ease of access to funding sources, liquidity management, borrowings term, funding costs, customer base and access network in a Non-Banking Financial Sector dominated by bank-affiliated companies. The Company created a persistent financial and operational efficiency in the market through its five-year cumulative growth standing twofold that of the sector figure. Although the equity level of the Company meets legal requirements, the inherent issue in bank-affiliated companies of below-average equity levels also hold true for the Company due to the funding of annual growth completely with external sources. The Company's NPL ratio, exceeding averages in the last year due to a significantly large non-performing loan that had a systemic impact across the Turkish financial system, improved but maintained its above sector standing and non-performing loans level continued to position above its equity level. On the other hand, while the Company's asset quality improved, profitability ratios were suppressed through the increasing provisions. Moreover, provisions covering also collateralized non-performing loans mitigated the probable pressure and generated a positive contribution potential on future profitability ratios. The Company exercising a considerable level of first quarter profit figure exhibits a 'Positive' outlook for upcoming periods through the possible positive contributions of expanding branch network that will reach eight via the addition of three new branches to be opened in the current year along with renewed software infrastructure that will improve the operational effectiveness on Company's future transaction volume.

It is considered that the major controlling shareholder, Vakıfbank T.A.Ş., has the willingness and experience to ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to Vakıf Finansal Kiralama A.Ş. In this regard, the Company's Sponsor Support Grade has been affirmed as (2).

Additionally, taking into account the Company's organizational structure, asset size, market efficiency, corporate governance practices and track record, we, as JCR Eurasia Rating, are of the opinion that Vakıf Finansal Kiralama A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it maintains the efficiency in the market. Within this context, the Stand Alone Grade of the Company has been determined as (AB) in the JCR Eurasia Rating notation system.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst Mr.Gokhan IYIGUN.

JCR EURASIA RATING
Administrative Board

REPORTS





INDEPENDENT AUDITOR'S REPORT



CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Directors of Vakıf Finansal Kiralama A.Ş.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Vakıf Finansal Kiralama A.Ş. (the "Company") and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes..

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Opinion:

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vakıf Finansal Kiralama A.Ş. and its subsidiary as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

In accordance with subparagraph 4, Article 398 of the Turkish Commercial Code ("TCC") No. 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 10 February 2016.

In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.**

a member of

PricewaterhouseCoopers



**Zeynep Uras, SMMM
Sorumlu Denetçi**

İstanbul, 10 Şubat 2016

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Partner

Istanbul, 10 February 2016



**CONVENIENCE TRANSLATION INTO ENGLISH
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDING 31 DECEMBER 2015**

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CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED FINANCIAL POSITION STATEMENT
AT 31 DECEMBER 2015 (BALANCE SHEET)
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Note	Audited Current Period (31 December 2015)			Audited Prior period (31 December 2014)		
		TL	FC	Total	TL	FC	Total
I. CASH AND CASH EQUIVALENTS and CENTRAL BANK		-	-	-	-	-	-
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		-	-	-	-	-	-
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
III. BANKS	5	1,232	54,426	55,658	1,426	13,874	15,300
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	6	4,961	-	4,961	4,850	-	4,850
VI. FACTORING RECEIVABLES		-	-	-	-	-	-
6.1 Discounted Factoring Receivables		-	-	-	-	-	-
6.1.1 Domestic		-	-	-	-	-	-
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		-	-	-	-	-	-
6.2 Other Factoring Receivables		-	-	-	-	-	-
6.2.1 Domestic		-	-	-	-	-	-
6.2.2 Foreign		-	-	-	-	-	-
VII. FINANCE LOANS		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Commercial Instalment Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES	7	320,564	1,007,467	1,328,031	248,210	843,368	1,091,578
8.1 Receivables from Leasing Transactions		310,804	987,501	1,298,305	230,628	841,055	1,071,683
8.1.1 Financial Lease Receivables		393,693	1,115,021	1,508,714	295,752	959,883	1,255,635
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		(82,889)	(127,520)	(210,409)	(65,124)	(118,828)	(183,952)
8.2 Assets to Be Leased		7,358	7,354	14,712	17,582	1,933	19,515
8.3 Advances Given for Leasing Transactions		2,402	12,612	15,014	-	380	380
IX. OTHER RECEIVABLES		4,723	11	4,734	4,091	235	4,326
X. DOUBTFUL RECEIVABLES	7	25,180	41,215	66,395	11,999	36,998	48,997
10.1 Doubtful Factoring Receivables		-	-	-	-	-	-
10.2 Doubtful Finance Loans		-	-	-	-	-	-
10.3 Doubtful Lease Receivables		40,639	123,928	164,567	26,444	107,523	133,967
10.4 Specific Provisions (-)		(15,459)	(82,713)	(98,172)	(14,445)	(70,525)	(84,970)
XI. HEDGING DERIVATIVE FINANCIAL ASSETS		-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)		-	-	-	-	-	-
XIII. SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. INVESTMENTS IN ASSOCIATES (Net)		-	-	-	-	-	-
XV. JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. PROPERTY AND EQUIPMENT (Net)	8	19,096	-	19,096	3,524	-	3,524
XVII. INTANGIBLE ASSETS (Net)	9	1,002	-	1,002	7	-	7
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		1,002	-	1,002	7	-	7
XVIII. PREPAID EXPENSES	13	255	3,871	4,126	229	3,920	4,149
XIX. CURRENT PERIOD TAX ASSET		40	-	40	55	-	55
XX. DEFERRED TAX ASSETS	11	21,504	-	21,504	27,198	-	27,198
XXI. OTHER ASSETS	12	41	-	41	5	-	5
XXII. SUBTOTAL		398,598	1,106,990	1,505,588	301,594	898,395	1,199,989
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	10	-	-	-	1,572	-	1,572
22.1 Held for resale		-	-	-	1,572	-	1,572
22.2 Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		398,598	1,106,990	1,505,588	303,166	898,395	1,201,561

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED FINANCIAL POSITION STATEMENT
AT 31 DECEMBER 2015 (BALANCE SHEET)**
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Note	Audited Current Period (31 December 2015)			Audited Previous Period (31 December 2014)		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		13,673	-	13,673	11,543	-	11,543
II. FUNDS BORROWED	14	359,011	957,226	1,316,237	311,146	713,214	1,024,360
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASE OBLIGATIONS		-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V. DEBT SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES	15	4,814	5,240	10,054	20,362	30,590	50,952
VII. OTHER LIABILITIES	16	6,547	9,322	15,869	1,733	3,388	5,121
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	11	654	-	654	517	-	517
X. PROVISIONS	17	3,229	-	3,229	2,820	-	2,820
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		3,229	-	3,229	2,820	-	2,820
10.3 Other Provisions		-	-	-	-	-	-
XI. DEFERRED INCOME		833	1,381	2,214	460	816	1,276
XII. CURRENT PERIOD TAX LIABILITY	11	14	-	14	-	-	-
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUBTOTAL		388,775	973,169	1,361,944	348,581	748,008	1,096,589
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		143,644	-	143,644	104,972	-	104,972
16.1 Paid-in Capital	18	65,000	-	65,000	65,000	-	65,000
16.2 Capital Reserves		353	-	353	353	-	353
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		353	-	353	353	-	353
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		14,992	-	14,992	(68)	-	(68)
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		2,678	-	2,678	2,711	-	2,711
16.5 Profit Reserves		36,873	-	36,873	40,736	-	40,736
16.5.1 Legal Reserves		3,910	-	3,910	3,890	-	3,890
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		32,963	-	32,963	36,846	-	36,846
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		23,637	-	23,637	(3,863)	-	(3,863)
16.6.1 Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		23,637	-	23,637	(3,863)	-	(3,863)
16.7 Non-Controlling Interests		111	-	111	103	-	103
TOTAL LIABILITIES AND EQUITY		532,419	973,169	1,505,588	453,553	748,008	1,201,561

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED OFF-BALANCE SHEET ITEMS
AT 31 DECEMBER 2015 (BALANCE SHEET)
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

OFF-BALANCE SHEET ITEMS	Note	Audited			Audited		
		Current Period			Prior Period		
		(31 December 2015)			(31 December 2014)		
		TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II. REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III. COLLATERALS RECEIVED	23	287,105	369,193	656,298	219,033	286,233	505,266
IV. COLLATERALS GIVEN		-	-	-	-	-	-
V. COMMITMENTS	23	59,551	187,917	247,468	17,138	67,423	84,561
5.1 Irrevocable Commitments		12,078	17,062	29,140	14,994	29,486	44,480
5.2 Revocable Commitments		47,473	170,855	218,328	2,144	37,937	40,081
5.2.1 Lease Commitments		47,473	170,855	218,328	2,144	37,937	40,081
5.2.1.1 Finance Lease Commitments		47,473	170,855	218,328	2,144	37,937	40,081
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	23	92,385	101,303	193,688	151,078	148,628	299,706
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		92,385	101,303	193,688	151,078	148,628	299,706
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		92,385	101,303	193,688	151,078	148,628	299,706
6.2.3 Put/call options		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS		439,041	658,413	1,097,454	387,249	502,284	889,533

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH,

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED PROFIT OR LOSS STATEMENT AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

INCOME AND EXPENSE ITEMS	Note	Audited Current Period (31 December 2015)	Audited Previous Period (31 December 2014)
I. OPERATING INCOME		104,696	82,254
FACTORIZING INCOME			
1.1 Factoring Interest Income		-	-
1.1.1 Discounted		-	-
1.1.2 Other		-	-
1.2 Factoring Commission Income		-	-
1.2.1 Discounted		-	-
1.2.2 Other		-	-
INCOME FROM FINANCING LOANS			
1.3 Interest income from financing loans		-	-
1.4 Fees and commissions received from financing loans		-	-
LEASE INCOME		104,696	82,254
1.5 Finance Lease Income		102,832	80,775
1.6 Operational Lease Income		-	-
1.7 Fees and Commission Income on Lease Operations		1,864	1,479
II. FINANCING EXPENSES (-)		(71,260)	(55,172)
2.1 Interest Expense on Funds Borrowed		(70,048)	(54,440)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Interest Expense of Finance Leasing Expenses		-	-
2.4 Interest Expense on Securities Issued		-	-
2.5 Other Interest Expenses		(182)	(182)
2.6 Fees and Commissions Paid		(1,030)	(550)
III. GROSS PROFIT / LOSS (I-II)		33,436	27,082
IV. OPERATING EXPENSES (-)	19	(14,018)	(13,407)
4.1 Personnel Expenses		(8,685)	(8,681)
4.2 Reserve for employee termination benefits		(315)	(248)
4.3 Development and Research Expenses		-	-
4.4 General administrative expenses		(5,018)	(4,478)
4.5 Others		-	-
V. GROSS OPERATING INCOME/LOSS (III+IV)		19,418	13,675
VI. OTHER OPERATING INCOME	20	39,763	31,409
6.1 Interest Income on Bank Deposits		280	681
6.2 Interest Income on Reverse Repurchase Agreements		-	-
6.3 Interest Income on Securities Portfolio		-	5
6.3.1 Interest Income on Financial Assets Held for Trading		-	-
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		-	5
6.3.4 Interest Income on Financial Assets Held to Maturity		-	-
6.4 Dividend Income		-	13
6.5 Trading Account Income		-	8,191
6.5.1 Income From Derivative Financial Instruments		-	8,191
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		32,490	6,176
6.7 Others		6,993	16,343
VII. PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	7	(15,559)	(43,831)
VIII. OTHER OPERATING EXPENSES (-)	20	(15,099)	(342)
8.1 Impairment Losses on Securities Portfolio		-	-
8.1.1 Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-
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		(14,909)	-
8.4 Foreign Exchange Losses		-	-
8.5 Other		(190)	(342)
IX. NET OPERATING PROFIT / LOSS (V+...+VIII)		28,523	911
X. INCOME RESULTED FROM MERGER			
XI. GAIN/LOSS ON NET MONETARY POSITION			
XII. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		28,523	911
XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (*)	11	(4,844)	(4,733)
13.1 Current Tax Charge	11	(78)	(70)
13.2 Deferred Tax Charge (-)		(4,766)	(4,663)
13.3 Deferred Tax Benefit (+)		-	-
XIV. NET PROFIT FROM CONTINUING OPERATIONS (XII+XIII)		23,679	(3,822)
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-XVI)			
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. UNCONTROLLABLE PROFIT OR LOSS		(42)	(41)
XXI. NET PROFIT FOR THE PERIOD (XIV+XIX+XX)		23,637	(3,863)
EARNINGS PER SHARE	21	0.0036	(0.0006)
Earnings Per Share from Continued Operations		0.0036	(0.0006)
Earnings Per Share from Discontinued Operations		-	-
DILUTED EARNINGS PER SHARE			

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
STATEMENT AT 31 DECEMBER 2015

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited Current Period (31 December 2015)	Audited Previous Period (31 December 2014)
	Note		
I. CURRENT PERIOD PROFIT/LOSS		23,637	(3,863)
II. OTHER COMPREHENSIVE INCOME		15,027	(288)
2.1 Items that will not be Reclassified to Profit or Loss		14,916	(423)
2.1.1 Tangible Assets Revaluation Increases/Decreases		15,900	-
2.1.2 Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	17	(56)	(439)
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		(928)	16
2.1.5.1 Current Tax Income/Expense		-	-
2.1.5.2 Deferred Tax Income/Expense		(928)	16
2.2 Items that may be Reclassified subsequently to Profit or Loss		111	135
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales		111	135
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) (*)		38,664	(4,151)

(*) Minority interests are not included.

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.



CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY

	Prior Period (1 January - 31 December 2014)	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement						Accumulated other comprehensive income or losses to be reclassified under profit or loss statement				Current Period Net Income (TLmn)	Prior Period Net Income (TLmn)	Net Profit / Loss	Total Equity
		Paid-in Capital	Capital Reserve	Share Premium	Share Cancellation in Profit	Other Reserve	1	2	3	4	5	6			
I.	Balance at the Beginning of the Period	65,000	-	-	-	353	-	355	-	-	2,576	-	39,423	3,814	109,114
II.	Correction Made According to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (F+H)	65,000	-	-	-	353	-	355	-	-	2,576	-	39,423	3,814	109,114
IV.	Total Comprehensive Income	-	-	-	-	-	-	(413)	-	-	135	-	-	-	(288)
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in-Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increases / Decreases due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	(3,863)	41	(3,822)
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	(1,313)	(32)	(32)
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	(32)	(32)
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance	65,000	-	-	-	353	-	(68)	-	-	2,711	-	40,736	3,890	104,972
	(III+IV) - (XVII+XVIII+XIX)												(3,863)	103	

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated revaluation gains/losses on defined benefit plans.
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on available for sale asset.
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement).

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2VAKIF FİNANSAL KİRALAMA A.Ş.
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY																
	Paid-up Capital	Capital Reserve	Share Premium	Share Cancelled in Profit	Accumulated other comprehensive income or losses to be reclassified under profit or loss statement						Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Net Profit / Loss	Total Equity		
					1	2	3	4	5	6						
CURRENT PERIOD																
(1 January-31 December 2015)																
I.	65,000	-	-	-	353	-	(68)	-	-	2,711	-	40,736	3,890	-	103	104,972
II.																
2.1																
2.2																
III.																
IV.	65,000				353	15,105	(68)	-	-	2,711	(33)	40,736	3,890		103	104,972
V.							(45)									15,027
VI.																
VII.																
VIII.																
IX.																
X.																
XI.																
XII.																
12.1																
12.2																
12.3																
Period End Balance (III:IV:.....XVII:XVIII:XIX)	65,000	-	-	-	353	15,105	(113)	-	-	2,678	-	36,873	3,910	-	111	143,644

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated revaluation gains/losses on defined benefit plans.
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement).
4. Foreign currency translation differences.
5. The accumulated revaluation increases/losses on available for sale asset.
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement).

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
1.1	Operating Profit before Changes in Operating Assets and Liabilities	42,309	58,161
1.1.1	Interests Received/ Leasing Income	102,143	81,284
1.1.2	Interest Paid/Leasing Expense	-	-
1.1.3	Leasing Expenses	-	-
1.1.4	Dividend Received	-	13
1.1.5	Fees and Commissions Received	1,864	1,479
1.1.6	Other Income	20,672	22,702
1.1.7	Collections from Previously Written-off Doubtful Receivables	823	6,639
1.1.8	Payments to Personnel and Service Suppliers	(8,685)	(8,570)
1.1.9	Taxes Paid	(64)	70
1.1.10	Other	(74,444)	(45,456)
1.2	Changes in Operating Assets and Liabilities	(6,606)	(75,705)
1.2.1	Net (Increase)/Decrease in Factoring Receivables	-	-
1.2.1	Net (Increase)/Decrease in Finance Loans	-	-
1.2.1	Net (Increase)/Decrease in Lease Receivables	(268,441)	(206,876)
1.2.2	Net (Increase)/Decrease in Other Assets	1,167	10,413
1.2.3	Net Increase/(Decrease) in Factoring Payables	-	-
1.2.3	Net Increase/(Decrease) in Lease Payables	-	-
1.2.4	Net Increase/(Decrease) in Funds Borrowed	289,861	121,323
1.2.5	Net Increase/(Decrease) in Payables	-	-
1.2.6	Net Increase/(Decrease) in Other Liabilities	(29,193)	(565)
I.	Net Cash Provided from Operating Activities	35,703	(17,544)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
2.1	Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(1,435)	-
2.4	Disposals of Property and Equipment	59	2
2.5	Purchase of Investments Available-for-sale	-	-
2.6	Sale of Investments Available-for-sale	-	-
2.7	Purchase of Investment Securities Held to Maturity	-	-
2.8	Sale of Investment Securities Held to Maturity	-	-
2.9	Other	-	183
II.	Net Cash (Used in)/Provided from Investing Activities	(1,376)	185
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
3.1	Cash Obtained from Funds Borrowed and Securities Issued	-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
III.	Net Cash Provided from Financing Activities	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	6,032	-
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	40,359	(17,359)
VI.	Cash and Cash Equivalents at Beginning of the Period	15,299	32,658
VII.	Cash and Cash Equivalents at End of the Period	55,658	15,299

The accompanying notes set out on pages 10 to 56 from an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2015

CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Current Period 31 December 2015(*)	Prior Period 31 December 2014
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	28,523	763
1.2 TAXES AND DUES PAYABLE (-)	(4,844)	(4,678)
1.2.1 Corporate Tax (Income Tax)	(78)	-
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(4,766)	(4,678)
A. NET PERIOD PROFIT (1.1 - 1.2)	23,679	(3,915)
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	-
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Pre-emptive 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 (Pre-emptive 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	-	-
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 (Pre-emptive 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 (TL)	-	-
3.2 TO OWNERS OF STOCKS (%)	-	-
3.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS (TL)	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) Profit distribution table has been presented on the basis of non-consolidated financial statements. The Company's General Assembly has not been held yet and in the profit distribution table only distributable profits has been specified.

(**) Since the company had a net loss of TL 3,863 thousand, no profit has been distributed.

The accompanying notes set out on pages 10 to 56 form an integral part of these financial statements



**CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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**VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Brief history

Vakıf Finansal Kiralama Anonim Şirketi ("the Company") was established on 15 September 1988 and operates 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 Company is a subsidiary of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank") and the 22.53% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi ("Vakıf Sigorta") was established on 3 January 1995 to act as an insurance intermediary between Güneş Sigorta Anonim Şirketi and the customers of the Company for the insurance of the assets subject to finance lease agreements. Vakıf Sigorta gives insurance consultancy, risk management and damage controlling both in Turkey and abroad. Vakıf Sigorta also gives brokerage services between insurance and reinsurance companies. The Company owns 84.85% of the outstanding shares of Vakıf Sigorta and Vakıf Sigorta's financial statements are fully consolidated in the accompanying consolidated financial statements. The Company and Vakıf Sigorta together will be referred as "Group" in this report.

As at 31 December 2015, the Group has 56 employees; 52 at the Company, 4 at Vakıf Sigorta (31 December 2014: 49 at the Company, 4 at Vakıf Sigorta, in total 53).

The registered address of the Company is as follows:

Büyükdere Caddesi Matbuat Sokak
Gazeteciler Sitesi No:13
34394 Esentepe - Şişli
Istanbul/Turkey

Ownership Structure

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank Group. As at 31 December 2015 and 2014, the share capital and ownership structure of the Company are as follows:

Name	31 December 2015		31 December 2014	
	Nominal Value (TL)	Share Percentage (%)	Nominal Value (TL)	Share Percentage (%)
Vakıfbank	38,163	58.71	38,163	58.71
Güneş Sigorta Anonim Şirketi	10,172	15.65	10,172	15.65
Public Shares ^(*)	14,647	22.53	14,647	22.53
Other	2,018	3.11	2,018	3.11
Paid-in capital	65,000	100.00	65,000	100.00

(*) The ratio is calculated from the shares of the Company registered at Istanbul Takas ve Saklama Bankası A.Ş. ("Takasbank").

**CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis Of Presentation

2.1.1 Accounting standards

The Company prepared accompanying financial statements in accordance with 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), ("TMS/TFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "the reporting standards") in respect of accounting and financial reporting.

The consolidated financial statements as at and for the year ended 31 December 2015 are approved by the Board of Directors of the Company and authorized for issue as at 10 February 2016. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the available for sale financial assets and assets held for sale which are measured at their fair values unless reliable measures are available.

2.1.2 Additional paragraph for convenience translation into English

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which these financial statements are to be distributed and Turkish Financial Reporting Standards ("TFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and TFRS.

2.1.3 Correction of financial statements during hyperinflation period

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.1.5 Going concern

The Company prepared its financial statements considering the going concern principal.

2.1.6 Currency used

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in the Turkish Lira ("TL").



**CONVENIENCE TRANSLATION INTO ENGLISH
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.7 Critical Accounting evaluations, estimates and assumptions

Preparation of these financial statements requires estimates and judgments regarding the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgements are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

Allowance for impairment of lease receivables

A credit risk provision for impairment of leasing receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of lease receivables are based on the aging of these receivable balances and the trend of collection performance.

Recognition of deferred tax asset

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances.

2.2. CHANGES IN ACCOUNTING POLICIES

2.2.1 Comparatives and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

The Group started disclosing the foreign currency gains and losses in net amounts during the current year whereas presented in gross amounts in previous periods. In order to disclose the financials correctly, required classifications are made in the income statement as at 31 December 2014.

2.2.2 Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.2.3 Change in accounting estimates and errors**

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior year errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2.2.4 Amendments in standards and interpretations**New or Revised International Financial Reporting Standards and Applications of Amendments**

The Company adopted the standards, amendments and interpretations, related to Company's activity, published by the Public Oversight Auditing and Accounting Standards Authority (POA) which are mandatory for accounting periods beginning on or after 1 January 2015.

Standards, Amendments and IFRICs applicable to 31 December 2015 year ends

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TFRS 13, 'Fair value measurement'
 - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, Financial instruments – Recognition and measurement'
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:
 - TFRS 1, 'First time adoption'
 - TFRS 3, 'Business combinations'
 - TFRS 13, 'Fair value measurement' and
 - TAS 40, 'Investment property'.



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New TFRS standards, amendments and IFRICs effective after 1 January 2016

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, 'Employee benefits' regarding discount rates.
 - TAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports
- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after **1 January 2018**. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Early adoption of standards

The Company did not early-adopt new or amended standards at 31 December 2015. Considering the financial statement items of the Company, it is deemed that the prospective changes except adoption of TFRS 9 would have no significant effect to over the financial position and performance of the Company.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies

Consolidation principals applied:

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in sections below. Financial statements of the consolidated subsidiary are prepared as of the same date as consolidated financial statements.

Subsidiaries

Subsidiaries are the entities controlled by the Company. Control exists when the Company 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 interim financial statements from the date that control commences until the date that control ceases.

As at 31 December 2015 and 2014, the Company owns 84.85% of Vakıf Sigorta. As the Company has the power to control the operations of the Vakıf Sigorta, the financial statements of Vakıf Sigorta have been fully consolidated in the accompanying consolidated financial statements.

Non-controlling interest

The non-controlling interest in the net asset of the subsidiary of the Company is presented separately in the Group's equity. Non-controlling interest comprises the amount of those non-controlling interests at the date of the first combination and the changes in equity since the date of the combination.

Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency exchange rates used on 31 December, 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
USD	2.9076	2.3189
Euro	3.1776	2.8207

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

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Financial leasing transactions

(i) As lessor

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Lease income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The leasing payments received are deducted from the gross leasing investments by reducing the principal and unearned finance income.

(ii) As lessee

The assets which is obtained by financial leasing is capitalized with the lower of fair value of the asset at the beginning of the leasing period after the deduction of the tax benefits and incentive or discounted value of minimum lease payments at the date. The principal payments of the lease are illustrated as liability and decreases with the payments. Interest payments are reflected to income statement during the financial leasing period. Assets obtained by the financial leasing are subject to depreciation over the useful life of the asset.

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies ("Provisions Communiqué") published in Official Gazette No. 28861, dated 24 December 2013. According to the Communiqué, specific provisions are set in the following proportions: minimum 20% after deducting the effect of collaterals for lease receivables that are overdue between 151 and 240 days, minimum 50% after deducting the effect of collaterals for lease receivables that are overdue between 240 and 365 days and 100% after deducting the effect of collaterals for lease receivables that are overdue for more than one year.

In accordance with the related Provisions Communiqué, the Company also recognises specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué on the Preparation and Presentation of Financial Statements published in Official Gazette No. 25702, dated 16 January 2005. According to the Communiqué, the Company might not take into account the collateral amounts while determining the specific provision mentioned above.

After the collection of receivables for which provision has been set aside, the provision amounts are reversed and all of the related receivables are deducted from assets. During the collection of a receivable related to a previous year's provisions, the related collection amount is credited to "Other Operating Income" account as income.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Financial instruments

The Company classifies securities and accounts as "available for sale" and "subsidiaries".

Investment securities are classified according to purpose of purchase and Management's "market risk policy" at the time of purchase.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it.

(i) Securities held for trading

Financial assets held for trading is the financial assets that are measured at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Investment securities available-for-sale

Available-for-sale investment securities are carried at fair value based on quoted bid prices, or amounts derived from cash flow models on the financial statements as of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of these securities are recognised under equity in the "Marketable Securities Valuation Reserve" account. If a non-temporary fair value loss is determined, the effect of this loss is recognised in the statement of income. In case of disposal of these securities, the accumulated fair value adjustments are transferred to statement of income. Investments in equity shares for which the Group has not the power to control or significant influence are classified as available for sale financial assets in the consolidated financial statements. Available for sale financial assets, traded in an active market or whose fair value can be reliably measured, measured at their fair values. Available for sale financial assets, not traded in an active market and whose fair value cannot be reliably set are measured at cost, less impairment losses, if any in the consolidated financial statements.

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, are initially recognised on the balance sheet at cost including transaction costs and are subsequently re-measured at their fair value. The income and losses recognised in derivative transactions change according to how they are classified. Income and losses from derivatives designated to effectively hedge cash-flow risk are recognised as equity. The Company's derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting and are therefore initially recognised at cost and subsequently valued at fair value. The fair value gains and losses are recognised in the income statement.

Fair values of forward foreign exchange contracts and swap transactions are determined based on market rates or discounted cash flows.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**Property and equipment**

In the accompanying consolidated financial statements, tangible assets acquired before 1 January 2005 are measured at cost restated for the effects of inflation at 31 December 2004 less accumulated depreciation. Tangible assets acquired after 1 January 2005 are measured at cost, less accumulated depreciation.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015. As a result of the valuation performed by an independent appraisal company, revaluation difference of TL 15,105 after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss. As of 30 September 2015, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

	31 Aralık 2015
Fair Value	19,090
Net book value calculated on cost value	3,190
Before tax revaluation differences	15,900
Calculated deferred tax liability (-)	795
Revaluation differences - net	15,105

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the consolidated statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense. There are no pledges, mortgages and other encumbrances on tangible assets.

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of tangible assets are as follows:

Tangible assets	Expected Useful Life (Year)	Depreciation Rate (%)
Buildings	50	2
Furniture and fixture	5	20
Motor vehicles	5	20
Other tangible assets – Leasehold improvements	5	20

Intangible assets

The Group's intangible assets consist of software.

The cost of the intangible assets purchased before 1 January 2005 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

The intangible assets are amortized based on straight line amortization method.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Assets held for resale

The assets providing the necessary conditions of being classified as the assets held for resale are recognized with the lower of their book value and fair value less cost of sales. These assets are presented separately on the balance sheet and are not subjected to depreciation following the classification. To classify an asset as asset held for resale, the sale potential of the asset (or the asset group to be disposed) should be high and the asset should be available to immediately sell under ordinary circumstances in sale of this kind of assets. To have high sale potential, there should be a proper scheme for sale of the asset (or asset group to be disposed) which is prepared by a proper administrative level and an active sales program should be launched to complement the scheme and determine the buyers. Furthermore, the asset should be marketed actively with a price coherent to its fair value. Various incidents and conditions may extend the completion of the sale term to more than a year. The asset is remained to be classified as the asset held for resale, if the reason of the delay is the incidents and conditions out of the control of the firm, and there is no sufficient evidence that the firm is continuing its sales program of the asset.

The impairment losses and profit and loss from subsequent valuation of the assets classified as the assets held for resale are recognized on consolidated income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of income.

Employee benefits

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2015 is TL 4,092.53 full TL) (31 December 2014: TL 3,541.37 (full TL)). The Group provided reserve for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 – *Employee Benefits*.

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As at 31 December 2015 and 2014, the actuarial assumptions are as follows:

	31 December 2015	31 December 2014
Discount rate	%2.89	%1.97
Expected rate of salary/ceiling increase	%7.10	%6.50
Estimated employee turnover rate	%1.86	%3.77

Expected rate of salary/ceiling increase is determined based on inflation estimates of the government. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The Group has provided reserve for short-term employee benefits in the financial period as per services rendered in compliance with TAS 19 – *Employee Benefits* in the accompanying consolidated financial statements.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition method of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for the annual periods beginning on or after 1 January 2013. Beginning of 1 January 2013, the Company has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Comprehensive Income" and presented in the "Extraordinary reserves" item in the Equity section of the financial statements.

Provisions, contingent assets and liabilities

In the consolidated financial statements, a provision is made for an existing liability resulted from past events if it is probable that the liability will be settled and a reliable estimate can be made for the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the consolidated financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements. Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset in the accompanying consolidated financial statements.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Income and expense recognition

Finance lease income

The values of the assets leased within the context of Financial Lease Law are shown as finance lease receivables on balance sheet at their value determined at the beginning of the leasing transaction. The interest income generated by the difference between total finance lease receivable and the investment value of the asset subject to leasing is recorded to the income statement of the period by means of distribution of the receivables with fixed interest rate to the related periods. The interest income not accrued in relevant period is followed under unearned interest income.

Interest income and expenses

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs, which are indispensable parts of effective interest. Transaction costs are additional costs that are directly related to the acquisition or disposal of financial assets or liabilities.

Fees and commissions

The fees and commissions received from and paid due to finance lease operations are recognized in the consolidated statement of income when the related service is rendered or received.

Dividend

Dividend income is recognized when the Company's right to receive payment is ascertained.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Taxation

Corporate taxes

Taxable income is subject to corporate tax at 20%. This rate is applied to net income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Withholding tax rate on dividend payments, which are made to the companies except those are domiciled in Turkey or generate income in Turkey via a business or a regular agent, is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

Under the Turkish taxation system, tax losses can be carried forward up to five years. As at 31 December 2015, the Group has no deductible tax losses (31 December 2014: no deductible tax losses).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the end of the 25th day of the 4th month following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred taxes

Deferred tax assets and liabilities are recognized, in accordance with TAS 12- *Income Taxes*, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the consolidated financial statements only if the Group has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.



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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, dated 18 November 2007 sets details about implementation.

According to the Communiqué, 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.

Investment incentive

As per the provisional 69th article which is added to the 193 numbered Income Tax Law by 5479 numbered Law that is published on 8 April 2006 dated and 26133 numbered Official Gazette and became effective since 1 January 2006, tax payers could deduct investment incentives calculated according to the legislation provisions (including tax rate related provisions) in force as at 31 December 2005, only from the taxable income of the years 2006, 2007, and 2008. In this context, income and corporate taxpayers could deduct the following items only from the taxable income of 2006, 2007, and 2008;

- 1- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,
- 2- For the investments, which made in the scope of investment incentive certificates drawn upon taxpayer's application before 24 April 2003 and started within the frame of 193 numbered Income Tax Law's additional 1, 2,3,4,5 and 6th articles - later repealed by 4842 numbered law- the amounts that realized in the scope of certificate after the date 1 January 2006.
- 3- Within the frame of Article 19 of 193 numbered Law which repealed 5479 numbered Law, investment expenditures incurred after 1 January 2006 will be deductible only from the profits of years 2006, 2007 and 2008 provided that they are economically and technically integral parts of the investment started before 1 January 2006.

In this frame the rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, are abrogated as at 31 December 2008. According to this regulation limiting the right to deduct the investment expenditure from taxable profit, investment incentive exemption will be applied to the taxable profit of 2008 at the latest. Investment incentive exemption amount which could not be deducted due to lack of taxable profit till the end of 2009 is not possible to be deducted from the taxable profit of 2009 and subsequent years. Meanwhile, this exemption amount cannot be recorded as expense in the tax books.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, "2006, 2007 and 2008" clause of the provisional Article no. 69 of Income Tax Law mentioned above, is repealed and time limitation for the use of investment incentive is removed. The repeal related to investment incentive is enacted and issued in the 8 January 2010 dated and 27456 numbered Official Gazette.

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Accordingly, investment incentive amounts carried forward to 2006 due to lack of taxable profit and the other investment incentive amounts which arising from investments prior to 2006 and on goes after this date in the context of economic and technical integrity can be applied for not only 2006, 2007 and 2008 but also in subsequent years. Accordingly, the Group will be able to deduct its remaining investment incentives from taxable profit in the future without any time limitation.

Pursuant to the 6009 numbered Law published on 1 August 2010 dated and 27659 numbered Official Gazette and became effective accordingly, the amount of investment incentive exemption which is deducted from income to estimate the tax base cannot be more than 25% of the income, and the remaining income will be subject to income tax at the prevailing tax rate. In accordance with this law and Constitutional Court decision there is no time limitation in using investment incentive amount carried forward from year 2005 but the amount could not be more than 25% of income.

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 decisions no: E.2010/93 and K.2012/20 on 9 February 2012.

Related party

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.

Earnings per share

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period (Note 21).



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

Statement of cash flows

The Group prepares consolidated statement of cash flows to inform the users of the consolidated financial statements about the changes in its net assets, its consolidated financial structure and its ability to affect the amount and timing of its consolidated cash flows with respect to changing external conditions.

In the consolidated statement of cash flows, consolidated cash flows of the period are reported with a classification based on operating, investing and financing activities. Consolidated cash flows from operating activities represent cash flows from activities within the scope of business. Consolidated cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Consolidated cash flows relating to financing activities represent the sources of financing the Group used and the repayments of these sources.

As at 31 December 2015 and 2014, for the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented below:

	31 December 2015	31 December 2014
Banks	55,658	15,300
Interest accruals on bank deposits	-	(1)
Cash and cash equivalents in the consolidated statement of cash flows	55,658	15,299

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors.

Segment information is presented in respect of the Group's business as all the group entities operate in one geographical area, Turkey. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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3 - SEGMENT REPORTING

Business Segments

The Group comprises of two main business segments.

- Finance lease includes the Group's finance lease operations.
- Insurance includes the Group's insurance brokerage operations.

31 December 2015	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Finance lease income	104,696	-	-	104,696
Insurance brokerage service income	-	1,229	-	1,229
Total segment revenue	104,696	1,229	-	105,925
Net operating profit	28,371	347	(195)	28,523
Income taxes	(4,776)	(68)	-	(4,844)
Net profit for the year	23,595	279	(195)	23,679
Specific provisions for loans and receivables under follow up	(15,559)	-	-	(15,559)
Depreciation and amortization	(667)	-	-	(667)
31 December 2014	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Finance lease income	81,031	-	-	81,031
Insurance brokerage service income	-	1,223	-	1,223
Total segment revenue	81,031	1,223	-	82,254
Net operating profit	763	323	(175)	911
Income taxes	(4,678)	(55)	-	(4,733)
Net profit for the year	(3,915)	268	(175)	(3,822)
Specific provisions for loans and receivables under follow up	43,831	-	-	43,831
Depreciation and amortization	(264)	-	-	(264)



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3 - SEGMENT REPORTING (Continued)

As at 31 December 2015 and 31 December 2014 the Group's segment assets, segment liabilities and capital expenditures are as follows:

31 December 2015	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Other Information				
Segment assets	1,505,270	4,121	(3,802)	1,505,588
Segment liabilities	1,362,230	3,408	(3,694)	1,361,944
Capital expenditures	-	-	-	-
31 December 2014	Finance Lease	Insurance Brokerage	Consolidation Adjustments	Total
Other Information				
Segment assets	1,197,652	4,748	(839)	1,201,561
Segment liabilities	1,093,254	4,067	(732)	1,096,589
Capital expenditures	-	-	-	-

Capital expenditures of the segments comprise of the acquisitions of tangible and intangible assets in the related periods.

4 - CASH EQUIVALENTS AND BANKS

As at 31 December 2015 and 31 December 2014, details of bank balances are as follow:

	31 December 2015	31 December 2014
Banks		
Demand deposit	55,658	15,300
Time deposit	55,658	777
	-	14,523
Total	55,658	15,300

As at 31 December 2015, the Group has no time deposits.

As at 31 December 2014, time deposits consist of bank placements with maturity less than three months and with interest rates average 7.6% for TL. Group do not have foreign currency time deposits.

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As at 31 December 2015 and 31 December 2014, available for sale financial assets are as follow:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	Carrying Value	Share (%)	Carrying Value	Share (%)
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	3,009	3.79	3,160	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,735	3.27	1,490	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	217	0.25	200	0.25
Total Available for Sale	4,961		4,850	

6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

The details of finance lease receivables are presented below:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Lease receivables	390,648	1,106,366	293,722	953,199
Invoiced lease receivables	3,045	8,655	2,030	6,684
Subtotal	393,693	1,115,021	295,752	959,883
Unearned interest income	(82,889)	(127,520)	(65,124)	(118,828)
Leasing contracts in progress	7,358	7,354	17,582	1,933
Advances given for lease transactions	2,402	12,612	-	380
Finance lease receivables, net of unearned income	320,564	1,007,467	248,210	843,368
Impaired lease receivables	40,639	123,928	26,444	107,523
Specific provision	(15,459)	(82,713)	(14,445)	(70,525)
Impaired lease receivables, net	25,180	41,215	11,999	36,998
Finance lease receivables, net	345,744	1,048,682	260,209	880,366



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6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

Prospective aging analysis of the neither past due nor impaired and past due but not impaired lease receivables is as follows:

31 December 2015	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	546,614	391,342	285,501	177,166	137,817	1,538,440
Unearned interest income	(91,635)	(59,230)	(33,854)	(16,634)	(9,056)	(210,409)
Finance lease receivables, Net	454,979	332,112	251,647	160,532	128,761	1,328,031

31 December 2014	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Lease receivables	450,176	313,516	226,624	146,244	138,970	1,275,530
Unearned interest income	(77,179)	(50,567)	(29,900)	(15,107)	(11,199)	(183,952)
Finance lease receivables, Net	372,997	262,949	196,724	131,137	127,771	1,091,578

As of 31 December 2015, the average compounded interest rates for finance lease receivables are %15.85 for TL, %7.92 for USD and %5.26 for EUR (31 December 2014: %14.67, %8.30 for USD and %5.84 for EUR).

As at 31 December 2015 and 2014, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2015	31 December 2014
Neither past due nor impaired	1,286,605	1,062,969
Past due but not impaired	11,700	8,714
Impairment	164,567	133,967
Allowances for impairment	(98,172)	(84,970)
Finance lease receivables, net	1,364,700	1,120,680

	31 December 2015	31 December 2014
151-240 days	24,558	8,474
241-1 year	5,392	16,046
1 year and over	134,617	109,447
Impaired lease receivables, net	164,567	133,967

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As at 31 December 2015 and 2014, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2015		31 December 2014	
	TP	YP	TP	YP
Impaired lease receivables	40,639	123,928	26,444	107,523
Specific provisions	(15,459)	(82,713)	(14,445)	(70,525)
Impaired lease receivables, net	25,180	41,215	11,999	36,998

The movement of the specific provision during the year is as follows:

	31 December 2015	31 December 2014
Balances at the beginning of the year	84,970	47,780
Provision for the year	15,559	43,831
Collections during the year	(823)	(6,639)
Finance lease receivables written off during the year	(1,534)	(2)
Specific provisions at the end of the year	98,172	84,970

The details of collaterals taken for finance lease receivables that have specific provisions are as follows:

	31 December 2015	31 December 2014
Mortgage	44,588	31,134
Cash blockages	15,278	6,787
Notes received	747	162
Total collateral	60,613	38,083

The group reviews any change in credit quality related to receivables from the date it is created to the balance sheet date in order to decide whether the receivable can be collected or not. Since the Group has many customers, credit risk concentration of the Group is not at a significant level. Sectoral distribution of the finance lease receivables is presented in Note 24.



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7 - TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 31 December 2015 is as follows:

	1 January 2015	Additions ^(*)	Disposals	31 December 2015
Cost:				
Buildings	4,074	15,900	-	19,974
Furniture and fixture	737	154	(7)	884
Motor vehicles	769	-	(287)	482
Other tangible assets (inc. leasehold improvements)	115	-	-	115
	5,695	16,054	(294)	21,455
Accumulated depreciation:				
Buildings	(838)	(255)	-	(1,093)
Furniture and fixture	(621)	(85)	7	(699)
Motor vehicles	(597)	(83)	228	(452)
Other tangible assets (inc. leasehold improvements)	(115)	-	-	(115)
	(2,171)	(423)	235	(2,359)
Net Book Value	3,524			19,096

(*) The balance consists of the revaluation difference of the properties for use.

Movement in tangible assets in the period from 1 January to 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Buildings	4,074	-	-	4,074
Furniture and fixture	739	-	(2)	737
Motor vehicles	769	-	-	769
Other tangible assets (inc. leasehold improvements)	115	-	-	115
	5,697	-	(2)	5,695
Accumulated depreciation:				
Buildings	(756)	(82)	-	(838)
Furniture and fixture	(547)	(76)	2	(621)
Motor vehicles	(500)	(97)	-	(597)
Other tangible assets (inc. leasehold improvements)	(115)	-	-	(115)
	(1,918)	(255)	2	(2,171)
Net Book Value	3,779			3,524

As 31 December 2015 and 31 December 2014, there is no mortgage on the tangible assets of the Group.

As of 31 December 2015, total insurance coverage for tangible assets of the Group is TL 11,428 (31 December 2014: TL 9,927 TL).

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Movement in intangible assets in the period from 1 January to 31 December 2015 is as follows:

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Software	392	1,281	-	1,673
	392	1,281	-	1,673
Accumulated amortization:				
Software	(385)	(286)	-	(671)
	(385)	(286)	-	(671)
Net book value	7			1,002

Movement in intangible assets in the period from 1 January to 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Software	392	-	-	392
	392	-	-	392
Accumulated amortization:				
Software	(378)	(7)	-	(385)
	(378)	(7)	-	(385)
Net book value	14			7

9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2015 and 31 December 2014, the Group's assets held for resale are composed of movables and immovable that are added to assets as a result of legal proceedings with regard to impaired lease receivables are detailed below:

	31 December 2015	31 December 2014
Lands and buildings held for sale	-	1,572
Total	-	1,572



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10 - TAX ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Corporate tax provision	14	-
	14	-

VAT payable	407	292
Social Security Premiums	139	119
Income tax	105	94
Stamp tax	3	12
	654	517

	31 December 2015	31 December 2014
Corporate taxes payable	78	70
Less: Prepaid taxes	(64)	(70)
Current income tax liabilities, net	14	-

	31 December 2015	31 December 2014
Tax expense		
Corporate tax expense for the period	(78)	(70)
Deferred tax income/ (expense) effect	(4,766)	(4,663)
	(4,844)	(4,733)

Reconciliation of current period tax expense to theoretical tax expense of the Group calculated by using the statutory tax rate:

	31 December 2015	31 December 2014
Profit before taxes	28,523	911
Theoretical tax expense with 20% tax rate	(5,705)	(182)
Utilised investment incentive	847	1,350
Non-deductible expenses	(25)	(5,932)
Tax-free income	39	38
Other	-	(7)
Current year tax expense	(4,844)	(4,733)

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10 - TAX ASSETS AND LIABILITIES (Continued)**Deferred taxes**

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

As mentioned above, as of 31 December 2015, the Company's management recorded deferred tax asset amounting to TL 220,278 from unused investment according to constitutional court decision. (31 December 2014: TL 248,780)

Details of cumulative temporary differences and the deferred income tax assets and liabilities calculated by using the effective tax rates are summarised below:

	Total		Deferred tax assets/	
	Temporary differences		(liabilities)	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
Lease Asset Receivable Impairment	53,605	41,566	10,721	8,313
Unused investment incentives- without stoppage	46,748	84,422	9,350	16,884
Derivatives discounts	13,673	11,543	2,735	2,309
Unused investment incentives- with stoppage	173,530	164,358	347	329
Provision for employee termination benefit	1,617	1,376	323	275
Provision for unused vacations	1,171	1,082	234	216
Other short term employee benefits	441	362	88	72
Deferred tax assets			23,798	28,398
Finance lease income accruals	(5,636)	(4,667)	(1,127)	(933)
Tangible and intangible assets revaluation difference	(15,900)	-	(795)	-
Subsidiary revaluation fund	(2,821)	-	(141)	-
Others	(1,154)	(1,335)	(231)	(267)
Deferred tax liabilities			(2,294)	(1,200)
Deferred tax assets, (net)			21,504	27,198

The movement for deferred tax assets is as follows:

	31 December 2015	31 December 2014
1 January	27,198	31,845
Current year deferred tax income/ expense	(4,766)	(4,663)
Deferred tax in Equity income/expense	(928)	16
31 December	21,504	27,198



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11 - OTHER ASSETS

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

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Others	41	-	5	-
Total other assets	41	-	5	-

12 - PREPAID EXPENSES

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Letter of guarantee and commissions	-	3,871	-	3,920
Insurance	35	-	42	-
IT expenses	6	-	7	-
Subscription expenses	5	-	5	-
Others	209	-	175	-
Total other assets	255	3,871	229	3,920

13 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 31 December 2015, derivative financial liabilities held for trading purpose amounting to TL 13,673 is comprised of negative fair value difference of the currency swap of the Group (31 December 2014: 11,543 TL).

14 - BORROWINGS

As at 31 December 2015 and 31 December 2014, details of the borrowings are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Domestic banks	348,979	184,003	311,146	124,686
Foreign banks	10,032	773,223	-	588,528
Total Borrowings	359,011	957,226	311,146	713,214

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14 - BORROWINGS (Continued)

	Carrying value					
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2015						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	348,979	6.77	244,819	91,785	12,375	348,979
USD (thousand)	25,546	3.90	29,608	44,670	-	74,278
EUR (thousand)	30,340	2.35	-	64,633	31,776	96,409
Floating rate borrowings:						
EUR (thousand)	4,191	2.33	-	4,440	8,876	13,316
Total borrowing from domestic banks			274,427	205,528	53,027	532,982
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	158,707	3.86	53,914	188,241	262,152	504,307
USD (thousand)	83,080	4.30	44,965	150,077	46,522	241,564
TL	10,032	16.60	10,032	-	-	10,032
Floating rate borrowings:						
EUR (thousand)	8,608	2.05	1,519	4,904	20,929	27,352
Total borrowings from foreign banks			110,430	343,222	329,603	783,255
Total borrowings			384,857	548,750	382,630	1,316,237

	Carrying value					
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2014						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	311,146	10.96	117,312	97,082	96,752	311,146
USD (thousand)	35,788	3.76	12,242	12,774	57,973	82,989
EUR (thousand)	9,195	4.75	-	11,832	14,104	25,936
Floating rate borrowings:						
EUR (thousand)	5,587	2.33	-	3,942	11,819	15,761
Total borrowing from domestic banks			129,554	125,630	180,648	435,832
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	130,699	3.93	3,997	2,250	362,417	368,664
USD (thousand)	82,735	4.34	1,080	1,693	189,082	191,855
Floating rate borrowings:						
EUR (thousand)	9,930	2.14	1,237	4,238	22,534	28,009
Total borrowings from foreign banks			6,314	8,181	574,033	588,528
Total borrowings			135,868	133,811	754,681	1,024,360



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15 - MISCELLANEOUS PAYABLES

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

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Payables to suppliers for financial lease operations	-	5,240	7,939	18,066
Other trade payables	4,350	-	3,799	-
Provisions for suppliers for financial lease operations (*)	464	-	8,624	12,524
Total miscellaneous payables	4,814	5,240	20,362	30,590

(*) Provisions for suppliers for financial lease operations consist of provisions for the finance lease contracts which invoices have not been received. The amounts in this account are transferred to finance lease payables account when the invoices of the goods that are subject to finance lease transactions are received.

16 - OTHER LIABILITIES

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

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Advances received	6,547	9,322	1,733	3,388
Total other liabilities	6,547	9,322	1,733	3,388

Advances received consist of rent advances received from the customers in respect to financial lease contracts for the machinery and equipment that are not delivered to the customers.

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As at 31 December 2015 and 31 December 2014, details of provisions for liabilities and charges are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Reserve for employee benefits	3,229	-	2,820	-
<i>Reserve for employee termination benefit</i>	<i>1,617</i>	-	<i>1,376</i>	-
<i>Provision for unused vacations</i>	<i>1,171</i>	-	<i>1,082</i>	-
<i>Reserve for bonuses</i>	<i>302</i>	-	<i>244</i>	-
<i>Provisions for other employee rights</i>	<i>139</i>	-	<i>118</i>	-
Total provisions	3,229		2,820	

Movement of reserve for employee termination benefits during the period is as follows:

	31 December 2015	31 December 2014
At the beginning of the year	1,375	1,186
Interest rate cost	151	130
Service cost	164	119
Payments during the year	(129)	(498)
Actuarial difference (*)	56	439
At the end of the year	1,617	1,376

(*) Actuarial (loss)/profit is accounted under other comprehensive income since 1 January 2013.



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18 - EQUITY

Share capital

As at 31 December 2015, the share in capital of the Company amounts to TL 65,000 and composed of 6,500,000,000 shares with a face value of TL 0.01 each (31 December 2014: capital shares TL 65,000, nominal value: 6,500,000,000).

As at 31 December 2015 and 31 December 2014, the share capital and ownership structure of the Company is as follows:

	31 December 2015		31 December 2014	
	Amount of Share(TL)	Share Percentage(%)	Amount of Share(TL)	Share Percentage(%)
Vakıfbank	38,163	58.71	38,163	58.71
Güneş Sigorta A.Ş	10,172	15.65	10,172	15.65
Publicly traded (*)	14,647	22.53	14,647	22.53
Other	2,018	3.11	2,018	3.11
Paid-in capital	65,000	100	65,000	100

(*) The ratio is calculated from the shares of the Company registered at Takasbank.

Capital reserves

As at 31 December 2015 and 31 December 2014, capital reserves amounted to TL 353 consists of inflation adjustment differences of paid-in capital of the Company.

As at 31 December 2015, revaluation difference on tangible assets amounting to TL 15,105 (31 December 2014: None) is accounted directly in equity. As at 31 December 2015 the marketable securities valuation differences amounts to TL 2,678 (31 December 2014: 2,711 TL).

Profit reserves

As at 31 December 2015, profit reserves of the Group consists of first legal reserves amounting to TL 3,910 (31 December 2014: TL 3,890) and extraordinary reserves amounting to TL 32,963 (31 December 2014: TL 36,846).

Profit distribution

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below:

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. Primary reserves are 5% of statutory net profit until it reaches 20% of the Company's share capital. Secondary reserves are 10% of profit distributed in excess of 5% of share capital. According to the Turkish Commercial Code, as long as legal reserves do not exceed 50% of share capital, they can be used to offset losses but cannot be used in any other way.

At the Annual General Assembly held on 1 April 2015, due to the 2014 year-end consolidated loss amounting TL 3,863, it was decided not to execute profit distribution and to transfer the unconsolidated loss amounting to TL 3,915 to extraordinary reserves.

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19 - OPERATING EXPENSES

For the years ended 31 December 2015 and 2014, general administrative expenses included in the operating expenses are as follow:

	31 December 2015	31 December 2014
General administration expenses	1,159	847
Court expenses	971	956
Depreciation and amortization expenses	667	264
Consultancy expenses	584	564
Transportation expenses	360	300
Notary expenses	312	531
Taxes, duties and charges expenses	130	233
Marketing expenses	128	91
Non-deductible expenses	117	105
Printing, stationary and office expenses	91	75
Registration expenses	27	39
Other operating expenses	472	473
Total general administrative expenses	5,018	4,478

For the years ended 31 December 2015 and 31December 2014, personnel expenses included in the operating expenses are as follows:

	31 December 2015	31 December 2014
Salaries	6,604	6,894
Social security premiums and other contributions	871	779
Personnel insurance expenses	776	590
Other personnel expenses	434	418
Total personnel expenses	8,685	8,681



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20 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2015 and 2014, other operating income is as follows:

	31 December 2015	31 December 2014
Foreign exchange gains	32,490	6,176
Default interest income	1,248	430
Income from sales of assets held for sale	1,055	2,803
Provisions reversed during the year	985	7,835
Interest income from bank deposits	280	681
Rent income	26	36
Income from derivative transactions	-	8,191
Dividend income	-	13
Interest income from available for sale assets	-	5
Other income	3,679	5,239
Total other operating income	39,763	31,409

Other operating expenses:

	31 December 2015	31 December 2014
Losses from derivative transactions	14,909	-
Other expense	190	342
	15,099	342

21 - EARNINGS PER SHARE

	31 December 2015	31 December 2014
At the beginning of the year		
Total number of outstanding shares	6,500,000,000	6,500,000,000
At the beginning of the year		
Total number of outstanding shares	6,500,000,000	6,500,000,000

(*) Capital increase performed through internal resources and earnings per share calculated for the previous period accordingly.

	31 December 2015	31 December 2014
Net income for the period	23,637	(3,863)
Number of outstanding shares with a nominal value of TL 1	6,500,000,000	6,500,000,000
Earnings/Losses per share (TL)	0.003636	(0.000594)

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22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	1,128	2,935	1,368	13,455
Bank deposits	1,128	2,935	1,368	13,455
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	109	-	726	-
Güneş Sigorta A.Ş.	2,110	-	862	-
Finance lease receivables	2,219	-	1,588	-
Vakıf Faktoring A.Ş.	3,009	-	3,160	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,735	-	1,490	-
Vakıf Yatırım Menkul Değerler A.Ş.	217	-	200	-
Total investment securities available for sale	4,961	-	4,850	-
Vakıf Faktoring A.Ş.	2	-	198	-
Güneş Sigorta A.Ş.	-	-	1	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2	-	96	-
Due from related parties	4	-	295	-
Türkiye Vakıflar Bankası T.A.O.	-	82,273	-	51,499
Vakıfbank International AG	-	78,518	-	69,700
Borrowings	-	160,791	-	121,199
Güneş Sigorta A.Ş.	3,144	-	3,699	-
Due to related parties	3,144	-	3,699	-

As at and for the year ended 31 December 2015 and 2014, details of related party transactions are presented below:

	31 December 2015	31 December 2014
Güneş Sigorta A.Ş.	262	7
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	43	102
Finance lease interest income	305	109
Türkiye Vakıflar Bankası T.A.O.	171	345
Interest income from related parties	171	345
Vakıfbank - yatırım fonları	-	5
Investment fund income from related parties	-	5
Vakıfbank International AG-interest expense	4,329	2,308
Vakıfbank - interest expense	3,101	1,593
Vakıfbank - commission expense	25	31
Finance expenses of related parties	7,455	3,932
Güneş Sigorta A.Ş.	1,229	1,223
Vakıf Emeklilik A.Ş.	36	34
Vakıf Pazarlama ve Ticaret A.Ş.	-	11
Other incomes of related parties	1,265	1,268



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22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2015	31 December 2014
Güneş Sigorta A.Ş.	595	448
Türkiye Vakıflar Bankası T.A.O.	38	1
Vakıf Yatırım Menkul Değerler A.Ş.	23	23
Vakıf Gayrimenkul Değerleme A.Ş.	-	9
Other expenses of related parties	656	481
Vakıf Yatırım Menkul Değerler A.Ş.	-	13
Dividend income	-	13

Executive management compensation

As at 31 December 2015 and 2014, Group's executive management compensations are as follows:

	31 December 2015	31 December 2014
Compensation to the executive management	1,131	1,107
Total	1,131	1,107

The executive management of the Group consists of general manager, assistant general managers, members of the board of directors and the members of the audit committee.

23 - CONTINGENT ASSETS AND LIABILITIES

Collaterals received

As at 31 December 2015 and 2014, the collaterals obtained by the Group against finance lease receivables are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Mortgages	167,764	329,697	149,446	256,194
Letters of guarantee	16,565	4,071	12,063	4,592
Cash blockage	121	79	656	1,810
Others	102,655	35,346	56,868	23,637
Total	287,105	369,193	219,033	286,233

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As at 31 December 2015, the Group has irrevocable commitments amounted to TL 29,140 (31 December 2014: TL 44,480) arising from letter of credits used for the tangible asset purchases subject to finance leases. The distribution of the commitments according to currency types is as follows:

	31 December 2015	31 December 2014
Euro	8,897	8,555
US Dollar	6,569	12,566
CHF	1,596	8,364
TL	12,078	14,995
Total	29,140	44,480

Revocable commitments

As at 31 December 2015, Group's financial lease commitments amounts to TL 218,328 (31 December 2014: TL 40,081).

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Financial lease commitments	47,473	170,855	2,144	37,937
Total	47,473	170,855	2,144	37,937

Derivative financial instruments

As at 31 December 2015 and 31 December 2014, details of derivative financial instruments are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Currency swap - purchase	92,385	-	151,078	-
Currency swap - sales	-	101,303	-	148,628
Total	92,385	101,303	151,078	148,628



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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through various mechanism established within the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit Risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Group aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. Besides, the Group analyze the financial position and the credibility of the customers and aims to support this analysis with intelligence reports obtained from the third parties. In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

Finance lease receivables cover many kinds of customers in different sectors. For the current balances of the customers, credit evaluations are done periodically.

Balance sheet items of the Group, which are subject to credit risk, are as follows:

- finance lease receivables
- financial assets at fair value through profit or loss
- banks
- other receivables



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As at 31 December 2015 and 31 December 2014, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2015	Receivables					Other	Financial investments	Total
	Finance lease receivables	Other receivables	Banks deposits	Financial investments	Other			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,394,426	4,734	55,658	-	-	-	-	1,454,818
- The portion of maximum risk covered by guarantees	184,310	-	-	-	-	-	-	184,310
A. Net carrying value of financial assets which are neither impaired nor overdue	1,316,331	4,734	55,658	-	-	-	-	1,376,723
- The portion covered by guarantees	120,560	-	-	-	-	-	-	120,560
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	11,700	-	-	-	-	-	-	11,700
- The portion covered by guarantees	3,137	-	-	-	-	-	-	3,137
D. Net carrying value of impaired assets	66,395	-	-	-	-	-	-	66,395
- Overdue (gross)	164,567	-	-	-	-	-	-	164,567
- Impairment (-)	(98,172)	-	-	-	-	-	-	(98,172)
- Net book value covered by guarantees	60,613	-	-	-	-	-	-	60,613
- Not past due (gross)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-	-

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31 December 2014	Receivables					Other	Total
	Finance lease receivables	Other receivables	Banks deposits	Financial investments			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,140,575	4,326	15,300	-	-	-	1,160,201
- The portion of maximum risk covered by guarantees	154,385	-	-	-	-	-	154,385
A. Net carrying value of financial assets which are neither impaired nor overdue	1,082,864	4,326	15,300	-	-	-	1,102,490
- The portion covered by guarantees	114,813	-	-	-	-	-	114,813
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	8,714	-	-	-	-	-	8,714
- The portion covered by guarantees	1,489	-	-	-	-	-	1,489
D. Net carrying value of impaired assets	48,997	-	-	-	-	-	48,997
- Overdue (gross)	133,967	-	-	-	-	-	133,967
- Impairment (-)	(84,970)	-	-	-	-	-	(84,970)
- Net book value covered by guarantees	38,083	-	-	-	-	-	38,083
- Not past due (gross)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-

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As at 31 December 2015 and 31 December 2014, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2015		31 December 2014	
	Amount	(%)	Amount	(%)
Manufacturing	509,683	39.26	414,643	38.69
Construction	204,290	15.74	169,481	15.81
Wholesale, retail and trading	147,927	11.39	138,153	12.89
Transportation, warehousing and communication	111,606	8.60	114,830	10.71
Education	88,901	6.85	81,582	7.61
Hotels and restaurants	75,980	5.85	14,677	1.37
Real estate	51,643	3.98	26,042	2.43
Health and social services	38,914	3.00	33,568	3.13
Agriculture	31,986	2.46	34,938	3.26
Mining	19,491	1.50	30,838	2.88
Financial intermediary services	12,187	0.94	1,593	0.15
Other social and individual services	4,010	0.31	10,050	0.94
Others	1,687	0.12	1,288	0.13
Total	1,298,305	100	1,071,683	100

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

Main responsibility for the liquidity risk management belongs to Board of Directors. Board of Directors has created a suitable liquidity risk management for the short, medium and long term funding and liquidity needs. The Group manages the liquidity risk by following forecasted and actual cash flows, matching the terms of financial assets and liabilities and securing necessary funds.



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The following table provides undiscounted cash flows with respect to the contractual (or expected) maturities of the Group's financial liabilities:

31 December 2015	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Funds Borrowed	1,316,237	1,357,693	730,773	225,323	267,517	134,080	-
Miscellaneous payables and other liabilities	25,923	25,923	25,923	-	-	-	-
Total	1,342,160	1,383,616	756,696	225,323	267,517	134,080	-

31 December 2014	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Funds Borrowed	1,024,360	1,095,321	183,561	107,067	547,982	256,711	-
Miscellaneous payables and other liabilities	56,073	56,073	56,073	-	-	-	-
Total	1,080,433	1,151,394	239,634	107,067	547,982	256,711	-

Market risk

Market risk is the risk that the Group's income or the value of its financial instruments will be affected through the changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies, such as lease operations and borrowings. Foreign exchange gains and losses resulting from foreign currency transactions were recorded in the period transactions occurred. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates prevailing at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gain or loss.

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As at 31 December 2015 and 31 December 2014, the Group's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2015	US Dollar	Euro	CHF	Total
Banks	31,381	23,045	-	54,426
Finance lease receivables, net ⁽¹⁾	326,818	680,325	324	1,007,467
Other assets	16	3,866	-	3,882
Total assets	358,215	707,236	324	1,065,775
Borrowings	315,841	641,385	-	957,226
Miscellaneous payables	761	2,883	1,596	5,240
Other liabilities	969	8,353	-	9,322
Deferred Income	307	1,074	-	1,381
Total liabilities	317,878	653,695	1,596	973,169
Net financial statement position	40,337	53,541	(1,272)	92,606
Net off-balance sheet items position ⁽²⁾	(32,434)	(68,869)	-	(101,303)
Net foreign currency position	7,903	(15,328)	(1,272)	(8,697)
31 December 2014	US Dollar	Euro	CHF	Total
Banks	6,310	7,564	-	13,874
Finance lease receivables, net ⁽¹⁾	316,822	526,546	-	843,368
Other assets	2	4,153	-	4,155
Total assets	323,134	538,263	-	861,397
Borrowings	274,845	438,369	-	713,214
Miscellaneous payables	7,069	17,052	6,469	30,590
Other liabilities	2,392	996	-	3,388
Provisions	-	-	-	-
Deferred Income	281	535	-	816
Total liabilities	284,587	456,952	6,469	748,008
Net financial statement position	38,547	81,311	(6,469)	113,389
Net off-balance sheet items position ⁽²⁾	(87,494)	(61,134)	-	(148,628)
Net foreign currency position	(48,947)	20,177	(6,469)	(35,239)

⁽¹⁾ Impaired receivables which is stated as FC in financial statements are not included.⁽²⁾ Non-cash loans are not included in the calculation of foreign currency position.



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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis

The effects of 10 percent change of the TL against the following currencies on the consolidated statement of income and consolidated equity for the years ended 31 December 2015 and 31 December 2014 are shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2015				
10% change of the US Dollar against TL				
1-Net USD asset/liability	790	(790)	790	(790)
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	790	(790)	790	(790)
10% change of the Euro against TL				
4-Net Euro asset/liability	(1,533)	1,533	(1,533)	1,533
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	(1,533)	1,533	(1,533)	1,533
10% change of the CHF against TL				
7-Net CHF asset/liability	(127)	127	(127)	127
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	(127)	127	(127)	127
TOTAL (3+6+9)	(870)	870	(870)	870

^(*) Equity effect includes profit/(loss) effect.

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2014				
10% change of the US Dollar against TL				
1-Net USD asset/liability	(4,895)	4,895	(4,895)	4,895
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	(4,895)	4,895	(4,895)	4,895
10% change of the Euro against TL				
4-Net Euro asset/liability	2,018	(2,018)	2,018	(2,018)
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	2,018	(2,018)	2,018	(2,018)
10% change of the CHF against TL				
7-Net CHF asset/liability	(647)	647	(647)	647
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	(647)	647	(647)	647
TOTAL (3+6+9)	(3,524)	3,524	(3,524)	3,524

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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)*Exposure to interest rate risk*

The principal risk to which non-trading portfolios are exposed to the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Group is exposed to interest rate risk through its fixed and variable rate borrowings. The risk is managed by appropriate distribution between fixed and variable rate borrowings.

As at 31 December 2015 and 2014, the interest bearing financial assets and liabilities of the Group are as follows:

31 December 2015 31 December 2014*Financial assets and liabilities with fixed interest rate*

Time deposits	-	14,523
Finance lease receivables, net	1,298,305	1,071,683
Borrowings	1,275,569	980,590

Financial assets and liabilities with variable interest rate

Funds borrowed	40,668	43,770
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Interest rate sensitivity

Interest rate sensitivity of profit or loss is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 31 December 2015 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Floating rate financial liabilities	(4)	4	(4)	4
Total, net	(4)	4	(4)	4
	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Floating rate financial liabilities	(5)	5	(5)	5
Total, net	(5)	5	(5)	5

(*) Equity effect includes profit/(loss) effect.



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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Capital management

The Group's policy is to maintain a strong capital base and to maintain a balance between the debt and equity in an effective way so as to increase its profit.

Along with no change in the strategy of the Group in 2014, the ratio of the equities to the debts is 11% (31 December 2014: 10%). As of 31 December 2015 and 31 December 2014, the debt to equity ratio is as follows:

	31 December 2015	31 December 2014
Borrowings	1,316,237	1,024,360
Miscellaneous payables	10,054	50,952
Other liabilities	15,869	5,121
Total Liabilities	1,342,160	1,080,433
Banks (-)	(55,658)	(15,300)
Net debt	1,286,502	1,065,133
Total Equity	143,644	104,972
Equity/Debt ratio	%11	%10

25 - FINANCIAL INSTRUMENTS

Fair values of financial instruments

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, certain judgments made to estimate the fair value can cause an adjustment to the fair value at current market conditions.

Fair values of the financial lease receivables and funds borrowed have been determined by discounting the relevant cash flows by market interest rates prevailing as at balance sheet date. The carrying amounts of the bank balances and miscellaneous payables and other liabilities are assumed that they approximate their fair value due to their short-term nature.

	31 December 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Finance lease receivables, net	1,298,305	1,240,627	1,071,683	1,029,879
Banks	55,658	55,658	15,300	15,300
Financial liabilities				
Borrowings	1,316,237	1,218,615	1,024,360	1,000,403
Miscellaneous payables and other liabilities	25,923	25,923	56,073	56,073

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25 - FINANCIAL INSTRUMENTS (Continued)*Classification of Fair Value Measurement*

TFRS 7 – Financial Instruments: Disclosure requires the disclosure of the classification of fair value measurements according to a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2015 and 31 December 2014:

31 December 2015	1. Level	2. Level	3. Level	Total
Available for sale financial assets: Investments in equity participations ^(*)	-	-	4,961	4,961
Financial assets at fair value through profit or loss: Derivative liabilities	-	(13,673)	-	(13,673)
Total Financial Assets/Liabilities	-	(13,673)	4,961	(8,712)

^(*) Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.



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25 - FINANCIAL INSTRUMENTS (Continued)

31 December 2014	1. Level	2. Level	3. Level	Total
Available for sale financial assets:				
Investments in equity participations ^(*)	-	-	4,850	4,850
Financial assets at fair value through profit or loss:				
Derivative liabilities	-	(11,543)	-	(11,543)
Total Financial Assets/Liabilities	-	(11,543)	4,850	(6,693)

^(*) Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

	31 December 2015	31 December 2014
Balance at the beginning of the period	4,850	4,716
Total gains for the period recognized under equity	111	134
Dividend received during the period	-	-
Balance at the end of the period	4,961	4,850

26 - OTHER ISSUES

None.

27 - SUBSEQUENT EVENTS

None.

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