







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, 2014.

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**



İstanbul, 10 Mart 2015

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

Zeynep URAS, Independent Accountant and Financial Advisor
Cap Auditor

Istanbul, March 10, 2015



with **Vakıf Leasing**

**Invigorate your investments
and turn your opportunities into earnings**

With its 26 years' experience, Vakıf Leasing contributes economic growth and employment increase by supporting various investments.

 **Vakıf Leasing**
Size Doğru Gelecek

Vakıf Leasing is a  VakıfBank organization.



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*Vakıf Leasing
In its 26th Year*





MESSAGE FROM CHAIRMAN OF BOARD DIRECTORS



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By providing financial support, particularly to small and medium sized enterprises with limited resources with its 26 years' experience, and having Vakıfbank as controlling shareholder, Vakıf Leasing, together with its expert staff, once again will be among one of the most important economic actors in Turkey, which contributes economic growth by its customer-oriented system.

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Dear Shareholders,

In 2014, US economy managed to reduce the effects of global economic crisis and ensured a high employment rate with an approximate annual growth of 2.5 %. Besides, despite the upside inflation, the decision of deduction in the bond purchase program has led to upward trend movement signal in Fed's interest rates. Despite weak data recovery in the Euro Region and decrease of funding opportunities ensured by international investors to emerging economies, with its 2.91 % GDP growth rate in the first three quarters, Turkey's economy has managed to increase its economic potential despite the global and regional political; or economic uncertainties by a performance above average of countries called fragile five.

2014 was marked by historical decline in oil prices; while this situation spelled energy-importing countries, it has left oil-exporting countries such as Azerbaijan, Russia and Iran in a difficult situation, and has led to the decline currency of the country in question against the US dollar. In our country, while interest rates were increased in the first period of the year, they tended to decline in recent periods. Unemployment rate was 11.2 % in Eurozone, our country remained under Eurozone average, with a rate of 10.9 %.

In 2014 exportation of Turkey reached 158 billion USD with an increase rate of 3.8 % compared to the previous year, while foreign trade deficit decreased to 84.5 billion USD by a decrease rate of 15.4 %. Dynamizing more than 200 sub-sectors, construction, as leading sector of Turkish economy, played a major role in supporting real sector production and thus, increasing employment rate in 2014.

The importance of non-banking financial sector has increased by courtesy of innovations provided by Financial Leasing, Factoring and Financing Companies Law No. 6361, which entered into force at the end of 2012. By this law, role of financial leasing is increased by financing the real sector investments with the support of agriculture, manufacturing and service sectors. In this context, our company contributes to Turkish economy without sector distinction, despite global and economic uncertainties around the world, and has managed to increase its asset quality by realizing leaseback transactions meticulously, which is important part of the leasing sector especially since 2013.

By providing financial support, particularly to small and medium sized enterprises with limited resources with its 26 years' experience, and having Vakıfbank as controlling shareholder, Vakıf Leasing, together with its expert staff, once again in 2015, will be among one of the most important economic actors in Turkey, which contributes economic growth by its customer-oriented system.

By this means, I would like to thank all our customers, shareholders, employees, stakeholders and contributors, for their support and trust until now.

Best Regards,
Ramazan GÜNDÜZ
Chairman of the Board

Saygılarımla,

Ramazan GÜNDÜZ
Yönetim Kurulu Başkanı





MESSAGE OF THE GENERAL MANAGER



//

Our company which focuses on processes for management approach aims to be selective in assets and customer quality in portfolios, diversified funding structure, continuity and the growth of market share with exceeding a quarter century of experience in the sector, increased its total assets to 1.2 billion TL, leasing receivables to 1.1 billion TL in 2014.

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Our company, which overtook its 26th year in the sector this year, continues to be the companion of investors by contributing to the development and strengthening of Turkish economy as one of the key actors of Financial Institutions Union that gathers non-banking financial institutions under one roof, thanks to trust-oriented service concept and group synergies with majority shareholder Vakıfbank.

In 2014, Leasing Sector had a growth of 9.3% in USD and 23% in TRY when compared to 2013, by creating 7.65 billion USD trading volume with 20.300 contracts, despite the negative impact of the global economic volatility and uncertainties arising from that.

Our company which focuses on processes for management approach aims to be selective in assets and customer quality in portfolios, diversified funding structure, continuity and the growth of market share with exceeding a quarter century of experience in the sector, increased its total assets to 1.2 billion TL, leasing receivables to 1.1 billion TL in 2014.

At this stage, non-banking financial institutions gradually increased their importance within the scope of free market economy and perfect competition principles by providing funding in excess of 60 billion TL with a total of 80 billion TL assets to real sector, and our company Vakıf leasing has made great contributions to the development of sector by having the right to comment on Management of Financial Institutions Union consisting of a total of 117 financial institutions including 29 leasing, 76 factoring and 12 finance companies, in 2014.

As can be seen thereof, there are many opportunities that will allow the development of our industry. Leaseback transactions, which provide the opportunity to practice in leasing sector according to Law No. 6361 since 2013, provided that real estate had the best growth last year. Our Company has increased both volume of transactions and quality of the assets by mediating leaseback transactions meticulously. In addition, to be subject of products such as operational leasing that get into our lives via quoted law, leasing of replicated copies of the software, goods "in nature of integral part and plug-in" to leasing will be an important factor for the growth of the sector, and therefore of the company next year.

As a family of Vakıf Leasing, we aim steady growth by using effective communication and increasing our market share without distinction of sector with a management approach based on customer satisfaction, producing more effort, more planning and new ideas this year, while presenting our activity report and financial statements of 2014.

I would like to express my gratitude towards our customers and business partners that trust us, our Board of Directors for their valuable contributions and all my colleagues and contributors, and I hope that 2015 will be a good year for both our country economy and our company.

Best regards,
Osman Zeki ÖZGER
General Manager

Saygılarımla,
Osman Zeki ÖZGER
Genel Müdür



MEMBER OF THE BOARDS



Ramazan GÜNDÜZ
Chairman of the Board



Mehmet Emin ÖZCAN
Member of the Board,
Deputy Chairman



Osman DEMREN
Member of the Board



Talat KARAPINAR
Member of the Board



Şükrü KARTEPE
Member of the Board



İbrahim Halil ÇİFTÇİ
Member of the Board



Osman Zeki ÖZGER
Member of the Board,
General Manager



Vakıf Leasing
Size Doğru Gelecek



Ramazan GÜNDÜZ
Chairman of the Board

(01.01.2011 - ...)

Ramazan GÜNDÜZ, who started to work as probationary employee at T. Vakıflar bank T.A.O. in 1977, has worked as Assistant Inspector, Inspector, Istanbul Regional Vide Director, Istanbul Financial Analysis and Intelligence Director, Şişli Branch Director, Medium Sized Credits Director, Credits Department Head, Istanbul Regional Director, Assistant General Manager and Member of Board of Directors in the subsequent years. After retirement, he worked as General Manager of Vakıf Menkul Kıymetler Yatırım Ortaklığı and Vakıf Finansal Kiralama A.Ş. that are affiliates of Vakıfbank. He was elected to the Board of Directors in the General Assembly of Vakıfbank TAO on 03 April, 2009. Ramazan GÜNDÜZ is also the Chairman of the Board of Directors of T. Vakıfbank TAO since 29 March, 2013, and the Chairman of the Board in Vakıf Leasing Inc. since 05 April, 2013.



Mehmet Emin ÖZCAN
Member of the Board, Deputy Chairman

(01.01.2011 - ...)

Mehmet Emin ÖZCAN was born at Beytüşşebap in 1960. He graduated from the department of Public Finance and Economics, the faculty of Political Sciences, Ankara University. Having started his business carrier as a deputy inspector at Türkiye İş Bankası A.Ş., he took the different responsibilities as an executive director at Albaraka Türk Katılım Bankası A.Ş. . Mehmet Emin ÖZCAN was also executive director in the board of executive of T. Halk Bankası A.Ş. between March 2003 and April 2005. At the same time, he was the bank delegate at Institute of International Finance (IIF), the executive director of Demir-Halk Bank/Holland, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. . In between April 2005 and May 2010, ÖZCAN was the executive director of T.C Ziraat Bankası. In addition, he was the chairman of executive board related to the sundry subsidiaries of T.C Ziraat Bankası and the vice chairman of the executive board of Halk Bankası A.Ş. He's been being the vice chairman of executive board of T. Vakıflar Bankası T.A.O since 28.03.2014. ÖZCAN is also the member of T. Vakıflar Bankası's Audit Committee and Credit Committee. He has been appointed as the chairman of Vakıf Finansal Kiralama A.Ş.'s executive board since 16.04.2014. Also, Mehmet Emin ÖZCAN is the chairman of supervisory board of Vakıfbank International A.G.



Osman DEMREN
Member of the Board

(31.03.2011 - ...)

Osman DEMREN who graduated from the department of Business Administration, the faculty of Economics and Administrative Sciences in 1990, Dokuz Eylül University, was the accounting auditor in General Directorate of Public Accounts of T.R Ministry of Finance in between 1991 and 1996. He started to work as a deputy audit at T. Vakıflar Bankası T.A.O in between 1996-1999, and continued to work as the audit in between 1999-2000, respectively the deputy manager of Çukurova region, the manager of information and financial analysis of Çukurova region, the branch manager in Gaziantep, the branch manager in Valide Sultan of Vakıfbank and the manager of 1. Regional Directorate of Istanbul. DEMREN also was the member of Taksim Otelcilik's executive board in between 03.11.2010 and 30.06.2011. He has been being the vice general director of T. Vakıflar Bankası T.A.O. since 06.04.2014. Osman DEMREN who was appointed as a member of the executive board of Vakıf Finansal Kiralama A.Ş. in 16.04.2014, is also a member of the Corporate Governance Board and the Early Detection of Risk Committee. Osman DEMREN is a member of the executive board of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and a member of the supervisory board of Vakıfbank International A.G. . Osman DEMREN has been being the vice chairman of executive board of Vakıfbank Spor Kulübü since 23.05.2011.



Telat KARAPINAR
Member of the Board

(30.04.2012 - ...)

Telat KARAPINAR who graduated from the faculty of law, Istanbul 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.



Şükrü KARTEPE
Member of the Board

(29.03.2012 - ...)

Şükrü KARTEPE graduated from the faculty of Ankara Law in 1973 and was receiving his doctors of the administrative law in 1983, becoming ass.professor of Constitution in 1989 and became professor in 2012. He also was a member of executive board and the head of department of public administration department of the faculty of economics and administrative sciences of Ege University, the mayor of Kayseri Metropolitan Municipality, the chairman of Kayseri and Nearby Electricity. Distribution Company, a member of supervisor board in the affiliates companies of Erdemir Group and a member of executive board of Vakıf Yatırım Menkul Değerler A.Ş.. He who has been appointed as the member of the executive board of Vakıf Finansal Kiralama A.Ş. since 10.04.2014, is a member of the audit committee. Şükrü KARTEPE is also the head of the department of political science and public administration in Yıldırım Beyazıt University.



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 Istanbul, 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



ÖzgürSELÇUK
Deputy General Manager



Mahmut GÜNGÖR
Deputy General Manager



**Mehmet İlkey
COŞKUN**
Coordinator



**Yılmaz Arslan
AYDIN**
Coordinator



Tolga AKOCAK
Marketing Director



Gonca YADİGAR
Marketing Director



**Ahmet Erdoğan
NEHROZOĞLU**
Ankara Branch Director



Ferruh ATALAY
Adana Branch Director



Levent DEMİRCİ
Bursa Branch Director



Emre AYDEDE
Credits Director



Melda AKGÜN
Insurance Operations
Manager



Cengiz KURT
Funding Director



Mustafa SARITAŞ
Director of Information
Technology



Oğuz KOPARAN
Internal Control Manager



Hülya YILDIRIM
Director of Business
Development and Risk Management



Vedat YILMAZ
Director of Administrative
Services





*Vakıf Leasing
In its 26th Year*



GENERAL INFORMATION REGARDING COMPANY

Vakif Leasing
Size Doğru Gelecek

i

• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	65.000 BinTL
• Number of Employees	49
• Board Chairman	Ramazan GÜNDÜZ
• 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 Financial 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)
- Obaköy Nutrition Management Mar. Sec. Cle. Tra. Inc.

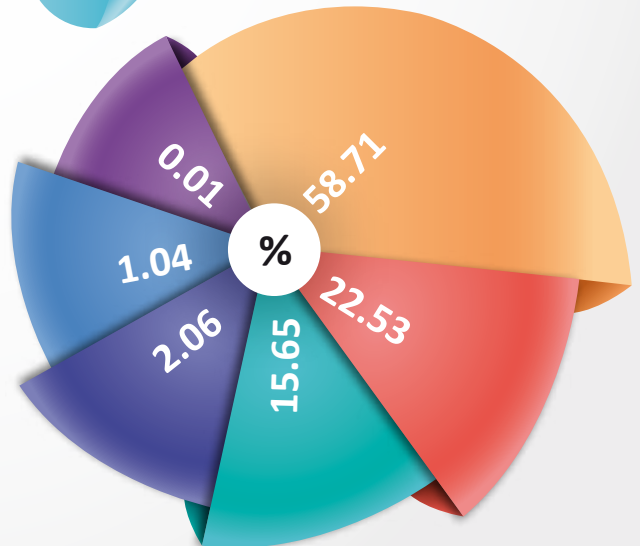


PARTNERSHIP STRUCTURE



- **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

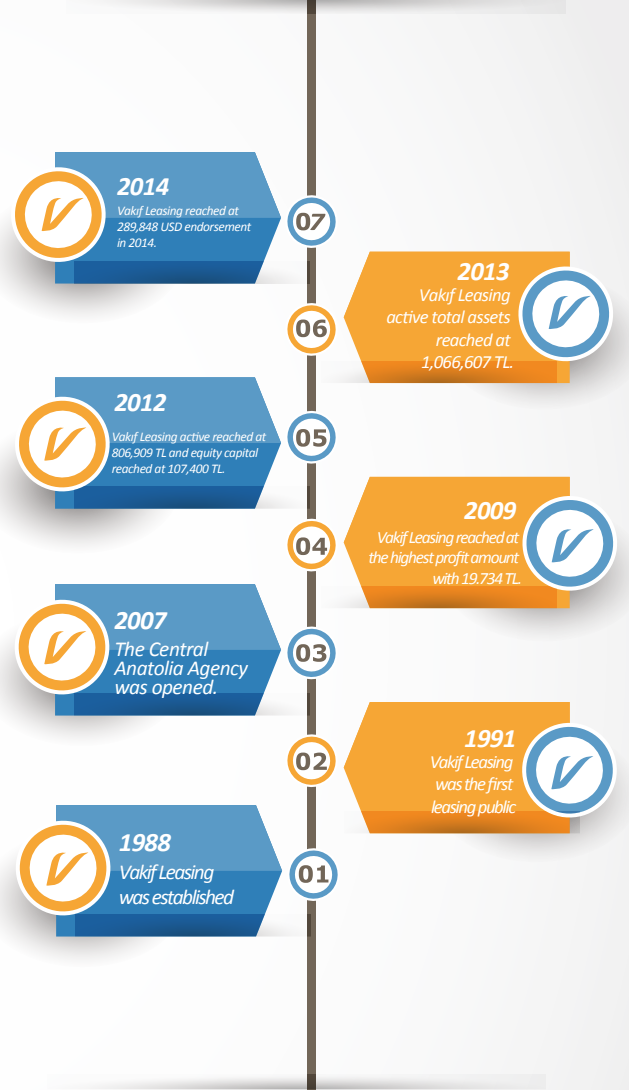
Vakif Leasing was established on 15 September, 1988 under the title of VAKIF FİNANSAL KİRALAMA A.Ş. as a subsidiary of Vakıfbank. It was quoted on Istanbul Stock Market in 1991 and became the first publicly-traded leasing company.

Having successfully operated for 27 years, Vakif 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, Vakif Leasing takes firm steps towards the future by help of its experience in making right decisions at right time.

Vakif 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 Vakif Leasing is that it is the first company providing leasing services to sectors like aircraft, aviation; or wind energy.

Vakif Leasing has branches in Ankara, Adana, Izmir 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.



26th
years

26th
years



26th
years

26th
years



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

*Full compliance to regulations and legislation under law.
Honesty in customer- seller-creditor relations.
Transparency and dependability
Operating, reasons of economic development, in addition to profitability.
Discretion and respect for information and confidentiality
Avoid unfair competition by protecting common interest of the sector.*

CHAPTER I – CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Vakıf Leasing ("Vakıf Leasing" or "Company") is affiliated to the Corporate Governance Guidelines published by Capital Market Board determined in accordance to the law to regulate the establishment and operating principles of financial leasing, factoring and financing companies and related regulations; and Turkish Commercial Code and pays utmost attention to the implementation of these principles. It also adopted concepts of equality, transparency, accountability, and responsibility of Corporate Governance Principles ("Principles") published by Capital Markets 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 that is published in the Official Gazette No. 28871, on 3 January, 2014:

a-) Company fully coincides 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, authorisation and responsibility of "Directorate of Investor Relations", which carries on its activities as 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-) About non-mandatory principles;

There are no female members in Board of Directors of the Company. Neither time nor ratio objective is determined for females within Board of Directors. Thus, compliance with the advisory principle 4.3.9 is out of question. There was no conflict of interest between stakeholders due to nonfulfillment with stated principle.

CHAPTER II - SHAREHOLDERS

2.1 The Investor Relations Department

Directorate of Investor Relations operates under Deputy General Manager Özgür SELÇUK, for performing tasks of Directorate of Investor Relations within Directorate of Financial Affairs and Investor Relations.

Directorate of Financial Affairs and Investor Relations, which conducts 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	Coordinator	0212 337 67 67	icoshkun@vakifleasing.com.tr
Nuran AKÇURA	Director	0212 337 67 67	n.akcura@vakifleasing.com.tr

The 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 for company information, excluding publicly disclosed, confidential information and trade secrets related to the Company,
- Ensure to hold General Assembly meetings in accordance with the standing legislation; Articles of Association; or other internal arrangements,
- Issue necessary documents for shareholders during the General Assembly,
- Ensure to keep results of vote and to send result reports to shareholders,
- Supervise and monitor issues regarding public disclosure, including legislation and the company's disclosure policy.

During the year 2014 by Directorate of Investor Relations;

- organized Ordinary General Meeting in 2014, according to relevant article of law; Capital Market Law; Communiqué on Corporate Governance; Articles of Association and the other legislations.



2.2 Utilisation of Shareholders' Right to Information

Either written or verbal, information requests, excluding publicly disclosed, confidential information and trade secrets related to the Company, of shareholders, are met.

In 2014, three information requests made to Investor Relations Department were responded. 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 Information on General Assembly

General Assembly related to the 2013 activity period of Company was held in head office, on 16 April, 2014, with participation of shareholder representatives, the Commissar from the Ministry of Customs and Trade, and holders of 77% of total shares.

Company carried out its 2014 General Assembly 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 shareholders; letter of invitation, agenda, sample of power of attorney and information required for voting in the General Assembly were announced to public prior to meeting, 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 2013 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 2014.

Date, place, time, letter of invitation invitation, agenda, samples of power of attorney about General Assembly and recommendations for vote were published or were announced in daily news-letter of Istanbul Stock Exchange Inc.; Electronics General Assembly System, and Turkey Trade Registry Gazette, under the title of "Announcement to Our Partners". Interviews were made in accordance with the recommendations.

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 16 April, 2014, 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 Members were not achieved, in 2014, the decision of the General Assembly was not required.



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.

Representation of Company against third parties and performance of all kinds of transactions and legal procedures within the scope of subject and objectives set out in Article 3 of Articles of Association were transferred to the Board of Directors. Shareholders and other guests used their right to ask questions according to last article on the agenda, and expressed their best requests, after receiving satisfying responses from Company managers.

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 2014 regarding profit sharing for 2013 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 Şirket İnternet Sitesi ve İçeriği

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 01 March, 2014, by the CMB. A significant part of PDP statements issued by Company should be correct, complete, direct, understandable, and adequate in order to help people to make decision about disclosure and should be published on English web site, with a convenient translation in English.

3.2 Activity Report

Activity Report of 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 01 March, 2014 by the CMB.



CHAPTER IV - STAKEHOLDERS

4.1 Informing of Stakeholders

Vakif leasing 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 Human Resources Policy

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 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 Ethic Rules 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.



NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Ramazan GÜNDÜZ	Chairman of the Board	16/04/2014
Mehmet Emin ÖZCAN	Deputy Chairman of the Board	16/04/2014
Osman DEMREN	Member of the Board	16/04/2014
	Member of Corporate Governance Committee	24/04/2014
	Early Identification of Risk Committee Member	24/04/2014
Şükrü KARATEPE	Independent Member of the Board	16/04/2014
	Member of the Audit Committee - Chairman	24/04/2014
Telat KARAPINAR	Member of the Board	16/04/2014
İbrahim Halil ÇİFTÇİ	Member of the Board - Independent	16/04/2014
	Corporate Governance Committee - Chairman	24/04/2014
	Early Identification of Risk Committee - Chairman	24/04/2014
	Member of the Audit Committee	24/04/2014
Osman Zeki ÖZGER	Member of the Board - General Manager	16/04/2014

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 fulfil 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 20 March, 2014. Independent Members were presented to Board of Directors on 24 March, 2014.

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.

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

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Ramazan GÜNDÜZ	T.Vakif Bank TAO.	Chairman of the Board
Mehmet Emin ÖZCAN	T.Vakif Bank TAO.	Deputy Chairman of the Board
	Vakifbank International Inc.	President of the General Assembly
	T.Vakif Bank TAO.	Deputy General Manager
Osman DEMREN	Vakif Real Estate Investment Inc.	Member of the Board
	Vakifbank International Inc.	Member of the General Assembly

5.2 Activity Principles of Board of Directors

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. 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 01 January, 2014 and 31 December, 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 participate actively to 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, reorganisation, 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 - Osman DEMREN, Member - Özgür SELÇUK) and Early Detection Committee of Risk of two members (President- İbrahim Halil ÇİFTÇİ, Member - Osman DEMREN) are held in accordance with Communiqué on Corporate Governance, which requests this establishment in order to fulfil 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.



5.4 Risk Management and Internal Control Mechanism

- Internal Control:

Internal control mechanism, which is in service under Board, serves with the objective to perform controls effectively; 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 fulfils its duties as Exclusively Compliance Officer, which ensures that necessary measures in compliance with legislation of Financial Crimes Research Board are taken; realisation 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 Identification 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 16 April 2014, it was decided to pay 2,875 TRY 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 260 000 TRY to Board members and 848 000 TRY to General Manager and Deputy General Manager in 2014.



Osman DEMREN
Kurumsal Yönetim Komitesi Başkanı
Chairman of Corporate Governance Committee



Özgür SELÇUK
Kurumsal Yönetim Komitesi Üyesi
Member of Corporate Governance Committee



İbrahim Halil ÇİFTÇİ
Kurumsal Yönetim Komitesi Üyesi
Member of Corporate Governance Committee



**VAKIF LEASING INC.
İSTANBUL**

**THIS IS MY DECLARATION OF INDEPENDENCY UNDER SCOPE OF THE NOTIFICATION ON
DETERMINATION AND IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES**

I, hereby agree, declare and undertake that

- a) direct or indirect employment, capital or important business relation has not been established between the company, any of the company's related parties or any legal entity with whom shareholders having 5 % or more share in the capital of company directly or indirectly are associated in terms of management or capital; and myself, my spouse, and my blood or affinity relatives up to third-degree within the last five years;
- b) I have not worked or served as member of Board of Directors in the companies conducting activities and organization of the company completely or partially within the scope of agreements made notably companies auditing, grading and consulting the company within the last five years;
- c) I am not a partner, an employee or a board member in any of the companies, which provides service and products to company importantly within the last five years;
- d) As a member of Board of Directors, my share as a shareholder or among the capital of the company does not exceed 1 %, or these shares are not privileged;
- e) As an independent Board Member, I possess the professional education, knowledge and experience required to fulfil my duties;
- f) I shall not work full-time during my duty period in the event that I am nominated as a candidate and selected in the public institutions and organisations provided that it complies with my registered legislation;
- g) I should reside in Turkey according to Income Tax Law,
- h) I should be able to participate positively to the corporate activities, I shall be able to protect my objectivity in case of conflicts of interest between company partners, and I have strong, ethical standards, professional reputation and experience for deciding freely in consideration of stakeholders' rights.
- i) In case of any situation eliminating my independence occurs, I should immediately inform the Board of Directors about the change, and if I lose my independence in that case, I should resign from my membership


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



**VAKIF LEASING INC.
İSTANBUL**

**MY INDEPENDENCE STATEMENT UNDER THE COMMUNIQUÉ ON DETERMINATION AND
APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES**

I, hereby agree, declare and undertake that

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İbrahim Halli ÇİFTÇİ
Bağımsız Yönetim Kurulu Üyesi

**Independent Member of
Board of Directors**



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.



There was no alteration in Company capital and partnership within 2014. There were some changes in the organization diagram pertaining to title names and director title names as per the decision of Board of Directors.

The Company decided to purchase new leasing software within 2014 and the implementation was planned for 2015.

There was no research and development activity within 2014.

In the accounting year of 2014, a limited independent audit was performed on 30 June, 2014 and an independent audit was performed on 31 December, 2014 by Başaran Nas Independent Audit and Independent Accountant and Financial Advisor Inc., inside the Company. Other than that, financial statements of the Company were audited by NSR Certified Public Accountant and Independent Audit Inc., under scope of full approval of corporate tax within quarterly intervals. Besides, the Company was audited by the Banking Regulation and Supervision Authority.

There is no law case or legal proceedings which were brought against the company or which may effect on the financial situation or activity results of the Company.

There is no administrative or legal sanction imposed on the Company and managing members due to practices against the legislative provisions.

No general assembly meeting was held during the year.

The company did not acquire its own shares.

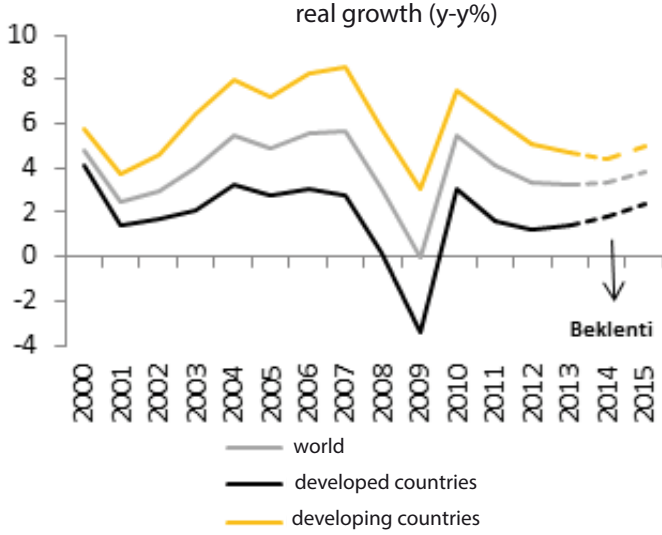
In the year of 2014, Vakıf Leasing increased its endorsement by 7%, compared to the previous year and reached 289,848 Thousand USD from 265,590,000 USD. The number of transactions, which was 406 in 2013, was executed as 317 in 2014. At Vakıf Leasing, according to the activated contract information, the transaction amount of 251,742,000 USD in 2013 was carried out as 269,263,000 USD with 7 % of increase in 2014. While the activated contract number was 430 in 2013, it was executed as 326 in 2014. The company, aiming at disciplined growth, acts selective in this growth in order to manage the pressure of profit margin -increasing as a result of the competition- effectively and balanced, while making no compromises on its strategy of creating high quality portfolio and public extension in annual transactions.

Total capital of the Company is 65 million TRY at the end of 2014; and there is no finding and opinion that the capital is unreciprocated and the Company is in debt.



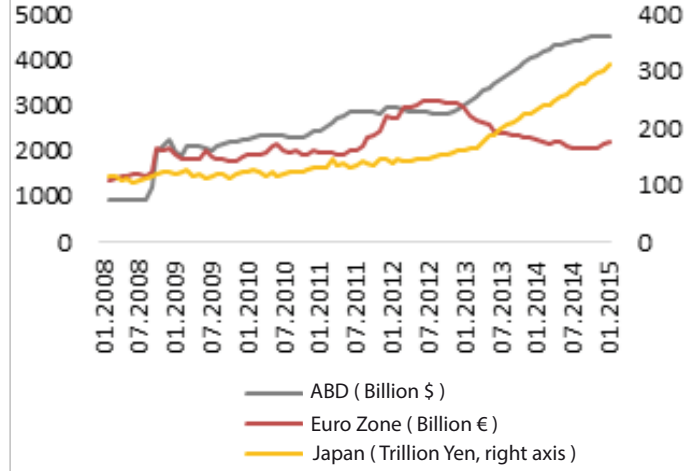
**GENERAL OVERVIEW
ON 2014 ECONOMY AND
FINANCIAL LEASING**

GLOBAL ECONOMY

Moderate growth in global economy continues

Based on the fact that the 3,3 % growth of global economy in 2013 has achieved a moderate growth performance of 3,3 % in 2014 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 5 % from 3, 9 %, which is announced previously on the third quarter of the year. Thus, US economy had the fastest growth in the third quarter recorded, since the third quarter of 2003, with a growth rate of 2, 6% in the last quarter. In the fourth quarter, Euro Region has performed a growth rate of 0, 9 % on annual basis, which is slightly above the expectations. Japanese economy narrowed, surprisingly, by 1, 9 % in the third quarter of 2014 and technically went into recession due to two consequent narrowing of growth in two quarters. Although Japan recovered from the recession with 2, 2 % of growth in the last quarter, which is below the expectation of 3, 7 %, it is largely debated whether the moderate growth is sustainable. Chinese economy, which has an important place in the growth performance of global economy, completed 2014 with 7, 3 % of growth. Besides the fact that the last quarter growth data is slightly above the expectations, it is considered that Chinese economy has some fragilities and that it continues to pose negative risk on the global growth. On the other hand, due to the fact that China, a developing country, takes the first place in the increase of “shadow banking”, which is known as the activities conducted by the financial establishments funding the market besides the banks and which is an element of risk due to not being included in an audit system like the industry of banking, it increases the risk on the global economy.

Central Bank Balance Sheet Size



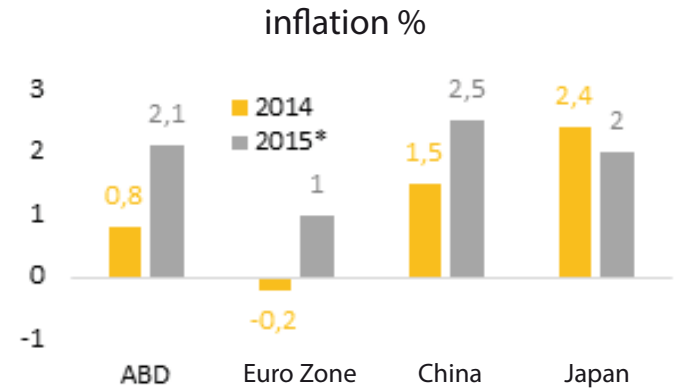
In order to recover economies after global financial crisis, expansionist monetary policies are implemented in developed countries such as USA, Europe and Japan. In 2014, there had been separation of monetary policies in developed countries' central banks. In 29 October, 2014, The Federal Reserve (FED) decided to end the third round of quantitative easing program (QE3), which began in September, 2012. Before this development, the date, when FED was supposed to begin interest rate hike as of the middle of the year, began to be debated. During the FED's ending period of the quantitative easing, recovering employment market and moderate increase observed in the inflation, along with the moderate growth in the economy of USA, became effective. In the last of the year FED meeting held between December 16-17, FED did not make any changes in the interest rates and for the date related to the rate increase, she used the statement of “patient” instead of “significant” which she stated in the previous meetings. Yellen, the chair of FED, indicated in her announcement after the meeting that the interest rate would not increase in a number of following meetings. The general expectation is that FED would increase the interest rate in the second quarter of 2015.



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. ECB, reduced the interest rate to 0, 15% by June 2014 and to 0, 05 by September, which it reduced to 0, 25 % at end of 2013. ECB announced that it reduced the interest rate to -0, 10% with 10 points of decrease by reducing the deposit interest under zero in the meeting conducted in June, and for the first time of its history, implemented negative deposit interest. In the September meeting, in which it decreased the policy interest rate from 0, 15 % to 0, 05 %, ECB decided to decrease the deposit interest from -0,10 % to -0,20 %. The fact that inflation rate is still low in Euro Region, caused ECB to implement the Targeted Long-Term Refinancing Operation (TLTRO), which is the second of Long-Term Refinancing Operation (LTRO), implemented previously by ECB in 2014. ECB, in order to provide more loan to banks and revive economy, began “the purchase of asset-backed securities” for the first time on December 21st. The ultimate aim of ECB, which will maintain the mentioned program for at least two years, is to reach the current balance sheet amount of 2, 1 trillion Euro to the levels in 2012, by approximately transferring additional 1 trillion Euro to the financial system. Additionally, ECB stated that in case the liquidity to be provided to the market is insufficient, it may include the government securities within the scope of asset purchase program.

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, the increase in the consumption tax implemented in April, negatively affected the economic activity. The fact that the taxes are increased from 5 % to 8 % in order to recover from the crisis in the balance of budget in Japanese economy, which carry the risk of recession, caused the narrowing of GDP's in two consequent quarters. For that reason, the second planned tax increase is postponed.

World economies continue to struggle with deflation.



Developed and developing country's economy continued to struggle with the deflation problem also in 2014. 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, 8 % 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 emerged ECB's new precaution need for expansionist monetary policy. 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 2014. According to IMF, the inflation rate is expected to increase in USA, Euro Region and China, while limited decrease of inflation is expected in Japan.

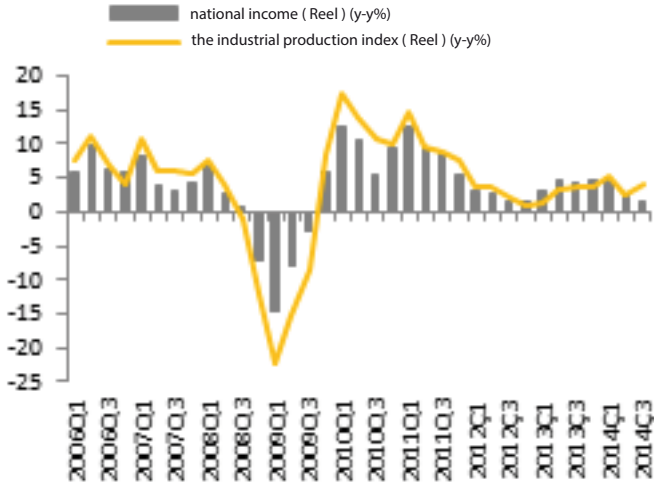
A fierce recession also occurred in oil prices.

There had been a rapid decrease in oil prices in 2014. Oil prices, which have been decreasing since June, receded from 110 dollar/barrel within the year to 53, 7 dollar/barrel and completed the year with this rate. Increase of demand in the market and international energy establishment's revising in the downward direction in the oil demand estimations for the following years affected the decrease in oil prices. Particularly due to the fact that Organization of the Petroleum Exporting Countries' (OPEC) deciding for not changing the production despite the decreasing oil prices in the meeting of November 27th, accelerated the decrease in the oil prices. 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.



TURKISH ECONOMY

Turkish economy has grown by 1, 7 % in the third quarter of 2014.



In the third quarter of 2014, Turkey's Gross Domestic Product has grown by 1, 7 % with fixed prices compared to the same quarter of 2013. Turkish economy, growing 4,8 % in the first quarter of the year and 2,2 % in the second quarter, has grown by 2,8 % in real in the first nine months period of 2014, compared to the same period of 2013 and thereby grew under the rate of 2013's same period, which was 4,0 %. With the current prices, Gross Domestic Product has increased by 11, 9 % 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 lower performance than expected in the third quarter of 2014. According the Gross Domestic Product data, distinguished from season and calendar effects, while the growth rate increased in the third quarter compared to the second quarter, it is lower than the expected.

Household consumption expenditure, growing by 5, 3 % in 2013 compared to the previous year and contributing 3, 7 points in the GDP growth rate, increased by 1, and 9% in the first three quarters of 2014 compared to the same period of the previous year and contributed 1, 3 points in the GDP growth rate. Although the household consumption expenditure, forming the 72, 4 % of the GDP in this period, has tended to increase in the third quarter compared to the previous quarter, it is lower than the expected. The highest contribution in the growth in the first nine months of 2014 came from the net export with 2, 5 points. Despite the fact that Euro Region economic weakness became prominent towards the middle of the year, the increase in TRY compared to the previous year positively affected the exportation while being determinant in the importation decrease.

As of the first three quarters of 2014, public consumption expenditures has increased by 6,0 % compared to the same period of the previous year and with the 10,7 % of its share in GDP, it contributed to the growth rate with 0,6 points. While the public investment expenditures receded by 0,7 % in the first nine months period of 2014 compared to the same period of 2013, private sector investments decreased to 1,7 %. Investment expenditures negatively contributed to the total GDP growth with 0, 4 points. The fact that the recession in private sector investments in the first two quarters has come to an end in the third quarter indicates that private sector dynamism can increase as of the last quarter of 2014.

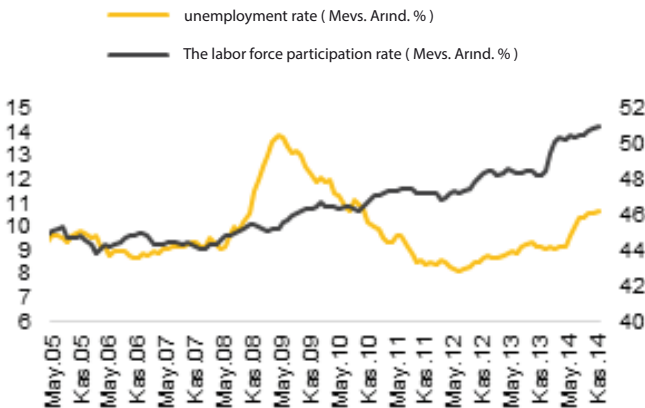
While the service industry had 58, 6 of share within GDP in the first nine months period of 2014, it grew by 3, 3 % compared to the same period of 2013. Thereby, growth performance of the service industry in the first three quarter were under the 4, 1 % rate of the same period in 2013. Manufacturing industry, which has the second highest share in GDP with the rate of 23, 4 %, grew in the rate of 3, 5% and displayed a high performance compared to the same period of 2013. One of the important developments in 2014 is the negative effect of the recession in the agricultural sector. While the share of the sector in GDP was 8, 9 % in the first three quarters of 2014, it decreased by 3 % and negatively affected the GDP growth rate with approximately 0, 3 points.

When considered in general, real GDP data revealed that the growth performance which increased in the first quarter of 2014 compared to 2012 and 2013, relatively decreased in the second and third quarter of the year. The fact that the first quarter coincides with the election period affected the increase in the growth performance. In the following periods, the ambiguity, caused by the geopolitical risk carried as a result of the tension between Russia and Ukraine and complications in Middle East, negatively affected the investment expenditures and stocks. The fact that the regulations, made by BDDK in order to increase the household savings by receding the increase of personal loans, were enacted in February 2014, revealed the consumption restrictive effects as of the second quarter. The fiercest dryness in approximately 15 years seen in 2014 caused the production in the agricultural industry to narrow for the first time since the first quarter of 2009. In the following year, with the dryness to be over and base effect, high growth rates can be seen in the agricultural industry.

Turkish economy, which has grown by 2,8 % in the first three quarters of 2014, compared to the same period of 2013, is expected to finish 2014 with the growth rate of 2,9 %. In 2015, with real GDP growth rate's domestic demand contribution, it is expected to be around 4, 0 %. The expectation that the cost reducing effect of oil prices besides the base effects would increase the economic activity will be effective in the growth performance of 2015. In addition to this, potential contributions of structural reforms announced in November and December 2014, will support the growth.

The prominent risk related to the growth performance of the Turkish economy in 2015 is ambiguity regarding reflections on global markets and world economy of the USA Central Bank FED's interest increasing period.

Unemployment rate of November 2014 is 10, 9 %.



As of the November 2014, unemployment rate, according to the data undistinguished from the seasonal effects, is 10, 7 % and it is 10, 9 % according to the distinguished data. According to the data set, starting from 2005, published by Turkish Statistical Institute, the lowest rate of unemployment was in June 2012 and it began increasing in July 2012. The unemployment rate reached its highest level in October 2010 with the data of November. In increase of unemployment rate, the fact that 51% of increasing participation rate in the work force since 2008, the highest level reached within the data set, was determinant. The case that no significant revival is observed in the economic activity compared to 2013, prevented the decrease in the rate of unemployment in the moderate growth environment. According to the data distinguished from the seasonal factors, as of November 2014, while there had been employment increase in agriculture, industry and service sectors over the historical average, the employment in the construction sector grew lower than the average.

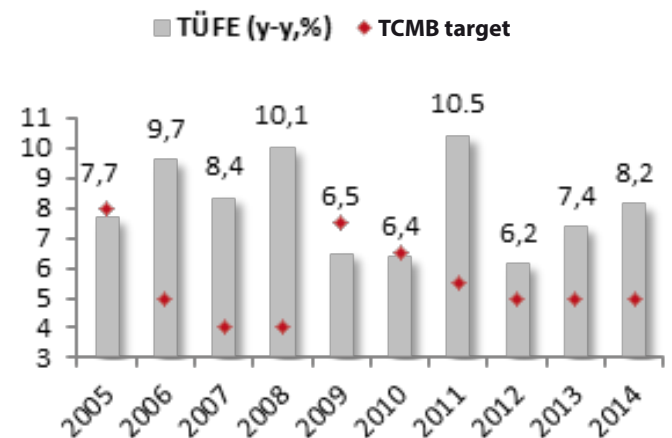
It is predicted that the expected increase in the growth performance of 2015 will serve a function in decreasing the unemployment. Growth in the workforce particularly with the effect of increasing women's participation in the work force lately will be able to restrict the potential decrease in the unemployment rate.

Foreign trade deficit completed the year of 2014 around 84, 5 billion USD.

In 2014, there had been a significant recovery in the foreign trade deficit. For the mentioned recovery, increase in the exportation has been effective as well as the decrease in the importation. Particularly the recession in the gold importation played a determinant role in the decrease of importation in 2014. Although there have not been a significant economic recovery in the Euro Region yet, the contribution of the importation to the foreign trade deficit, with the effect of diversification in our foreign trade partners, became evident in 2014. Moreover, the weak domestic demand in 2014 also influenced recession in the foreign trade deficit.

In 2015, the positive contribution that the oil prices can make to the foreign trade deficit, the increase, which can be seen at the importation, besides the oil, due to the increasing domestic demand, can able to restricted. It is expected that the annual foreign trade deficit thereby will be able to complete the year of 2015 with 19, 8 billion USD.

In 2014, the inflation was high due to the food prices.



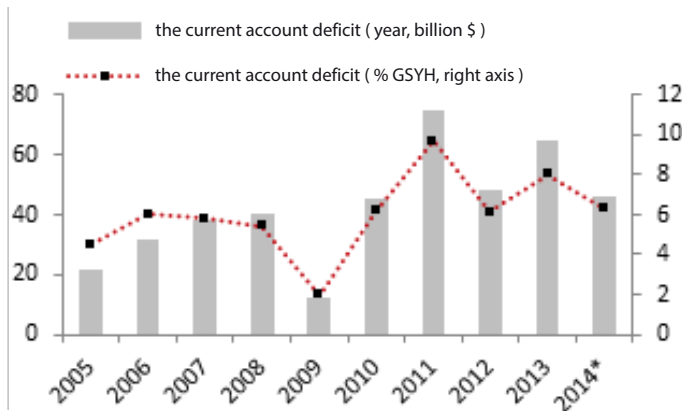
When the latest period performance of the inflation is considered, it is remarked that in 2014, it was rather in rise. In the inflation rate of 2014, food prices and developments in the exchange rates were determinant. Decreasing commodity prices in the last quarter of the year positively affected the inflation.



Food prices, which has the highest share in the inflation basket and which has increased due to the dryness in 2014, had an upside pressure on the inflation. Negative weather conditions have also caused the fruit and vegetable prices to increase above the historical progress. In addition to this, the fact that the prices of electricity and natural gas are increased for the first time after two years has been one of the reasons for the inflation to increase. On the other hand, the decrease in the oil prices as of the second half of 2014 has affected the inflation in the decreasing way and caused the 8, 9 % of year-end expectation in the CBT's latest Inflation Report to be resulted as 8, and 17 %.

It is expected that in 2015, the progress of oil prices, changes in exchange rates and food prices would be determinant in the inflation. The fact that the inflation decreased in monthly and annual basis in December, the prices of the producers are decreased and due to the base effect; it is possible that as of the beginning of 2015, inflation will continue to decrease.

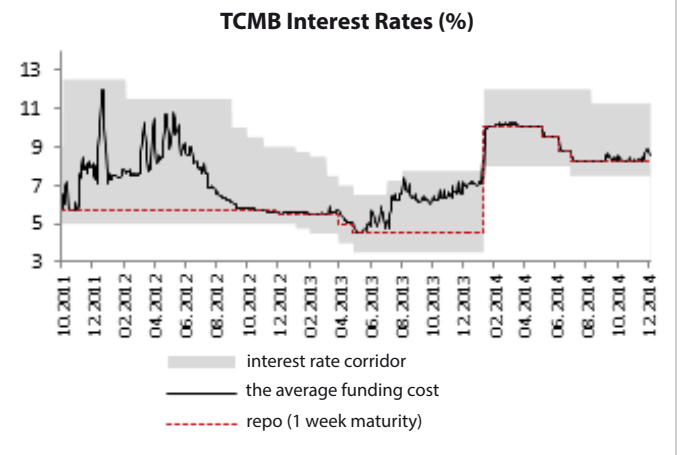
In 2014, deficit in current accounts has receded to 45, 8 billion USD with the effect of recovery in the foreign trade.



In 2013, annual current account deficit, reaching the 7, 9 % of the GDP with 65 billion USD, has receded to 45, 8 billion USD in 2014. In the recession of 2014's current account deficit, recovery in the foreign trade was determinant. Especially the decrease in non-monetary gold importation has contributed to the recovery of current accounts deficit. Additionally, while the inflow of foreign currency thanks to the tourism incomes positively affected the current accounts deficit, the fact that the FED ended the bond purchase in October 2014 caused the increase in the inflow of foreign currency to be restricted compared to the previous year.

The fact that the recession in the oil prices, which has been decreasing since June, has been accelerated after the OPEC meeting is perceived as positive by the developing countries like Turkey which has high energy importation. It is expected that the decreasing oil prices will contribute to the current deficit in a positive way. However, it is considered that the domestic demand, which is expected to increase in 2015, may restrict this effect. It is expected that in 2015, current accounts deficit will be 41 billion USD by the end of the year.

Central Bank of Turkey (CBT) maintained its firm attitude in its monetary policy.



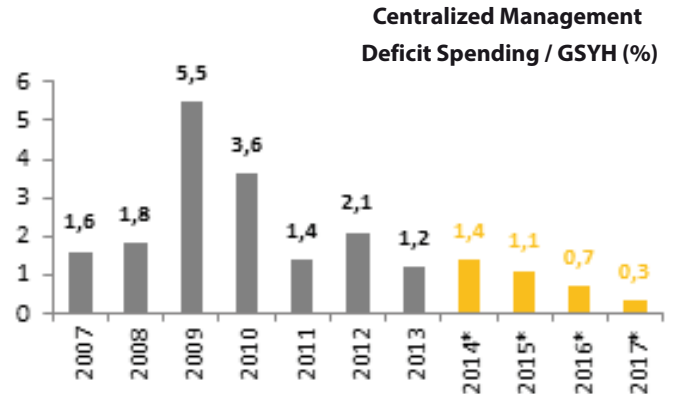
Central Bank of Turkey (CBT), following a policy protecting the financial stability besides the price stability, has continued to use interest and non-interest tools together also in 2014. As a result of the incidents negatively affecting the risk perception in domestic and foreign markets, beginning at 2013 year-end and continuing in the beginning of 2014, there had been significant value lost in Turkish lira while strict increase is observed in risk premium. In this respect, CBT decided to apply a strict interest increase for monetary tightening and increased the policy interest rate from 4, 5 % to 10 %. Thus, CBT used the statement of "strict attitude in monetary policy" for the first time which she is to use many times in Monetary Policy Commission meetings in 2014. CBT made no changes in interest rates until the meeting in May and continued the expression related to the strict attitude.

When it was May 2014, there had been slight decrease in the ambiguity of domestic and foreign markets, recovery began to be observed in the risk premium indicators and decrease in market interests began to be seen. Based on these justifications, CBK, for the first time, decreased the rate of policy interest for 2014 during the PPK meeting conducted in May. It decreased the one-week repo auction interest rate, which is called as the policy interest strictly increased in an intermediate meeting conducted on January 28, from 10 % to 9,5 %.

As a result of the emphasis by CBT on the inflation, which is considered to have reached the highest level in May, stating that a significant decrease would be observed as of June, 75 base points are decreased in the policy interest rate during the meeting conducted in June. Besides this, while CBT continued to decrease the policy interest rate also in June following May, the fact that it did not make any changes in the interest rate corridor approved that statement of CBT that she will maintain her strict attitude. In the meeting conducted in July, while CBT decreased the policy interest rate and lower band of the interest rate corridor in 50 base points, it did not make any changes in the upper band of the interest rate corridor. This situation enabled CBT to execute the interests in the market in higher rates by limiting the liquidity given to the market from one-week repo interest rate, in case unexpected situations in economy occur and thus it enabled her to preserve the strict monetary policy attitude. In August, this time CBT stabilized the policy interest rate and lower band of the interest rate corridor while decreasing the upper band in the amount of 75 base points.

It is predicted that the inflation will begin to decrease as of the first quarter of 2015 both due to the base effect and commodity prices. In this respect, it is expected that the CBT would decrease its interest rates as of the first quarter of 2015. On the other hand, the monetary policy of FED, which is to be applied in 2015 and which is thought to begin increasing the interest in the second quarter of 2015 at the earliest, will continue to be effective on the capital flow coming to the developing countries. Increase in the FED's interest rates is considered as one of the elements to be effective in CBT's policies.

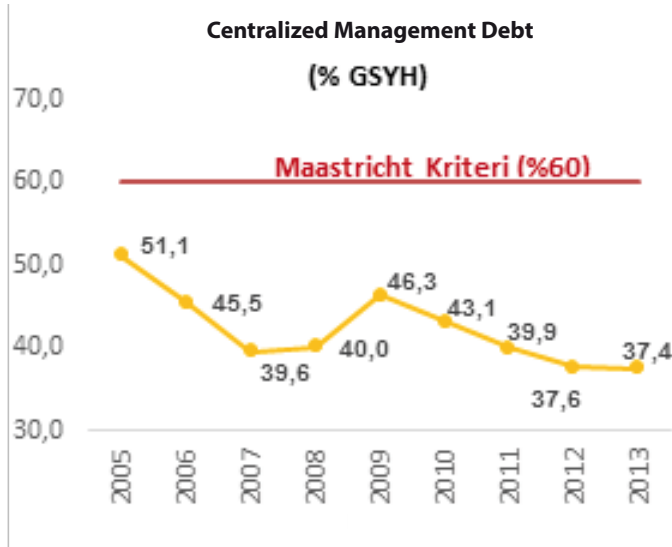
Budget balance had a deficit of 11,3 billion TRY in December 2014.



While the centralized administration budget balance had a deficit of 17,3 billion TRY in December 2013, it has a deficit of 11,3 billion TRY in the same period of 2014. Thus, the centralized administration budget balance deficit, which was 18,4 billion TRY in 2013, reached 22,7 billion TRY in 2014. While centralized administration budget expenditures increased by 9,8% in 2014 compared to the previous year, budget incomes increased by 9, and 3 %. While 2013 centralized administration budget rate to GDP deficit in the rate of 1,2 % is expected to reach 1,4 % in 2014 within the scope of Medium Term Program (2015-2017), the mentioned rate is expected to decrease to 1,1 % in 2015. On the other hand, it decreased rate of 13,6 % in 2014, compared to the same period of the previous year. It is seen that non-interest surplus item, which is important in terms of debt management; and which is performed above the expectations in 2013 with 31,4 billion TRY, has been performed at the level of 27,2 billion TRY in 2014.



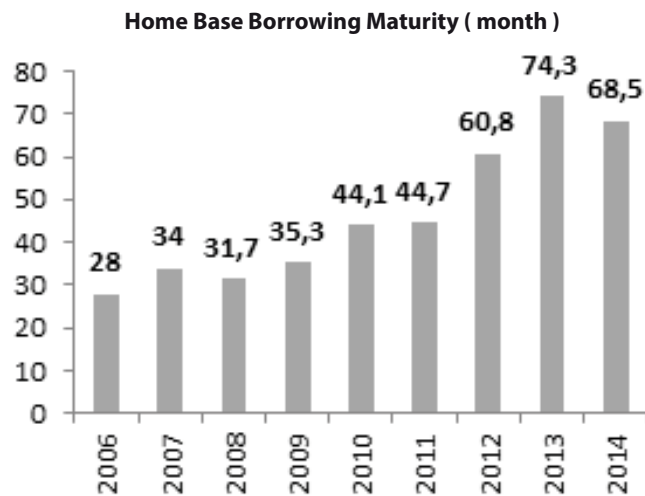
Centralization Gross Debt Stock



Centralization gross debt stock has become 612 Billion TRY since December in 2014. 414, 6 Billion part of the gross debt is TL and the 197, 3 Billion part is currency debts. Within the framework of Maastricht Criteria, also called 'EU Fiscal Rule', when gross national product rate of the debt stock is examined, it shows that there has been a regular decrease since 2009. The respective rate that is in the scope of Maastricht Criteria, shows fiscal policy and the development in public administration in Turkey that took investible rating.

When the realizations in 2014 are examined, monthly average cost of fixed income TRY currency of domestic borrowing was 9, 2 % in 2013 but in 2014 it became 8, 8 %. While average cumulative due date of domestic borrowing was 74, 3 month in 2013, it was 68, 5 month in 2014. On the other hand with the purpose of diversifying debt instruments and expanding investor base, lease certificates were issued in 2012 for the first time and their issuances were started regularly in domestic market in 2013. This situation continued also in 2014. In this context, valued at 1 Billion and 10 year fixed lease certificate was issued and its rent increase rate was 4, 49 % on 25 November, 2014.

Within the scope of 2015 loan strategy that was explained by Undersecretariat of Treasury, it is predicted that valued at 88 Billion domestic borrowing will be recognized and total national debt rollover ratio will be 88 %.



**LEASING SECTOR IN 2014**

Leasing sector advanced 6,989,548 USD active contract sum in 2013 to 7,637,138 USD by a %93 increase in 2014. In the same period the number of contracts was 19,790 pcs and it raised to 20,302 pcs by an increase of 2, 6 %.

Vakif Leasing raised its indorsement from 265,590 USD to 289,848 USD year over year by increasing it 9, 13 % in 2014. While the number of transaction was 406 in 2013, it became 317.

According to active contract data in Vakif Leasing, while the transaction sum was 251,742 USD in 2013, it became 269,263 USD by a 7 % increase in 2014. While the number of active contracts was 430 in 2013, it became 326 in 2014.

One thousand USD-Leasing Sector			
Period	2013	2014	increase %
First 3-month period	1,387,601	1,624,885	17,1
Second 3-month period	1,905,084	1,865,958	-2,1
Third 3-month period	1,784,361	1,920,020	7,6
Fourth 3-month period	1,912,502	2,226,275	16,4
TOTAL	6,989,548	7,637,138	9,3
Number of contracts	19,790	20,302	2,6

One thousand USD Vakif Leasing			
Period	2013	2014	increase %
First 3-month period	46,676	75,786	62,4
Second 3-month period	118,908	73,496	-38,2
Third 3-month period	35,193	33,356	-5,2
Fourth 3-month period	50,965	86,625	70,0
TOTAL	251,742	269,263	7,0
Number of contracts	430	326	-24.2



Vakıf Leasing is one of the most important players in this huge sector. It ended year 2014 with a 7 % increase and business volume of 270 Million USD. To raise marketshare that got 4 % and to enhance the development of company in an active, strong competition environment are among primary goals of 2015.

Sale and Lease Back instrument affected the business volume positively in 2014. Vakıf Leasing aims at concentrating on especially real estate, business and building machinery.

Vakıf Leasing aims at customers whose credibility is appropriate in every sector and it aims at expanding in especially SME's. Additionally it plans to go on raising its marketshare in investment preferences by years. In 2015 both the company and sector aim at going on advertising the instruments that went into action with new law.

The options of finance that were actualized by new law enlivened both the sector and our company. Sale and Lease Back instrument that was preferred especially by companies that need capital and aim at expanding their business, can strengthen equity capital and raise its balance sheets' credibility. When it is compared to the last year, Sale and Lease Back instrument got positive results with regard to the business volume.

Vakıf Leasing was ranked at 10th with the business volume of 270 Million USD in 2014 and obtained a 7 % increase in the business volume when it is compared to the last year. Firstly we aim at expanding our business volume properly in consideration of Turkey's domestic market growth and trade credit demand. We plan to achieve this goal with development of branch network and employees support across Turkey.



PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY FINANCIAL INDICATORS

TOTAL ASSETS (THOUSAND TL)

2014	1,201,561
2013	1,066,607
2012	806,909
2011	600,731
2010	575,589

+12.7 %

Total assets of Vakıf Leasing raised to 1,201,561 with a 12, 7 % increase when it is compared to the last year.

LEASING RECEIVABLES (THOUSAND TL)

2014	1,091,578
2013	901,691
2012	679,586
2011	507,216
2010	262,868

+21.1 %

Total leasing receivables of Vakıf Leasing raised to 1,091,578 with a 21, 1 % increase when it is compared to the last year.

CREDITS OBTAINED

2014	1,024,360
2013	881,275
2012	604,825
2011	440,153
2010	446,925

+16.2 %

Total credits obtained of Vakıf Leasing raised to 1,024,360 with a 16, 2 % increase when it is compared to the last year.



PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY FINANCIAL INDICATORS

SHAREHOLDERS' EQUITY (THOUSAND TRY)

2014	104,972
2013	109,114
2012	107,400
2011	100,410
2010	86,127

-3.8 %

Total shareholders' equity of Vakıf Leasing became 104,972 TRY with a 3, 8 % decrease when it is compared to the last year.

GROSS PROFIT/LOSS (THOUSAND TL)

2014	13,675
2013	11,902
2012	7,122
2011	(556)
2010	(10,981)

+14.9 %

The gross profit of Vakıf Leasing raised to 13,675 TRY with a 14, 9 % increase when it is compared to the last year

NET PROFIT (THOUSAND TRY)

2014	(3,863)
2013	1,313
2012	5,402
2011	14,390
2010	17,393

-194.2 %

Net profit of Vakıf Leasing became (3,863) TRY with a 194, 2 % decrease when it is compared to the last year.



PRIMARY FINANCIAL INDICATORS AND RATIOS

PRIMARY RATIOS

Net Rental Receivables / Assets

2014	0.91
2013	0.85
2012	0.84
2011	0.84
2010	0.46

Shareholders equity/ Liabilities

2014	0.09
2013	0.10
2012	0.13
2011	0.17
2010	0.15

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

2014	0.10
2013	0.11
2012	0.07
2011	0.05
2010	0.11

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

2014	0.11
2013	0.12
2012	0.08
2011	0.06
2010	0.12

Gross non-performing loans

2014	0.11
2013	0.12
2012	0.07
2011	0.05
2010	0.06

Net Profit/ shareholders' equity

2014	-0.04
2013	0.01
2012	0.05
2011	0.14
2010	0.20

Net profit / Assets

2014	-0.003
2013	0.001
2012	0.007
2011	0.02
2010	0.03



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

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REPORTS



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

VAKIF FİNANSAL KİRALAMA A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT
AT 31 DECEMBER 2014**





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

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

We have audited the accompanying balance sheet of Vakıf Finansal Kiralama A.Ş. (the "Company") and its subsidiary (the "Group") at 31 December 2014 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Company's Board of Directors:

The Company's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for selecting and applying appropriate accounting policies in compliance with the "Communique Regarding the Format and Content of Publicly Announced Financial Statements and Uniform Chart of Accounts and its Interpretation to be applied by Financial Leasing, Factoring and Financing Companies" published on the Official Gazette No. 28861 dated 24 December 2013, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars and interpretations published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006 and Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

Independent Auditor's Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vakıf Finansal Kiralama A.Ş. and its subsidiary at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with regulations, communiqués, circulars and interpretations published by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Other Matter:

The consolidated financial statements of the Vakıf Finansal Kiralama A.Ş. and its subsidiary as at and for the year ended 31 December 2013 were audited by another auditor whose report dated 27 February 2014 expressed an unqualified opinion.



Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements:

1. 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 18 February 2015.
2. 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 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
3. 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:

As explained in detail in Note 2, the financial reporting standards as described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. 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, 18 Şubat 2015

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

Zeynep Uras, SMMM
Partner

İstanbul, 18 February 2015



VAKIF FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2014

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**CONVENIENCE TRANSLATION
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 2014 (BALANCE SHEET)**

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

ASSETS	Note	Audited Current Period (31 December 2014)			Audited Prior period (31 December 2013)		
		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)		-	-	-	183	-	183
2.1 Financial Assets Held for Trading		-	-	-	183	-	183
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
III. BANKS	5	1,426	13,874	15,300	21,760	10,902	32,662
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	6	4,850	-	4,850	4,716	-	4,716
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	248,210	843,368	1,091,578	137,158	764,533	901,691
8.1 Receivables from Leasing Transactions		230,628	841,055	1,071,683	136,704	757,404	894,108
8.1.1 Financial Lease Receivables		295,752	959,883	1,255,635	173,485	849,476	1,022,961
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		(65,124)	(118,828)	(183,952)	(36,781)	(92,072)	(128,853)
8.2 Assets to Be Leased		17,582	1,933	19,515	451	7,124	7,575
8.3 Advances Given for Leasing Transactions		-	380	380	3	5	8
IX. OTHER RECEIVABLES		4,091	235	4,326	8,964	6	8,970
X. DOUBTFUL RECEIVABLES	7	11,999	36,998	48,997	10,745	64,917	75,662
10.1 Doubtful Factoring Receivables		-	-	-	-	-	-
10.2 Doubtful Finance Loans		-	-	-	-	-	-
10.3 Doubtful Lease Receivables		26,444	107,523	133,967	28,098	95,344	123,442
10.4 Specific Provisions (-)		(14,445)	(70,525)	(84,970)	(17,353)	(30,427)	(47,780)
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	3,524	-	3,524	3,779	-	3,779
XVII. INTANGIBLE ASSETS (Net)	9	7	-	7	14	-	14
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		7	-	7	14	-	14
XVIII. PREPAID EXPENSES	13	229	3,920	4,149	202	4,729	4,931
XIX. CURRENT PERIOD TAX ASSET		55	-	55	7	-	7
XX. DEFERRED TAX ASSETS	11	27,198	-	27,198	31,845	-	31,845
XXI. OTHER ASSETS	12	5	-	5	5	-	5
SUBTOTAL		301,594	898,395	1,199,989	219,378	845,087	1,064,465
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	10	1,572	-	1,572	2,142	-	2,142
22.1 Held for resale		1,572	-	1,572	2,142	-	2,142
22.2 Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		303,166	898,395	1,201,561	221,520	845,087	1,066,607

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2014 (BALANCE SHEET)**

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

LIABILITIES	Note	Audited			Audited		
		Current Period			Previous Period		
		(31 December 2014)			(31 December 2013)		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		11,543	-	11,543	19,734	-	19,734
II. FUNDS BORROWED	14	311,146	713,214	1,024,360	237,795	643,480	881,275
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	20,362	30,590	50,952	15,941	29,106	45,047
VII. OTHER LIABILITIES	16	1,733	3,388	5,121	4,756	1,838	6,594
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	517	-	517	1,616	-	1,616
X. PROVISIONS	17	2,820	-	2,820	2,753	463	3,216
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		2,820	-	2,820	2,753	-	2,753
10.3 Other Provisions		-	-	-	-	463	463
XI. DEFERRED INCOME		460	816	1,276	-	-	-
XII. CURRENT PERIOD TAX LIABILITY	11	-	-	-	11	-	11
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUBTOTAL		348,581	748,008	1,096,589	282,606	674,887	957,493
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		104,972	-	104,972	109,114	-	109,114
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		(68)	-	(68)	355	-	355
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		2,711	-	2,711	2,576	-	2,576
16.5 Profit Reserves		40,736	-	40,736	39,423	-	39,423
16.5.1 Legal Reserves		3,890	-	3,890	3,814	-	3,814
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		36,846	-	36,846	35,609	-	35,609
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		(3,863)	-	(3,863)	1,313	-	1,313
16.6.1 Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		(3,863)	-	(3,863)	1,313	-	1,313
16.7 Non-Controlling Interests		103	-	103	94	-	94
TOTAL LIABILITIES AND EQUITY		453,553	748,008	1,201,561	391,720	674,887	1,066,607

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2014 (BALANCE SHEET)**
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

OFF-BALANCE SHEET ITEMS	Note	Audited Current Period (31 December 2014)			Audited Prior Period (31 December 2013)		
		TL	FC	Total	TL	FC	Total
I. IRREVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
II. REVOCABLE FACTORING TRANSACTIONS		-	-	-	-	-	-
III. COLLATERALS RECEIVED	23	219,033	286,233	505,266	155,930	244,450	400,380
IV. COLLATERALS GIVEN		-	-	-	-	-	-
V. COMMITMENTS	23	17,138	67,423	84,561	9,557	54,328	63,885
5.1 Irrevocable Commitments		14,994	29,486	44,480	3,867	28,712	32,579
5.2 Revocable Commitments		2,144	37,937	40,081	5,690	25,616	31,306
5.2.1 Lease Commitments		-	-	-	5,690	25,616	31,306
5.2.1.1 Finance Lease Commitments		2,144	37,937	40,081	5,690	25,616	31,306
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	23	151,078	148,628	299,706	151,078	144,173	295,251
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		151,078	148,628	299,706	151,078	144,173	295,251
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		151,078	148,628	299,706	151,078	144,173	295,251
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		387,249	502,284	889,533	316,565	442,951	759,516

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

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



**VAKIF FİNANSAL KİRALAMA A.Ş.
CONSOLIDATED PROFIT OR LOSS STATEMENT AT 31 DECEMBER 2014**

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

INCOME AND EXPENSE ITEMS	Note	Audited Current Period (31 December 2014)	Audited Previous Period (31 December 2013)
I. OPERATING INCOME		82,254	66,064
FACTORING 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		82,254	66,064
1.5 Finance Lease Income		80,775	64,903
1.6 Operational Lease Income		-	-
1.7 Fees and Commission Income on Lease Operations		1,479	1,161
II. FINANCING EXPENSES (-)		(55,172)	(41,181)
2.1 Interest Expense on Funds Borrowed		(54,440)	(40,052)
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)	(599)
2.6 Fees and Commissions Paid		(550)	(530)
III. GROSS PROFIT / LOSS (I+II)		27,082	24,883
IV. OPERATING EXPENSES (-)	19	(13,407)	(11,820)
4.1 Personnel Expenses		(8,681)	(7,658)
4.2 Reserve for employee termination benefits		(248)	(172)
4.3 Development and Research Expenses		-	-
4.4 General administrative expenses		(4,478)	(3,990)
4.5 Others		-	-
V. GROSS OPERATING INCOME/LOSS (III+IV)		13,675	13,063
VI. OTHER OPERATING INCOME	20	31,409	31,228
6.1 Interest Income on Bank Deposits		681	1,227
6.2 Interest Income on Reverse Repurchase Agreements		-	-
6.3 Interest Income on Securities Portfolio		5	18
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	18
6.3.4 Interest Income on Financial Assets Held to Maturity		-	-
6.4 Dividend Income		13	5
6.5 Trading Account Income		8,191	297
6.5.1 Income From Derivative Financial Instruments		8,191	297
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		6,176	22,226
6.7 Others		16,343	7,455
VII. PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	7	(43,831)	(24,503)
VIII. OTHER OPERATING EXPENSES (-)	20	(342)	(20,239)
8.1 Impairment Losses on Securities Portfolio		-	(171)
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		-	(171)
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		-	(19,734)
8.4 Foreign Exchange Losses		-	-
8.5 Other		(342)	(334)
IX. NET OPERATING PROFIT / LOSS (V+.....+VIII)		911	(451)
X. INCOME RESULTED FROM MERGER		-	-
XI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XII. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		911	(451)
XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	11	(4,733)	1,799
13.1 Current Tax Charge	11	(70)	(64)
13.2 Deferred Tax Charge (-)		(4,663)	-
13.3 Deferred Tax Benefit (+)		-	1,863
XIV. NET PROFIT FROM CONTINUING OPERATIONS (XII+XIII)		(3,822)	1,348
XV. INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1 Income from Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3 Other Income from Discontinued Operations		-	-
XVI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1 Expense on Assets Held for Sale		-	-
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3 Other Expenses from Discontinued Operations		-	-
XVII. PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX(XV-XVII)		-	-
XVIII. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (-)		-	-
18.3 Deferred Tax Benefit (+)		-	-
XIX. NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)		-	-
XX. UNCONTROLLABLE PROFIT OR LOSS		(41)	(35)
XXI. NET PROFIT FOR THE PERIOD (XIV+XIX+XX)		(3,863)	1,313
EARNINGS PER SHARE	21	0.0006	0.0002
Earnings Per Share from Continued Operations		0.0006	0.0002
Earnings Per Share from Discontinued Operations		-	-
DILUTED EARNINGS PER SHARE		-	-

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2014**

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT			Audited Current Period (31 December 2014)	Audited Previous Period (31 December 2013)
	Note			
I.		CURRENT PERIOD PROFIT/LOSS	(3,863)	1,313
II.		OTHER COMPREHENSIVE INCOME	(288)	378
2.1		Items that will not be Reclassified to Profit or Loss	(423)	355
2.1.1		Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2		Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3	17	Employee Benefits Re-Measuring Loss/Income	(439)	443
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	16	(88)
2.1.5.1		Current Tax Income/Expense	-	-
2.1.5.2		Deferred Tax Income/Expense	16	(88)
2.2		Items that may be Reclassified subsequently to Profit or Loss	135	23
2.2.1		Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2		Value Increases or Decreases on Assets Held for Sales	135	30
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	-	(7)
2.2.6.1		Current Tax Income/Expense	-	-
2.2.6.2		Deferred Tax Income/Expense	-	(7)
III.		TOTAL COMPREHENSIVE INCOME (I+II) (*)	(4,151)	1,691

(*) Minority interests are not included.

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**

STATEMENT OF CHANGES IN EQUITY													
profit or loss statement													
profit or loss statement													
	</												

1. The accumulated revaluation increases/losses on property and equipment.
2. The accumulated reinsurance 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 55 from an integral part of these financial statements.

CONVENIENCE TRANSLATION 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 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY																					
profit or loss statement																					
profit or loss statement																					
	Paid in Capital	Capital Reserve	Share Premium	Share Cancellation Profit	Other Reserve	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserve	Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Net Profit / Loss	Total Equity	
CURRENT PERIOD																					
(1 January-31 December 2014)																					
I.	Period Beginning Balance (1 January 2014)	65,000	-	-	-	353	-	355	-	-	2,576	-	39,423	3,814	-	35,609	-	1,313	-	94	109,114
II.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	65,000	-	-	-	353	-	355	-	-	2,576	-	39,423	3,814	-	35,609	-	1,313	-	94	109,114
IV.	Total Comprehensive Income	-	-	-	-	-	-	(423)	-	-	135	-	-	-	-	-	-	-	-	-	(288)
V.	Increase in Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase From Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Bonds Convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Current Period Income or Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,863)	41	-	(3,822)
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32)	-	(32)
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32)	-	(32)
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III-IV+...+XVII+XVIII+XIX)		65,000	-	-	-	353	-	(68)	-	-	2,711	-	40,736	3,890	-	36,846	-	-	(3,863)	103	104,972

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 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2014**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		58,161	31,520
1.1.1 Interests Received/ Leasing Income		81,284	64,903
1.1.2 Interest Paid/Leasing Expense		-	40,052
1.1.3 Leasing Expenses		-	-
1.1.4 Dividend Received		13	5
1.1.5 Fees and Commissions Received		1,479	1,129
1.1.6 Other Income		22,702	2,630
1.1.7 Collections from Previously Written-off Doubtful Receivables		6,639	3,952
1.1.8 Payments to Personnel and Service Suppliers		(8,570)	(11,820)
1.1.9 Taxes Paid	11	70	-
1.1.10 Other		(45,456)	(69,331)
1.2 Changes in Operating Assets and Liabilities		(75,705)	(30,031)
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		(206,876)	(265,903)
1.2.2 Net (Increase)/Decrease in Other Assets		10,413	16,659
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		121,323	236,399
1.2.5 Net Increase/(Decrease) in Payables		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		(565)	(17,186)
I. Net Cash Provided from Operating Activities		(17,544)	1,489
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	8,9,10	-	(58)
2.4 Disposals of Property and Equipment		2	210
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	65
II. Net Cash (Used in)/Provided from Investing Activities		185	217
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			
V. Net Increase/(Decrease) in Cash and Cash Equivalents		(17,359)	1,706
VI. Cash and Cash Equivalents at Beginning of the Period	5	32,658	30,952
VII. Cash and Cash Equivalents at End of the Period	5	15,299	32,658

The accompanying notes set out on pages 10 to 55 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION
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 2014**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Current Period 31 December 2014(*)	Prior Period 31 December 2013
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	763	(681)
1.2 TAXES AND DUES PAYABLE (-)	(4,678)	1,862
1.2.1 Corporate Tax (Income Tax)	-	-
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(4,678)	1,863
A. NET PERIOD PROFIT (1.1 - 1.2)	(3,915)	1,181
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	59
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)	-	1,122
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	-	1,122
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.

(**) The company's net profit formed from the deferred income tax of 2013. There is no distributable profit for the prior period.

The accompanying notes set out on pages 10 to 55 form an integral part of these financial statements



VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014
(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 2014, the Group has 59 employees; 55 at the Company, 4 at Vakıf Sigorta (31 December 2013: 59 at the Company, 4 at Vakıf Sigorta, in total 63).

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 2014 and 2013, the share capital and ownership structure of the Company are as follows:

Name	31 December 2014		31 December 2013	
	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	65,000	100

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



VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(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 2014 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 2014 are approved by the Board of Directors of the Company and authorized for issue as at 18 February 2015. 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").



VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014
(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 2013.

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.

Since January 1, 2014, Group has begun to spread commissions collected in advance related to the financial leasing transactions on periods and related amounts has been followed in deferred income on the balance sheet.



VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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 2014.

Standards, Amendments and IFRICs applicable to 31 December 2014 year ends

Amendment to TAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to TAS 36, 'Impairment of assets', effective from annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to TAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

IFRIC 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendments to TFRS 10, 'Consolidated financial statements', TFRS 12 and TAS 27 for investment entities, effective from annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made TFRS 12 to introduce disclosures that an investment entity needs to make.



**VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

New TFRS standards, amendments and IFRICs effective after 1 January 2014

Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-2012 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; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 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'.

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.

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.

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.

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.



VAKIF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 TFRS 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.

TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB 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.

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 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 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.

Early adoption of standards

The Company did not early-adopt new or amended standards at 31 December 2014. Considering the financial statement items of the Company, it is deemed that the prospective changes would have no significant effect to over the financial position and performance of the Company.



VAKIF FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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 2014 and 2013, 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, 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
USD	2.3189	2.1343
Euro	2.8207	2.9365

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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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 360 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.

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.

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.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 2014 is TL 3,541.37 (full TL) (31 December 2013: TL 3,438.22 (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*.

As at 31 December 2014 and 2013, the actuarial assumptions are as follows:

	31 December 2014	31 December 2013
Discount rate	%1.97	%3.10
Expected rate of salary/ceiling increase	%6.50	%6.40
Estimated employee turnover rate	%3.77	%2.73

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.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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 2014, the Group has no deductible tax losses (31 December 2013: 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.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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.



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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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 2014 and 2013, for the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented below:

	31 December 2014	31 December 2013
Banks	15,300	32,662
Interest accruals on bank deposits	(1)	(4)
Cash and cash equivalents in the consolidated statement of cash flows	15,299	32,658

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 2014	Finance Lease	Insurance Brokage	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)	(70)	15	(4,733)
Net profit for the year	(3,915)	253	(160)	(3,822)
Specific provisions for loans and receivables under follow up	43,831	-	-	43,831
Depreciation and amortization	(264)	-	-	(264)
31 December 2013	Finance Lease	Insurance Brokage	Consolidation Adjustments	Total
Finance lease income	64,903	-	-	64,903
Insurance brokerage service income	-	1,161	-	1,161
Total segment revenue	64,903	1,161	-	66,064
Net operating profit	(682)	292	(61)	(451)
Income taxes	1,863	(64)	-	(1,799)
Net profit for the year	1,181	228	(61)	1,348
Specific provisions for loans and receivables under follow up	(24,503)	-	-	(24,503)
Depreciation and amortization	(269)	-	-	(269)



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3 - SEGMENT REPORTING (Continued)

As at 31 December 2014 and 31 December 2013 the Group's segment assets, segment liabilities and capital expenditures are as follows:

31 December 2014	Finance Lease	Insurance Brokage	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	-	-	-	-
31 December 2013	Finance Lease	Insurance Brokage	Consolidation Adjustments	Total
Other Information				
Segment assets	1,063,980	3,614	(987)	1,066,607
Segment liabilities	955,423	2,948	(878)	957,493
Capital expenditures	59	-	-	59

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

4 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading purpose

Group do not have financial assets held for trading purpose. (31 December 2013: 183 TL).

Derivative financial assets held for trading purpose

As at 31 December 2014, derivative financial assets held for trading purpose amounting to TL 11,543 is comprised of positive fair value difference of the currency swap of the Group (31 December 2013:19,734TL).



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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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5 - CASH EQUIVALENTS AND BANKS

As at 31 December 2014 and 31 December 2013, details of bank balances are as follow:

	31 December 2014	31 December 2013
Banks	15,300	32,662
Demand deposit	777	11,441
Time deposit	14,523	21,221
Total	15,300	32,662

As at 31 December 2014, time deposits consist of bank placements with maturity less than three months and with interest rates average 10% for TL. Interest rate on time deposits denominated EUR and USD are %1.20 and %1.20 respectively.

As at 31 December 2013, 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.

6 - AVAILABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2014 and 31 December 2013, available for sale financial assets are as follow:

	31 December 2014		31 December 2013	
	Carrying Value	Share (%)	Carrying Value	Share (%)
Not Traded at Stock Market:				
Vakıf Finans Factoring Hizmetleri A.Ş.	3,160	3.79	3,201	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,490	3.27	1,360	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	200	0.25	155	0.25
Total Available for Sale	4,850		4,716	

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



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7 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES

The details of finance lease receivables are presented below:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Lease receivables	293,722	953,199	172,285	845,688
Invoiced lease receivables	2,030	6,684	1,200	3,788
Subtotal	295,752	959,883	173,485	849,476
Unearned interest income	(65,124)	(118,828)	(36,781)	(92,072)
Leasing contracts in progress	17,582	1,933	451	7,124
Advances given for lease transactions	-	380	3	5
Finance lease receivables, net of unearned income	248,210	843,368	137,158	764,533
Impaired lease receivables	26,444	107,523	28,098	95,344
Specific provision	(14,445)	(70,525)	(17,353)	(30,427)
Impaired lease receivables, net	11,999	36,998	10,745	64,917
Finance lease receivables, net	260,209	880,366	147,903	829,450

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

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
31 December 2013	Up to 1 year	1-2 year	2-3 year	3-4 year	4 year and over	Total
Finance lease receivables	386,714	287,306	178,813	107,097	70,614	1,030,544
Unearned interest income	(59,009)	(37,098)	(19,899)	(9,124)	(3,723)	(128,853)
Finance lease receivables, Net	327,705	250,208	158,914	97,973	66,891	901,691

As of 31 December 2014, the average compounded interest rates for finance lease receivables are %15.47 for TL, %9.22 for USD and %6.91 for EUR (31 December 2013: %14.67, %8.30 for USD and %5.84 for EUR).



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7 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)

As at 31 December 2014 and 2013, the aging of the lease receivables and related specific provisions are as follows:

	31 December 2014	31 December 2013
Neither past due nor impaired	1,062,969	889,120
Past due but not impaired	8,714	4,988
Impairment	133,967	123,442
Allowances for impairment	(84,970)	(47,780)
Finance lease receivables, net	1,120,680	969,770

	31 December 2014	31 December 2013
151-240 days	8,474	61,584
241-1 year	16,046	2,008
1 year and over	109,447	59,850
Impaired lease receivables, net	133,967	123,442

As at 31 December 2014 and 2013, details of the impaired lease receivables and related specific provisions are as follows:

	31 December 2014		31 December 2013	
	TP	YP	TP	YP
Impaired lease receivables	26,444	107,523	28,098	95,344
Specific provisions	(14,445)	(70,525)	(17,353)	(30,427)
Impaired lease receivables, net	11,999	36,998	10,745	64,917

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

	31 December 2014	31 December 2013
Balances at the beginning of the year	47,780	27,462
Provision for the year	43,831	24,503
Collections during the year	(6,639)	(3,952)
Finance lease receivables written off during the year	(2)	(233)
Specific provisions at the end of the year	84,970	47,780

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

	31 December 2014	31 December 2013
Mortgage	31,134	34,255
Cash blockages	6,787	6,159
Notes received	162	728
Total collateral	38,083	41,142

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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8 - TANGIBLE ASSETS

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	-	-	-
	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

Movement in tangible assets in the period from 1 January to 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Building	4,075	-	(1)	4,074
Furniture and fixture	696	58	(15)	739
Motor vehicles	971	-	(202)	769
Other tangible assets (inc. leasehold improvements)	114	1	-	115
	5,856	59	(218)	5,697
Accumulated depreciation:				
Building	(673)	(83)	-	(756)
Furniture and fixture	(478)	(81)	12	(547)
Motor vehicles	(600)	(97)	197	(500)
Other tangible assets (inc. leasehold improvements)	(115)	-	-	(115)
	(1,866)	(261)	209	(1,918)
Net Book Value	3,990			3,779

As 31 December 2014 and 31 December 2013, there is no mortgage on the tangible assets of the Group.

As of 31 December 2014, total insurance coverage for tangible assets of the Group is TL 9,927 (31 December 2013: TL 8,747 TL).



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9 - INTANGIBLE ASSETS

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

Movement in intangible assets in the period from 1 January to 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Software	391	1	-	392
	391	1	-	392
Accumulated amortization:				
Software	(370)	(8)	-	(378)
	(370)	(8)	-	(378)
Net book value	21			14

10 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2014 and 31 December 2013, 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 2014	31 December 2013
Lands and buildings held for sale	1,572	1,678
Movables held for sale	-	464
Total	1,572	2,142



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11 - TAX ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Corporate tax provision	-	11
	-	11
VAT payable	292	1,394
Income tax	94	94
Social Security Premiums	119	125
Stamp tax	12	3
	517	1,616

	31 December 2014	31 December 2013
Corporate taxes payable	70	64
Less: Prepaid taxes	(70)	(53)
Current income tax liabilities, net	-	11

	31 December 2014	31 December 2013
Tax expense		
Corporate tax expense for the period	(70)	(64)
Deferred tax income/ (expense) effect	(4,663)	1,863
	(4,733)	1,799

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

	31 December 2014	31 December 2013
Profit before taxes	911	(451)
Theoretical tax expense with 20% tax rate	(182)	-
Utilised investment incentive	1,350	1,807
Non-deductible expenses	(5,932)	(56)
Tax-free income	38	13
Other	(7)	35
Current year tax expense	(4,733)	1,799



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11 - 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 2014, the Company's management recorded deferred tax asset amounting to TL 248,780 from unused investment according to constitutional court decision. (31 December 2013: TL 253,039)

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
	2014	2013	2014	2013
Unused investment incentives- without stoppage	84,422	103,771	16,884	20,754
Lease Asset Receivable Impairment	41,566	36,097	8,313	7,219
Derivatives discounts	11,543	19,734	2,309	3,947
Unused investment incentives- with stoppage	164,358	149,268	329	299
Provision for employee termination benefit	1,376	1,186	275	237
Provision for unused vacations	1,082	1,161	216	232
Other short term employee benefits	362	406	72	81
Deferred tax assets			28,398	32,769
Finance lease income accruals	(4,667)	(4,490)	(933)	(898)
Others	(1,335)	(130)	(267)	(26)
Deferred tax liabilities			(1,200)	(924)
Deferred tax assets, (net)			27,198	31,845

The movement for deferred tax assets is as follows:

	31 December 2014	31 December 2013
1 January	31,845	29,982
Current year deferred tax income/ expense	(4,663)	1,863
Deferred tax in Equity income/expense	16	-
31 December	27,198	31,845

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12 - OTHER ASSETS

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Others	5	-	5	-
Total other assets	5	-	5	-

13 - PREPAID EXPENSES

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Letter of guarantee and commissions	-	3,920	-	4,729
Insurance	42	-	47	-
IT expenses	7	-	15	-
Subscription expenses	5	-	4	-
Others	175	-	136	-
Total other assets	229	3,920	202	4,729

14 - BORROWINGS

As at 31 December 2014 and 31 December 2013, details of the borrowings are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Domestic banks	311,146	124,686	237,795	173,640
Foreign banks	-	588,528	-	469,840
Total Borrowings	311,146	713,214	237,795	643,480

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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 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

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2013						
Borrowings from domestic banks:						
Fixed rate borrowings :						
TL	237,795	9.45	42,426	11,428	183,941	237,795
EUR (thousand)	5,186	3.40	15,228	-	-	15,228
USD (thousand)	64,181	4.26	24,960	47,993	64,029	136,982
Floating rate borrowings						
EUR (thousand)	7,298	2.33	-	4,291	17,139	21,430
Total borrowing from domestic banks			82,614	63,712	265,109	411,435
Borrowings from foreign banks						
Fixed rate borrowings :						
TL	-	-	-	-	-	-
EUR (thousand)	103,102	3.99	16,826	61,040	224,892	302,758
USD (thousand)	70,080	4.25	608	9,935	139,028	149,571
Floating rate borrowings :						
EUR (thousand)	5,963	2.33	-	3,237	14,274	17,511
Total borrowings from foreign banks			17,434	74,212	378,194	469,840
Total borrowings			100,048	137,924	643,303	881,275



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15 - MISCELLANEOUS PAYABLES

As at 31 December 2014 and 31 December 2013, details of miscellaneous payables are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Provisions for suppliers for financial lease operations (*)	8,624	12,524	6,710	12,056
Payables to suppliers for financial lease operations	7,939	18,066	6,181	17,050
Other trade payables	3,799	-	3,050	-
Total miscellaneous payables	20,362	30,590	15,941	29,106

(*) 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 2014 and 31 December 2013, details of other liabilities are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Cheques and notes received	-	-	2,569	-
Advances received	1,733	3,388	2,187	1,838
Total other liabilities	1,733	3,388	4,756	1,838

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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17 - PROVISIONS FOR LIABILITIES AND CHARGES

As at 31 December 2014 and 31 December 2013, details of provisions for liabilities and charges are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Reserve for employee benefits	2,820	-	2,753	-
<i>Reserve for employee termination benefit</i>	1,376	-	1,186	-
<i>Provision for unused vacations</i>	1,082	-	1,161	-
<i>Reserve for bonuses</i>	244	-	263	-
<i>Provisions for other employee rights</i>	118	-	143	-
Other provisions	-	-	-	463
Total provisions	2,820		2,753	463

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

	31 December 2014	31 December 2013
At the beginning of the year	1,186	1,369
Interest rate cost	130	206
Service cost	119	124
Payments during the year	(498)	(70)
Actuarial difference (*)	439	(443)
At the end of the year	1,376	1,186

(*) 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 2014, 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 2013: capital shares TL 65,000, nominal value: 6.500.000.000).

As at 31 December 2014 and 31 December 2013, the share capital and ownership structure of the Company is as follows:

	31 December 2014		31 December 2013	
	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 2014 and 31 December 2013, capital reserves amounted to TL 353 consists of inflation adjustment differences of paid-in capital of the Company. As at 31 December 2014 the marketable securities valuation differences amounts to TL 2,711 (31 December 2013: 2,576 TL).

Profit reserves

As at 31 December 2014, profit reserves of the Group consists of first legal reserves amounting to TL 3,890 (31 December 2013: TL 3,814) and extraordinary reserves amounting to TL 36,846 (31 December 2013: TL 35,609).

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.

According to the resolution taken on the Annual General Assembly held on 16 April 2014, among the year-end profit amounting to TL 1,313, it was decided to transfer TL 59 to legal reserves and the remaining amount of TL 1,254 to extraordinary reserves since it consists of deferred tax income.



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19 - OPERATING EXPENSES

For the years ended 31 December 2014 and 2013, general administrative expenses included in the operating expenses are as follow:

	31 December 2014	31 December 2013
Court expenses	956	703
General administration expenses	847	834
Consultancy expenses	564	318
Notary expenses	531	445
Transportation expenses	300	327
Depreciation and amortization expenses	264	269
Taxes, duties and charges expenses	233	165
Non-deductible expenses	105	138
Marketing expenses	91	131
Printing, stationary and office expenses	75	54
Registration expenses	39	29
Other operating expenses	473	577
Total general administrative expenses	4,478	3,990

For the years ended 31 December 2014 and 31December 2013, personnel expenses included in the operating expenses are as follows:

	31 December 2014	31 December 2013
Salaries	6,894	5,929
Personnel insurance expenses	590	630
Social security premiums and other contributions	779	712
Other personnel expenses	418	387
Total personnel expenses	8,681	7,658



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20 - OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2014 and 2013, other operating income is as follows:

	31 December 2014	31 December 2013
Income from derivative transactions	8,191	297
Provisions reversed during the year	7,835	3,952
Foreign exchange gains	6,176	22,226
Income from sales of assets held for sale	2,803	263
Interest income from bank deposits	681	-
Default interest income	430	-
Rent income	36	39
Dividend income	13	5
Interest income from available for sale assets	5	18
Other income	5,239	4,428
Total other operating income	31,409	31,228

Other operating expenses:

	31 December 2014	31 December 2013
Foreign exchange losses	-	-
Losses from derivative transactions	-	19,734
Change in associates that are accounted with equity method	-	171
Other expense	342	334
	342	20,239

21 - EARNINGS PER SHARE

	31 December 2014	31 December 2013
At the beginning of the year		
Total number of outstanding shares	6,500,000,000	6,000,000,000
Capital increase ^(*)	-	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 2014	31 December 2013
Net income for the period	(3,863)	1,313
Number of outstanding shares with a nominal value of TL 1	6,500,000,000	6,500,000,000
Earnings/Losses per share (TL)	(0.000594)	0.000202



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22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Vakıfbank	1,368	13,455	528	10,902
Bank deposits	1,368	13,455	528	10,902
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	726	-	1,287	-
Güneş Sigorta A.Ş.	862	-	184	-
Finance lease receivables	1,588	-	1,471	-
Vakıf Finans Factoring Hizmetleri A.Ş.	3,160	-	3,201	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,490	-	1,360	-
Vakıf Yatırım Menkul Değerler A.Ş.	200	-	155	-
Total investment securities available for sale	4,850	-	4,716	-
Vakıf Finans Factoring Hizmetleri A.Ş.	198	-	-	-
Güneş Sigorta A.Ş.	1	-	8	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	96	-	84	-
Vakıf Emeklilik A.Ş.	-	-	-	-
Due from related parties	295	-	92	-
Vakıfbank	-	51,499	-	26,848
Vakıfbank International AG	-	69,700	-	39,591
Borrowings	-	121,199	-	66,439
Güneş Sigorta A.Ş.	3,699	-	2,782	-
Vakıf Yatırım Menkul Değerler A.Ş.	-	-	2	-
Due to related parties	3,699	-	2,784	-

As at and for the year ended 31 December 2014 and 2013, details of related party transactions are presented below:

	31 December 2014	31 December 2013
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	102	149
Güneş Sigorta A.Ş.	7	61
Finance lease interest income	109	210
Vakıfbank	345	28
Interest income from related parties	345	28
Vakıfbank Yatırım Fonları	5	18
Investment fund income from related parties	5	18
Vakıfbank International AG-interest expense	2,308	1,339
Vakıfbank - interest expense	1,593	1,198
Vakıfbank – commission expense	31	26
Finance expenses of related parties	3,932	2,563
Güneş Sigorta A.Ş.	1,223	1,253
Vakıf Emeklilik A.Ş.	34	34
Vakıf Pazarlama ve Ticaret A.Ş.	11	18
Other incomes of related parties	1,268	1,305



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22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2014	31 December 2013
Güneş Sigorta A.Ş.	448	464
Vakıf Gayrimenkul Değerleme A.Ş.	9	46
Vakıf Yatırım Menkul Değerler A.Ş.	23	28
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	-	10
Vakıfbank	1	9
Other expenses of related parties	481	557
Vakıf Yatırım Menkul Değerler A.Ş.	13	5
Dividend income	13	5

Executive management compensation

As at 31 December 2014 and 2013, Group's executive management compensations are as follows:

	31 December 2014	31 December 2013
Compensation to the executive management	1,107	505
Total	1,107	505

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 2014 and 2013, the collaterals obtained by the Group against finance lease receivables are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Mortgages	149,446	256,194	123,307	219,274
Letters of guarantee	12,063	4,592	4,030	10,543
Cash blockage	656	1,810	395	1,749
Others	56,868	23,637	28,197	12,884
Total	219,033	286,233	155,930	244,450



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23 - CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments

As at 31 December 2014, the Group has irrevocable commitments amounted to TL 44,480 (31 December 2013: TL 32,579) 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 2014	31 December 2013
Euro	8,555	15,749
US Dollar	12,566	4,716
CHF	8,364	8,248
TL	14,995	3,866
Total	44,480	32,579

Revocable commitments

As at 31 December 2014, Group's financial lease commitments amounts to TL 40,081 (31 December 2013: TL 31,306).

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Financial lease commitments	2,144	37,937	5,690	25,616
Total	2,144	37,937	5,690	25,616

Derivative financial instruments

As at 31 December 2014 and 31 December 2013, details of derivative financial instruments are as follows:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Currency swap - purchase	151,078	-	151,078	-
Currency swap - sales	-	148,628	-	144,173
Total	151,078	148,628	151,078	144,173



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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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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2014 and 31 December 2013, exposure to credit risk based on categories of financial instruments is as follows:

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	-	-	-	-	-	109,168
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	-	-	-	-	-	43,728
- 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 2013	Receivables					Other	Total
	Financial lease receivables	Other receivables	Bank deposits	Financial investments			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,025,732	8,970	32,662	183	-	-	1,067,547
The portion of maximum risk covered by guarantees	120,123	-	-	-	-	-	120,123
A. Net carrying value of financial assets which are neither impaired nor overdue	896,703	8,970	32,662	183	-	-	938,518
- The portion covered by guarantees	86,963	-	-	-	-	-	86,963
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	4,988	-	-	-	-	-	4,988
- The portion covered by guarantees	599	-	-	-	-	-	599
D. Net carrying value of impaired assets	75,662	-	-	-	-	-	75,662
- Overdue (gross)	123,442	-	-	-	-	-	123,442
- Impairment (-)	(47,780)	-	-	-	-	-	(47,780)
- Net book value covered by guarantees	32,561	-	-	-	-	-	32,561
- Not past due (gross)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-



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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2014 and 31 December 2013, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2014		31 December 2013	
	Amount	(%)	Amount	(%)
Manufacturing	414,643	38.69	436,116	48.78
Construction	169,481	15.81	97,567	10.91
Wholesale, retail and trading	138,153	12.89	72,430	8.10
Transportation, warehousing and communication	114,830	10.71	126,303	14.13
Education	81,582	7.61	23,903	2.67
Agriculture	34,938	3.26	49,327	5.52
Health and social services	33,568	3.13	42,775	4.78
Mining	30,838	2.88	9,704	1.09
Real estate	26,042	2.43	8,564	0.95
Hotels and restaurants	14,677	1.37	5,871	0.66
Other social and individual services	10,050	0.94	19,941	2.23
Financial intermediary services	1,593	0.15	1,504	0.17
Others	1,288	0.13	103	0.01
Total	1,071,683	100	894,108	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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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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	-

31 December 2013	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	881,275	963,772	137,341	116,465	157,286	552,680	-
Miscellaneous payables and other liabilities	51,641	51,641	51,641	-	-	-	-
Total	932,916	1,015,413	188,982	116,465	157,286	552,680	-

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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24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As at 31 December 2014 and 31 December 2013, the Group's foreign currency assets and liabilities with their TL equivalents are as follows:

31 December 2014	US Dollar	Euro	CHF	GBP	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)
31 December 2013	US Dollar	Euro	CHF	GBP	Total
Banks	10,773	129	-	-	10,902
Finance lease receivables, net ⁽¹⁾	310,629	453,904	-	-	764,533
Other assets	-	4,739	-	-	4,739
Total assets	321,398	458,772	-	-	780,170
Borrowings	286,553	356,926	-	-	643,479
Miscellaneous payables	6,307	20,770	1,988	39	29,104
Other liabilities	732	1,109	-	-	1,841
Provisions	463	-	-	-	463
Total liabilities	294,055	378,805	1,988	39	674,887
Net financial statement position	27,343	79,967	(1,988)	(39)	105,283
Net off-balance sheet items position ⁽²⁾	(80,529)	(63,644)	-	-	(144,173)
Net foreign currency position	(53,186)	16,323	(1,988)	(39)	(38,890)

⁽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 2014 and 31 December 2013 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 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

^(*) 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 2013				
10% change of the US Dollar against TL				
1-Net USD asset/liability	(5,319)	5,319	(5,319)	5,319
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	(5,319)	5,319	(5,319)	5,319
10% change of the Euro against TL				
4-Net Euro asset/liability	1,632	(1,632)	1,632	(1,632)
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	1,632	(1,632)	1,632	(1,632)
10% change of the CHF against TL				
7-Net CHF asset/liability	(199)	199	(199)	199
8-Hedged portion of TL against CHF (-)	-	-	-	-
9-Net effect of CHF (7+8)	(199)	199	(199)	199
10% change of the GBP against TL				
10-Net GBP asset/liability	(4)	4	(4)	4
11-Hedged portion of TL against GBP (-)	-	-	-	-
12-Net effect of GBP (10+11)	(4)	4	(4)	4
TOTAL (3+6+9+12)	(3,890)	3,890	(3,890)	3,890



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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 2014 and 2013, the interest bearing financial assets and liabilities of the Group are as follows:

	31 December 2014	31 December 2013
<i>Financial assets and liabilities with fixed interest rate</i>		
Time deposits	14,523	21,221
Finance lease receivables, net	1,071,683	894,108
Borrowings	980,590	842,335
<i>Financial assets and liabilities with variable interest rate</i>		
Funds borrowed	43,770	38,941

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 2014 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 2014				
Available for sale financial assets	-	-	-	-
Floating rate financial liabilities	5	(5)	5	(5)
Total, net	5	(5)	5	(5)
	Profit or Loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Available for sale financial assets	-	-	-	-
Floating rate financial liabilities	4	(4)	4	(4)
Total, net	4	(4)	4	(4)

(*) 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 10% (31 December 2013: 12%). As of 31 December 2014 and 31 December 2013, the debt to equity ratio is as follows:

	31 December 2014	31 December 2013
Borrowings	1,024,360	881,275
Miscellaneous payables	50,952	45,047
Other liabilities	5,121	6,594
Total Liabilities	1,080,433	932,916
Banks (-)	(15,300)	(32,662)
Net debt	1,065,133	900,254
Total Equity	104,972	109,114
Equity/Debt ratio	%10	%12

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 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at fair value through profit or loss	-	-	183	183
Finance lease receivables, net	1,071,683	1,029,879	894,108	787,877
Banks	15,300	15,300	32,662	32,662
Financial liabilities				
Borrowings	1,024,360	1,000,403	881,275	963,772
Miscellaneous payables and other liabilities	56,073	56,073	51,641	51,641



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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 2014 and 31 December 2013:

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



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25 - FINANCIAL INSTRUMENTS (Continued)

31 December 2013	1. Level	2. Level	3. Level	Total
Financial assets at fair value through profit or loss:				
Investment funds	183	-	-	183
Derivative assets	-	(19,734)	-	(19,734)
Available for sale financial assets:				
Investments in equity participations (*)	-	-	4,716	4,716
Total Financial Assets/Liabilities	183	(19,734)	4,716	(14,835)

(*) 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 2014	31 December 2013
Balance at the beginning of the period	4,716	4,716
Total gains for the period recognized under equity	134	-
Dividend received during the period	-	-
Balance at the end of the period	4,850	4,716

26 - OTHER ISSUES

None.

27 - SUBSEQUENT EVENTS

None.

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