

AK FİNANSAL KİRALAMA A.Ş.

**INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF 30 JUNE 2014 TOGETHER WITH INDEPENDENT
AUDITORS' REVIEW REPORT**



Building a better
working world

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Report on review of interim condensed financial statements

To the Board of Directors of Ak Finansal Kiralama A.Ş.

We have reviewed the accompanying interim condensed financial statements of Ak Finansal Kiralama A.Ş. ("the Company") which comprise the statement of financial position as at 30 June 2014 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2014, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited



8 August 2014
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

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AK FİNANSAL KİRALAMA A.Ş.**UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014**

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

| ASSETS | Notes | 30 June 2014 | 31 December 2013 |
|-------------------------------------|--------------|---------------------|-------------------------|
| Cash and cash equivalents | 5 | 167,256 | 171,707 |
| Finance lease receivables | 6 | 3,420,246 | 3,314,901 |
| Other assets and prepaid expenses | | 13,644 | 17,785 |
| Derivative financial instruments | 9 | 7,817 | 344 |
| Assets held for sale | | 302 | 24,694 |
| Property and equipment, net | | 975 | 1,165 |
| Intangible assets, net | | 661 | 573 |
| Income tax asset | 10 | 2,848 | - |
| Deferred tax asset, net | 10 | - | 5,461 |
| Total assets | | 3,613,749 | 3,536,630 |
| LIABILITIES | | | |
| Borrowings | 7 | 2,137,511 | 2,158,371 |
| Debt securities issued | 8 | 730,325 | 684,657 |
| Accounts payable | | 193,838 | 195,618 |
| Advances from customers | | 28,738 | 22,458 |
| Derivative financial instruments | 9 | 14,498 | 52,572 |
| Other liabilities | | 4,205 | 2,113 |
| Income tax liability | 10 | - | 4,603 |
| Employment benefits | | 1,017 | 888 |
| Deferred tax liability, net | 10 | 2,919 | - |
| Total liabilities | | 3,113,051 | 3,121,280 |
| EQUITY | | | |
| Share capital | 11 | 188,400 | 138,400 |
| Adjustment to share capital | 11 | (13,393) | (13,393) |
| Total paid-in share capital | 11 | 175,007 | 125,007 |
| Legal reserves | | 30,948 | 26,345 |
| Retained earnings | | 294,743 | 263,998 |
| Total equity | | 500,698 | 415,350 |
| Total liabilities and equity | | 3,613,749 | 3,536,630 |

The accompanying notes form an integral part of these financial statements.

AK FİNANSAL KİRALAMA A.Ş.

**UNAUDITED INTERIM CONDENSED STATEMENT OF COMPERHENSIVE
INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014**

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

| | Notes | 30 June 2014 | 30 June 2013 |
|--|-------|----------------|---------------|
| Interest income from direct finance leases | | 116,189 | 83,248 |
| Interest income on placements and transactions with banks | | 5,173 | 5,669 |
| Total interest income | | 121,362 | 88,917 |
| Interest expense on borrowings | | (59,693) | (42,752) |
| Interest expense on debt securities | | (20,213) | (9,406) |
| Net interest income | | 41,456 | 36,759 |
| Foreign exchange gains, including net gains or losses from dealing in foreign currency | | (30,322) | 7,720 |
| Net interest income after foreign exchange gains or losses | | 11,134 | 44,479 |
| Net trading, hedging and fair value income/(loss) | | 47,151 | (5,889) |
| Fee and commission income/(expenses), net | | 3,505 | 1,218 |
| Impairment loss on finance lease receivables | 6 | (13,604) | (4,785) |
| Recoveries from impaired lease receivables | 6 | 4,028 | 1,564 |
| Other income/(expenses), net | | 157 | (24) |
| Operating expenses | | (8,168) | (8,571) |
| Operating profit | | 44,203 | 27,992 |
| Income before tax | | 44,203 | 27,992 |
| Taxation on income | 10 | (8,855) | (5,557) |
| Net income for the year | | 35,348 | 22,435 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | 62 |
| - Cash flow Hedge Reserve | | - | 62 |
| Total comprehensive income | | 35,348 | 22,497 |

The accompanying notes form an integral part of these financial statements.

AK FINANSAL KIRALAMA A.Ş.

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

| | Paid in share capital | | | Total paid-in share capital | Legal reserves | Hedge reserves | Retained earnings | Total Equity |
|-------------------------------------|-----------------------|-----------------------------|----------------|-----------------------------|----------------|----------------|-------------------|--------------|
| | Share capital | Adjustment to share capital | Share capital | | | | | |
| Balance at 1 January 2013 | 88,400 | (13,393) | 75,007 | 23,776 | (62) | 223,602 | 322,323 | |
| Transfers | - | - | - | 2,569 | - | (2,569) | - | |
| Dividends paid | - | - | - | - | - | - | - | |
| Capital increase in cash | - | - | - | - | - | - | - | |
| Total comprehensive income | - | - | - | - | 62 | 22,435 | 22,497 | |
| - <i>Net income for the year</i> | - | - | - | - | - | 22,435 | 22,435 | |
| - <i>Other Comprehensive Income</i> | - | - | - | - | 62 | - | 62 | |
| Balance at 30 June 2013 | 88,400 | (13,393) | 75,007 | 26,345 | - | 243,468 | 344,820 | |
| Balance at 1 January 2014 | 138,400 | (13,393) | 125,007 | 26,345 | - | 263,998 | 415,350 | |
| Transfers | - | - | - | 4,603 | - | (4,603) | - | |
| Dividends paid | - | - | - | - | - | - | - | |
| Capital increase in cash | 50,000 | - | 50,000 | - | - | - | 50,000 | |
| Total comprehensive income | - | - | - | - | - | 35,348 | 35,348 | |
| - <i>Net income for the year</i> | - | - | - | - | - | 35,348 | 35,348 | |
| - <i>Other Comprehensive Income</i> | - | - | - | - | - | - | - | |
| Balance at 30 June 2014 | 188,400 | (13,393) | 175,007 | 30,948 | - | 294,743 | 500,698 | |

The accompanying notes form an integral part of these financial statements.

AK FİNANSAL KİRALAMA A.Ş.

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

| | Notes | 30 June 2014 | 30 June 2013 |
|--|----------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net income for the year | | 35,348 | 22,435 |
| Adjustments for: | | | |
| Depreciation and amortization | | 359 | 297 |
| Remeasurement of derivative financial instruments at fair value | | (45,547) | 6,088 |
| Provision for employment termination benefits | | 120 | 102 |
| Provision for legal proceedings | | - | (2) |
| Provision for personnel performance bonus | | 600 | 600 |
| Provision for impaired receivables | | 13,604 | 4,785 |
| Deferred tax charge | | 8,380 | (1,341) |
| Corporate tax charge | | 475 | 6,898 |
| Taxes paid | | (3,323) | (5,247) |
| Interest income and foreign exchange gain/(loss), net | | (41,456) | (36,759) |
| Interest paid | | (79,804) | (43,776) |
| Interest received | | 116,255 | 75,044 |
| Unrealized foreign currency gains/(losses) | | (30,312) | (10,444) |
| Cash flows from operating profit before changes in operating assets and liabilities | | (25,301) | 18,680 |
| Changes in operating assets and liabilities | | | |
| Net decrease/(increase) in finance lease receivables | | (113,842) | (600,333) |
| Net decrease/(increase) in other assets and prepaid expenses | | 52,389 | (16,734) |
| Personnel performance bonus paid | | (1,190) | (800) |
| Employment termination benefits paid | | (60) | (104) |
| Net increase in accounts payables | | (1,780) | 31,543 |
| Net (increase)/decrease in borrowings | | (150,000) | 115,081 |
| Net (increase)/decrease in advances from customers | | 6,280 | 25,833 |
| Net decrease in other liabilities | | (4,465) | 109 |
| Net cash (used in)/provided by operating activities | | (237,969) | (426,725) |
| Cash flows from investing activities | | | |
| Purchase of property and equipment and intangibles | | (356) | (160) |
| Disposals from property and equipment and intangibles | | 99 | - |
| Net cash used in from investing activities | | (257) | (160) |
| Cash flows from financing activities | | | |
| Proceeds from borrowed funds | | 442,137 | 1,563,445 |
| Proceeds from debt securities issued | | 195,453 | 481,200 |
| Payments of borrowed funds and debt securities issued | | (453,025) | (1,484,304) |
| Capital increase | | 50,000 | - |
| Net cash provided by/(used in) financing activities | | 234,565 | 560,341 |
| Net increase/(decrease) in cash and cash equivalents | | (3,661) | 133,456 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (688) | 10,444 |
| Cash and cash equivalents at the beginning of the year | 5 | 171,594 | 153,068 |
| Cash and cash equivalents at the end of the year | 5 | 167,245 | 296,968 |

The accompanying notes form an integral part of these financial statements.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 1 - GENERAL INFORMATION

Ak Finansal Kiralama A.Ş., ("the Company") was established in İstanbul, Turkey on 14 November 1988, with the name BNP-AK-DRESDNER Finansal Kiralama A.Ş. pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. At 26 January 2005, the shares of the Company, held by the BNP Paribas Group and Dresdner Bank A.G. were purchased by Akbank T.A.Ş. Pursuant to the sales, the Company's name is changed to Ak Finansal Kiralama A.Ş. The registered office address of the Company is Sabancı Center Kule: 2 Kat: 8-9. 4.Levent İstanbul, Turkey.

The parent of the Company is Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.S and as at 30 June 2014, the Company employs 71 employees (31 December 2013 – 74 employees).

The financial statements as at and for the year ended 30 June 2014 have been approved by the Board of Directors on 8 August 2014. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years / periods presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

(a) Basis of preparation

These interim condensed financial statements for the period ended 30 June 2014 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

The interim condensed financial statements have been prepared under the historical cost convention, except for derivatives which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The interim condensed financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" ("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policy and disclosures:

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 2014 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2014. These amendments did not have an impact on the interim condensed financial statements of the Company.

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

IFRS Interpretation 21 Levies

IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

IAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

IFRS 10 Consolidated Financial Statements (Amendment)

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim condensed financial statements and disclosures, when the new standards and interpretations become effective.. Except for IFRS 9, adoption of below amendments, changes are not expected to have a significant effect on the Company's financial statements. The Company will assess the impact of IFRS 9 –final standard, issued in July 2014.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

IFRS 3 Business Combinations

IFRS 8 Operating Segments

IFRS 13 Fair Value Measurement

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

IAS 24 Related Party Disclosures

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

IAS 40 Investment Property

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IFRS 15 – Revenue from Contracts with Customers

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that are applied in the annual financial statements for the year ended December 31, 2013.

2.3 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The classifications made in the statement of comprehensive income of the Company as of 30 June 2013 is as follow:

Interest expense on debt securities issued amounting to TL 9,406 which was previously classified under interest expense on borrowings, is presented as a separate line in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. For specific treasury transactions, the opinion of Funding Committee, which was established by the approval of Board of Directors, is asked. Depending on the instrument and transaction amount, the approval of Board of Directors is also required.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopts a detailed and thorough credit analysis, assessment and approval process. It works with selected and creditworthy counterparties and obtains sufficient and where appropriate additional collateral as a means of mitigating the risk of financial loss from defaults. A diversified portfolio by sector and asset and focus on assets with deep secondary market and higher residual value is achieved. The Company regularly monitors the ability of the counterparties to pay amounts in full when due, analyzes the financial position of the counterparties and monitors the condition of the leased assets. The Company's risk limits are continuously measured and monitored.

c. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, currency swaps, cross currency swaps and forwards.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

i) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed with asset-liability balancing transactions and derivatives. Currency risk is managed and reviewed by using clearly defined, approved and carefully monitored risk limit of foreign exchange position on a monthly basis.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below. Portfolio provision for leasing receivables in the balance sheet is considered as Turkish Lira in the calculation of the Net Currency Position.

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 June 2014 and 31 December 2013.

| 30 June 2014 | Foreign Currency | | | |
|---|-------------------------|------------------------|--------------------------|------------------|
| | US\$ (TL Equivalent) | EUR (TL Equivalent) | Other (TL Equivalent) | Total |
| Assets | | | | |
| Cash and cash equivalents | 36,128 | 50,117 | 185 | 86,430 |
| Finance lease receivables | 1,267,148 | 1,408,904 | 667 | 2,676,719 |
| Other assets | 2,058 | 5,207 | 4 | 7,269 |
| Derivative financial instruments | 2,234 | 5,583 | - | 7,817 |
| Total assets | 1,307,568 | 1,469,811 | 856 | 2,778,235 |
| Liabilities | | | | |
| Borrowings | 570,276 | 1,023,717 | - | 1,593,993 |
| Debt securities issued | 535,323 | 14,528 | 35,726 | 585,577 |
| Accounts payable | 140,400 | 43,190 | 3,132 | 186,722 |
| Advances from customers | 11,933 | 6,238 | - | 18,171 |
| Derivative financial instruments | 1,046 | 13,446 | - | 14,492 |
| Total liabilities | 1,258,978 | 1,101,119 | 38,858 | 2,398,955 |
| Net balance sheet position | 48,590 | 368,692 | (38,002) | 379,280 |
| Off-balance sheet derivative instruments net notional position | (49,359) | (371,223) | 35,562 | (385,020) |
| Total net balance sheet position (*) | (769) | (2,531) | (2,440) | (5,740) |

(*) When the effect arisen from the payments to the vendors is eliminated, the net foreign currency position shown on the table above will be US\$ TL 3, 222, EUR TL (1,192) and other currency TL 687 which is in total of TL 2,717.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

| 31 December 2013 | US\$ (TL Equivalent) | EUR (TL Equivalent) | Foreign Currency Other (TL Equivalent) | Total |
|---|-------------------------|------------------------|--|------------------|
| Assets | | | | |
| Cash and cash equivalents | 48,063 | 11,176 | 95 | 59,334 |
| Finance lease receivables | 1,283,992 | 1,355,326 | 736 | 2,640,054 |
| Other assets | 1,622 | 3,530 | 4 | 5,156 |
| Derivative financial instruments | 159 | - | - | 159 |
| Total assets | 1,333,836 | 1,370,032 | 835 | 2,704,703 |
| Liabilities | | | | |
| Borrowings | 639,722 | 899,893 | - | 1,539,615 |
| Debt securities issued | 533,104 | - | - | 533,104 |
| Accounts payable | 117,331 | 69,967 | 3,655 | 190,953 |
| Advances from customers | 8,119 | 6,216 | 4 | 14,339 |
| Derivative financial instruments | 17,910 | 3,743 | - | 21,653 |
| Total liabilities | 1,316,186 | 979,819 | 3,659 | 2,299,664 |
| Net balance sheet position | 17,650 | 390,213 | (2,824) | 405,039 |
| Off-balance sheet derivative instruments net notional position | (26,282) | (387,668) | - | (413,950) |
| Total net balance sheet position (*) | (8,632) | 2,545 | (2,824) | (8,911) |

(*) When the effect arisen from the payments to the vendors is eliminated, the net foreign currency position shown on the table above will be US\$ (TL 19,037), EUR TL 9,098 and other currency TL 829 which is in total of (TL 9,110).

At 30 June 2014, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL 2.1234=US\$1 and TL 2.8919=EUR1 (31 December 2013 – TL2.1343=US\$1 and 2.9365=EUR1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL weakens against the relevant currency.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

| | <u>US Dollar Impact</u> | | <u>EURO Impact</u> | |
|-----------------|-------------------------|-------|------------------------|------|
| | <u>(TL Equivalent)</u> | | <u>(TL Equivalent)</u> | |
| | 2014 | 2013 | 2014 | 2013 |
| Profit and Loss | (77) | (863) | (253) | 255 |

ii) *Interest rate risk*

The Company is exposed to interest rate risk due to borrowings and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and finance lease receivables, by the use of derivatives such as interest rate swap contracts and cross currency swaps. Hedging activities are regularly evaluated regularly to ensure optimal hedging strategies are applied. Interest rate is managed and reviewed by using clearly defined, approved and carefully monitored risk limits such as repricing maturity gap analysis and economic value change analysis (stress tests).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and related interest rate swaps and all other variables were held constant, the Company's:

- profit for the year ended 30 June 2014 would increase / decrease by TL 658 (31 December 2013 -increase /decrease by TL 2,707). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of fixed rate debt issued and the cash flow exposures on the variable rate debt issued. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the start of the financial year.

The interest rate swaps settle on a quarterly basis. The Company will settle the difference between the fixed and floating interest rate on a net basis.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

| 30 June 2014 | Demand and up to 3 months | 3 to 12 months | Over 1 year | Total |
|----------------------------------|--------------------------------------|---------------------------|------------------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | 167,256 | - | - | 167,256 |
| Finance lease receivables | 927,526 | 571,480 | 1,533,290 | 3,032,296 |
| Derivative financial instruments | 7,276 | 18 | 523 | 7,817 |
| Total assets | 1,102,058 | 571,498 | 1,533,813 | 3,207,369 |
| Liabilities | | | | |
| Borrowings | 748,195 | 571,654 | 817,662 | 2,137,511 |
| Debt securities issued | 94,963 | 26,650 | 608,712 | 730,325 |
| Derivative financial instruments | 4,149 | 8 | 10,341 | 14,498 |
| Total liabilities | 847,307 | 598,312 | 1,436,715 | 2,882,334 |
| Net re-pricing gap | 254,751 | (26,814) | 97,098 | 325,035 |
| 31 December 2013 | | | | |
| Assets | | | | |
| Cash and cash equivalents | 171,707 | - | - | 171,707 |
| Finance lease receivables | 727,818 | 574,389 | 1,509,876 | 2,812,083 |
| Derivative financial instruments | 185 | - | 159 | 344 |
| Total assets | 899,710 | 574,389 | 1,510,035 | 2,984,134 |
| Liabilities | | | | |
| Borrowings | 632,835 | 856,075 | 669,461 | 2,158,371 |
| Debt securities issued | 151,523 | 21,443 | 511,691 | 684,657 |
| Derivative financial instruments | 14,768 | 25,160 | 12,644 | 52,572 |
| Total liabilities | 799,126 | 902,678 | 1,193,796 | 2,895,600 |
| Net re-pricing gap | 100,584 | (328,290) | 316,238 | 88,534 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company makes a detailed and complete analysis of the projected cash inflows (mainly lease installments) and cash outflows (mainly bank loan payments and payments to suppliers according to leasing transactions) and determines the exact cash requirements. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

| 30 June 2014 | Demand and up to 3 months | 3 to 12 months | Over 1 year | Total |
|--|---------------------------|----------------|------------------|------------------|
| Liabilities | | | | |
| Borrowings | 332,973 | 499,766 | 1,633,070 | 2,465,809 |
| Debt securities issued | 96,508 | 27,451 | 706,494 | 830,453 |
| Accounts payable | 193,838 | - | - | 193,838 |
| Advances from customers | 28,738 | - | - | 28,738 |
| Total liabilities | 652,057 | 527,217 | 2,339,564 | 3,518,838 |
| Cash inflow / (outflow) from derivative financial instruments, net | 4,919 | 3,278 | (636) | 7,561 |
| | | | | |
| 31 December 2013 | Demand and up to 3 months | 3 to 12 months | Over 1 year | Total |
| Liabilities | | | | |
| Borrowings | 259,767 | 668,903 | 1,553,271 | 2,481,941 |
| Debt securities issued | 153,476 | 22,542 | 608,325 | 784,343 |
| Accounts payable | 195,618 | - | - | 195,618 |
| Advances from customers | 22,458 | - | - | 22,458 |
| Total liabilities | 631,319 | 691,445 | 2,161,596 | 3,484,360 |
| Cash inflow / (outflow) from derivative financial instruments, net | (13,960) | (14,430) | (334) | (28,724) |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The fair values of certain financial assets and liabilities excluding finance lease receivables, debt securities issued and borrowings are considered to approximate their respective carrying values due to their short-term nature.

The table below indicates the fair values of the financial assets and financial liabilities which are stated at amortized cost:

| | Carrying amount | | Fair value | |
|---------------------------|-----------------|------------------|--------------|------------------|
| | 30 June 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| Finance lease receivables | 3,045,417 | 2,825,903 | 3,071,145 | 2,866,879 |
| Borrowings | 2,137,511 | 2,158,371 | 1,986,360 | 2,004,653 |
| Debt securities issued | 730,325 | 684,657 | 648,059 | 603,785 |

Expected cash flows are discounted at current market rates with similar currency and remaining maturity to determine their fair value. The credit risk is not considered when calculating the fair value lease receivables as in line with the pricing of lease receivables. The fair value hierarchy is assessed as Level 2.

The discount rate used to calculate the fair value of US\$, EUR and TL borrowings and debt securities issued as at 30 June 2014 are %3.93, %3.50 and %10.75, respectively. (31 December 2013 are %3.97, %3.51 and %10.38, respectively)

The discount rate used to calculate the fair value of US\$, EUR and TL finance lease receivables as at 30 June 2014 are %6.01 %6.29 and %13.23, respectively. (31 December 2013 are %5.76 %6.18 and %12.09, respectively.)

Fair value hierarchy

Fair values of financial assets and liabilities that are carried with their fair values on the balance sheet are determined as follows:

Level 1: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value are as follows:

30 June 2014

| | Level 1 | Level 2 | Level 3 |
|---|---------|-----------------|---------|
| Derivative financial assets held for trading | - | 7,356 | - |
| Derivative financial assets held for hedging | - | 461 | - |
| Total assets | - | 7,817 | - |
| Derivative financial liabilities held for trading | - | (14,498) | - |
| Derivative financial liabilities held for hedging purpose | - | - | - |
| Total liabilities | - | (14,498) | - |

31 December 2013

| | Level 1 | Level 2 | Level 3 |
|---|---------|-----------------|---------|
| Derivative financial assets held for trading | - | 344 | - |
| Total assets | - | 344 | - |
| Derivative financial liabilities held for trading | - | (52,572) | - |
| Derivative financial liabilities held for hedging purpose | - | - | - |
| Total liabilities | - | (52,572) | - |

f. Capital risk management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation. The Company complies with this requirement as of 30 June 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts 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 finance lease receivables are based on the aging of these receivable balances and the trend of collection performance. (Note 6)

Deferred taxation

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 5 - CASH AND CASH EQUIVALENTS

| | 30 June 2014 | | | 31 December 2013 | | |
|--|---------------|---------------|----------------|------------------|----------------|----------------|
| | FC | TL | Total | FC | TL | Total |
| Due from banks | | | | | | |
| -demand deposits | 43,296 | 49,062 | 92,358 | 56,397 | 16,431 | 72,828 |
| -time deposits | 43,134 | 31,764 | 74,898 | 2,937 | 95,942 | 98,879 |
| Total cash and cash equivalents | 86,430 | 80,826 | 167,256 | 59,334 | 112,373 | 171,707 |

For the purposes of cash flow statements, cash and cash equivalents comprise TL167,245 and TL 171,594 at 30 June 2014, 31 December 2013, respectively.

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

| | 30 June 2014 | 31 December 2013 |
|--|---------------------|-------------------------|
| Gross finance lease receivables | 3,640,054 | 3,345,016 |
| Unearned finance income | (607,758) | (532,933) |
| | 3,032,296 | 2,812,083 |
| Invoiced lease receivables | 13,121 | 13,820 |
| Impaired lease receivables | 71,736 | 54,984 |
| Provision for impaired lease receivables | (58,692) | (49,116) |
| | 3,058,461 | 2,831,771 |
| Equipments to be leased | 271,155 | 368,222 |
| Advances to vendors | 90,630 | 114,908 |
| | 3,420,246 | 3,314,901 |

At 30 June 2014 and 31 December 2013 the finance lease receivables according to their interest type are as follows:

| | 30 June 2014 | 31 December 2013 |
|----------------------------------|---------------------|-------------------------|
| Gross finance lease receivables: | | |
| Fixed rate | 2,642,546 | 2,583,096 |
| Floating rate | 997,508 | 761,920 |
| | 3,640,054 | 3,345,016 |

At 30 June 2014 and 31 December 2013 the leasing receivables have the following collection schedules:

| Year Ending | Finance Lease Receivables | |
|----------------------------|----------------------------------|-----------------------|
| | Gross | Net performing |
| | 30 June 2014 | 30 June 2014 |
| 30 June 2014 | 505,050 | 417,330 |
| 31 December 2015 | 879,710 | 706,401 |
| 31 December 2016 | 692,516 | 571,448 |
| 31 December 2017 | 504,767 | 421,327 |
| 31 December 2018 and after | 1,058,011 | 915,790 |
| | 3,640,054 | 3,032,296 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

| Year Ending | Finance Lease Receivables | |
|----------------------------|---------------------------|------------------------------------|
| | Gross 31 December 2013 | Net performing 31 December 2013 |
| 31 December 2014 | 901,352 | 738,842 |
| 31 December 2015 | 728,575 | 598,638 |
| 31 December 2016 | 558,170 | 469,485 |
| 31 December 2017 | 406,214 | 345,760 |
| 31 December 2018 and after | 750,705 | 659,358 |
| | 3,345,016 | 2,812,083 |

Finance lease receivables can be analyzed as follows:

| Year Ending | 30 June 2014 | 31 December 2013 |
|--------------------------------------|------------------|------------------|
| Neither past due nor impaired | 3,032,296 | 2,812,083 |
| Past due but not impaired | 13,121 | 13,820 |
| Impaired | 71,736 | 54,984 |
| Gross | 3,117,153 | 2,880,887 |
| Less: allowances for impairment | (58,692) | (49,116) |
| Net finance lease receivables | 3,058,461 | 2,831,771 |

The total impairment provision for finance lease receivables at 30 June 2014 is TL 58,692 (31 December 2013 – TL 49,116) of which TL 49,289 (31 December 2013 – TL 41,109) represents the individually impaired loans and of which TL 9,403 (31 December 2013 – TL 8,007) represents the portfolio provision in the performing portfolio.

The Company obtains transfer of rights of receivables, mortgages, pledged securities, blocked deposits and guarantee letters as collateral from its customers. Collaterals repossessed by the Company are transferred to assets held for sale, to be converted into cash by selling the related assets.

Collateral amounting to TL 22,291 (31 December 2013: TL 15,394) has been obtained for impaired finance lease receivables amounting to TL 71,736 (31 December 2013 – TL 54,984).

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of past due but not impaired finance lease receivables as at 30 June 2014 and 31 December 2013 are as follows:

| | 30 June 2014 | | 31 December 2013 | |
|--------------|-----------------|----------------------------|------------------|----------------------------|
| | Invoiced Amount | Remaining Principal Amount | Invoiced Amount | Remaining Principal Amount |
| 0-30 days | 6,456 | 539,885 | 10,277 | 490,201 |
| 30-60 days | 1,821 | 38,257 | 1,914 | 20,957 |
| 60 -150 days | 4,844 | 54,420 | 1,629 | 13,858 |
| | 13,121 | 632,562 | 13,820 | 525,016 |

Movements in provision for impaired finance lease receivables for the years ended 30 June 2014 and 2013 are as follows:

| | 30 June 2014 | 30 June 2013 |
|---|---------------|---------------|
| At 1 January | 49,116 | 27,298 |
| Impairment expense during the year | 13,604 | 4,785 |
| Recoveries of amounts previously provided for | (4,028) | (1,564) |
| At period end | 58,692 | 30,519 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2014 and 31 December 2013 are as follows:

| | 30 June 2014 | % | 31 December 2013 | % |
|--|------------------|------------|------------------|------------|
| Transportation | 569,166 | 16 | 611,938 | 18 |
| Textile | 465,061 | 13 | 352,876 | 11 |
| Construction | 409,720 | 11 | 359,009 | 11 |
| Production | 300,689 | 8 | 238,784 | 7 |
| Steel and mining | 268,788 | 7 | 277,192 | 8 |
| Health | 239,028 | 7 | 196,700 | 6 |
| Energy and natural sources | 211,053 | 6 | 239,191 | 7 |
| Food and beverage | 175,055 | 5 | 151,164 | 5 |
| Tourism | 166,258 | 5 | 170,777 | 5 |
| Automotive | 136,563 | 4 | 116,295 | 3 |
| Agriculture | 107,682 | 3 | 115,540 | 3 |
| Financial institutions | 94,237 | 3 | 119,119 | 4 |
| Wholesale and retail trade | 51,618 | 1 | 69,506 | 2 |
| Chemistry | 40,777 | 1 | 34,434 | 1 |
| Technology, telecommunication, media and entertainment | 39,486 | 1 | 35,861 | 1 |
| Petroleum and chemistry | 30,034 | 1 | 33,451 | 1 |
| Printing | 22,375 | 1 | 25,354 | 1 |
| Machinery and metal industry | 20,926 | 1 | 1,859 | 0 |
| Education | 14,384 | 0 | 9,256 | 0 |
| Other | 277,154 | 6 | 186,710 | 6 |
| | 3,640,054 | 100 | 3,345,016 | 100 |

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company may cancel some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

The Company has no finance lease payables as at 30 June 2014 and 31 December 2013.

As of 30 June 2014, there are no restructured lease receivables during the year (2013 – None).

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 7 - BORROWINGS

| | 30 June 2014 | | | 31 December 2013 | | |
|---------------------------------|------------------------------|------------------------------|------------------|------------------------------|------------------------------|------------------|
| | Interest rates per annum (%) | Balance in original currency | TL | Interest rates per annum (%) | Balance in original currency | TL |
| Domestic borrowings | | | | | | |
| Fixed rate borrowings: | | | | | | |
| EUR | 3.92 | 62,259 | 180,046 | 5.10 | 32,716 | 96,070 |
| US\$ | 5.09 | 66,688 | 141,605 | 5.33 | 66,712 | 142,383 |
| TL | 10.37 | 492,494 | 492,494 | 9.53 | 532,470 | 532,470 |
| Floating rate borrowings: | | | | | | |
| EUR | 2.80 | 30,192 | 87,311 | 2.34 | 47,776 | 140,293 |
| US\$ | 2.72 | 34,373 | 72,988 | 2.65 | 43,194 | 92,188 |
| Total domestic borrowing | | | 974,444 | | | 1,003,404 |
| Foreign borrowings | | | | | | |
| Fixed rate borrowings: | | | | | | |
| EUR | 3.62 | 153,527 | 443,985 | 3.63 | 143,457 | 421,262 |
| US\$ | 3.01 | 28,884 | 61,249 | 3.65 | 45,422 | 96,944 |
| TL | 9.68 | 51,024 | 51,023 | 9.06 | 86,286 | 86,286 |
| Floating rate borrowings: | | | | | | |
| EUR | 2.21 | 108,018 | 312,378 | 1.86 | 82,502 | 242,268 |
| US\$ | 2.19 | 138,660 | 294,432 | 2.24 | 144,406 | 308,207 |
| Total foreign borrowings | | | 1,163,067 | | | 1,154,967 |
| Total borrowings | | | 2,137,511 | | | 2,158,371 |

| | 30 June 2014 | 31 December 2013 |
|-----------------------|------------------|------------------|
| Short Term Borrowings | 817,761 | 895,916 |
| Long Term Borrowings | 1,319,750 | 1,262,455 |
| | 2,137,511 | 2,158,371 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 8 -DEBT SECURITIES ISSUED

| | 30 June 2014 | 31 December 2013 |
|------------------------|----------------|------------------|
| Debt securities issued | | |
| Turkish Lira (*) | 144,748 | 151,553 |
| Foreign Currency(**) | 585,577 | 533,104 |
| | 730,325 | 684,657 |

(*) The floating rate bond of TL 150 Mio that the Company issued on February 24, 2012 has been repaid on February 21, 2014. The company has issued a discount note amounting to nominal TL 80 Mio. The issue date is February 21, 2014 and the maturity date is August 19, 2014. The company has issued a floating rate bond amounting to nominal TL 70 Mio. The issue date is February 21, 2014 and the maturity date is August 21, 2015.

(**) The company has issued a Eurobond amounting to nominal USD 250 Mio on April 17, 2013 with the maturity date of October 17, 2014.

The company has issued a private placement under GMTN Program amounting to nominal HUF 700 Mio on February 20, 2014 with the maturity date of February 20, 2019.

The company has issued a private placement under GMTN (Global Medium Term Note) Program amounting to nominal CZK 275 Mio on March 28, 2014. The maturity date is March 28, 2017.

The company has issued a private placement under GMTN Program amounting to nominal EUR 5 Mio on April 02, 2014 with the maturity date of July 02, 2014.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

| | Contract/notional amount | Fair values | |
|--|-----------------------------|--------------|---------------|
| | | Assets | Liabilities |
| 30 June 2014 | | | |
| Derivatives held for trading: | | | |
| Foreign exchange derivatives | 874,006 | 7,294 | 13,672 |
| Forward and currency swap transactions | 874,006 | 7,294 | 13,672 |
| Interest rate derivatives | 182,811 | 62 | 826 |
| Interest Swap agreements | 182,811 | 62 | 826 |
| Derivatives held for hedging: | | | |
| | 13,067 | 461 | - |
| Cross Currency Swap agreements | 13,067 | 461 | - |
| Total Over the Counter ("OTC") | 1,069,884 | 7,817 | 14,498 |
| 31 December 2013 | | | |
| Derivatives held for trading: | | | |
| Foreign exchange derivatives | 845,480 | 185 | 51,515 |
| Forward and currency swap transactions | 845,480 | 185 | 51,515 |
| Interest rate derivatives | 225,195 | 159 | 1,057 |
| Interest Swap agreements | 225,195 | 159 | 1,057 |
| Derivatives held for hedging: | | | |
| | - | - | - |
| Cross Currency Swap agreements | - | - | - |
| Total Over the Counter ("OTC") | 1,070,675 | 344 | 52,572 |

Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair Value Hedge Transaction

The Company hedges certain part of its fixed rate Eurobond securities issued against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR/TL financial lease receivables from the fluctuations in the foreign exchange rates with cross currency swaps. As of June 30, 2014, fair value hedge transaction has been proven to be effective.

Prospective tests are performed regularly at the inception of the hedge relationship and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of IAS 39.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the income statement in "net trading, hedging and fair value " income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the income statement in net trading, hedging and fair value income/(loss). When the hedging instrument expires, or is executed, sold, revoked or the hedge relationship has become ineffective as a result of the effectiveness test; adjustments made to the carrying amount of the hedged item in FV hedges are amortized to profit and loss over the remaining term of the original hedge by using the recalculated effective interest rate.

Hedge relationship is ceased when the hedged item is derecognized and fair value adjustments made to the carrying amount of hedged item is accounted in income statement.

NOTE 10 - TAXATION

| | 30 June 2014 | 30 June 2013 |
|---------------------|----------------|----------------|
| Current tax charge | (475) | (6,898) |
| Deferred tax charge | (8,380) | 1,341 |
| | <u>(8,855)</u> | <u>(5,557)</u> |

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 10 - TAXATION (Continued)

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Exemption for investment allowance

Investment allowance applied for several years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was abolished with law no. 5479 dated 8 April 2006. However, in accordance with temporary law no. 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts existing as of 31 December 2005 which they could not offset against income in 2005, as follows:

- a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.
- b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 10 - TAXATION (Continued)

Within the scope of Temporary Article 69 of the Income Tax Law (for the years of 2006, 2007 and 2008) income tax payers, and corporate taxpayers who are benefiting from investment allowance practice, had calculated their income or corporate tax base related to the aforementioned years by applying to their income for the year in which the allowance was requested the tax rate applicable as of 31 December 2005, and the tax rate of 30% stated in the Article 25 of the annulled Corporate Tax Law No. 5422, respectively.

However, it was no longer possible to benefit from the carried-forward investment allowance amount left unused as of 31 December 2008. In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2011. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette.

With the 5th article of the new tax code numbered 6009 and published in the Official Gazette dated 1 August 2011 certain amendments were made with respect to the utilization of investment allowances. According to this new tax code, utilization of the investment allowances is limited to 25% of the income generated by the Company within the current year. Accordingly, companies in Turkey are obliged to pay corporate income taxes amounting to 20% of 75% of their taxable income remained after the utilization of the investment allowances. Consequently, the Company paid corporate tax for the year 2011.

As mentioned above, via the amendments made to the Corporate Tax Code on 1 August 2011 utilization of investment allowances is limited to 25% of the income generated within the current year.

On the other hand on 9 February 2012 Constitutional Court cancelled this 25% limitation on the utilization of investment allowances during the determination of the corporate tax base and this decision of the Constitutional Court has been published on the Official Gazette on 18 February 2012.

Income tax

| | 30 June 2014 | 31 December 2013 |
|---------------------------------------|----------------|------------------|
| Income taxes currently payable | 475 | 18,415 |
| Prepaid taxes | (3,323) | (13,812) |
| Income taxes payable / (asset) | (2,848) | 4,603 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 10 - TAXATION (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company:

| | 30 June 2014 | 30 June 2013 |
|---|----------------|----------------|
| Profit before taxes | 44,203 | 27,992 |
| Theoretical tax expense with 20% tax rate | (8,841) | (5,598) |
| Non-deductible expenses and others | (14) | 41 |
| Current year tax (expense) | (8,855) | (5,557) |

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted of in these financial statements.

The breakdown of deductible and taxable temporary differences is as follows:

| | <u>Cumulative timing differences</u> | | <u>Deferred assets / (liabilities)</u> | |
|---|--------------------------------------|------------------|--|------------------|
| | 30 June 2014 | 31 December 2013 | 30 June 2014 | 31 December 2013 |
| Provision for leasing receivables | 10,545 | 6,768 | 2,109 | 1,354 |
| Valuation of derivative financial instruments | 14,498 | 52,572 | 2,900 | 10,514 |
| Provision for personnel bonus | 600 | 1,200 | 120 | 240 |
| Provision for unused vacation | 553 | 485 | 111 | 97 |
| Provision for employment termination benefits | 463 | 403 | 93 | 81 |
| Provision for legal proceedings | 360 | 360 | 71 | 72 |
| Total | 27,019 | 61,788 | 5,404 | 12,358 |
| Finance Lease Accruals | (32,736) | (32,718) | (6,547) | (6,544) |
| Valuation of derivative financial instruments | (7,817) | (344) | (1,563) | (69) |
| Valuation of financial liabilities | (620) | (804) | (124) | (161) |
| Other | (448) | (617) | (89) | (123) |
| Total | (41,621) | (34,483) | (8,323) | (6,897) |
| Net | (14,602) | 27,305 | (2,919) | 5,461 |

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 11 - SHARE CAPITAL

At 30 June 2014 the Company's authorized share capital consists of TL 18,840,000,000 shares with a par value of Kr 1 each (31 December 2013 – TL 13,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 30 June 2014 and 31 December 2013, the share capital is as follows:

| | <u>30 June 2014</u> | | <u>31 December 2013</u> | |
|---|---------------------|----------------|-------------------------|----------------|
| | Shares (%) | TL | Shares (%) | TL |
| Akbank T.A.Ş | 99,985 | 188,372 | 99,985 | 138,379 |
| Hacı Ömer Sabancı Holding A.Ş. | 0,005 | 9 | 0,005 | 7 |
| Tursa Sabancı Turizm ve Yatırım Hizm A.Ş. | 0,005 | 9 | 0,005 | 7 |
| Bimsa Bilgi İşlem A.Ş. | 0,003 | 7 | 0,003 | 5 |
| Ak Yatırım Menkul Değerler A.Ş. | 0,002 | 3 | 0,002 | 2 |
| | 100,00 | 188,400 | 100,00 | 138,400 |
| Adjustment to share capital | | (13,393) | | (13,393) |
| | | 175,007 | | 125,007 |

The Company increased its paid-in capital at an amount of TL 50,000 in cash at 3 March 2014. The increase in capital approved by the Extraordinary General Assembly was registered by Istanbul Trade Registry on 20 March 2014 and was announced in the Turkish Trade Registry dated 27 March 2014.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business. The Company is controlled by Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.Ş.

a) Balances with related parties

Assets

| | 30 June 2014 | 31 December 2013 |
|-------------------------------------|----------------|------------------|
| Due from banks | | |
| Akbank T.A.Ş. (Shareholder) | 158,384 | 145,888 |
| Akbank N.V. (Other related parties) | 1 | 1 |
| | 158,385 | 145,889 |

Net finance lease receivables – (Leasing transaction)

| | | |
|--|---------------|----------------|
| <i>Shareholder</i> | | |
| Akbank T.A.Ş. | 84,286 | 107,185 |
| <i>Other related parties</i> | | |
| Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş. | 6,584 | 3,215 |
| | 90,870 | 110,400 |

Liabilities

Borrowings

| | 30 June 2014 | 31 December 2013 |
|-----------------------------|----------------|------------------|
| Akbank T.A.Ş. (Shareholder) | 486,313 | 519,776 |
| Akbank A.G. | 72,933 | - |
| | 559,246 | 519,776 |

Trade payables

| | 30 June 2014 | 31 December 2013 |
|--|---------------|------------------|
| Ak Sigorta A.Ş. (Other related parties) | 6,619 | 5,100 |
| Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş. | 3,366 | 1,092 |
| Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş. | 17 | 17 |
| Akçansa Çimento Sanayi ve Ticaret A.Ş. | 77 | 77 |
| Akbank T.A.Ş. (Shareholder) | 15 | 10 |
| | 10,094 | 6,296 |

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties

Interest income from direct finance leases

| | 30 June 2014 | 30 June 2013 |
|--|--------------|--------------|
| <i>Shareholder</i> | | |
| Akbank T.A.Ş. | 5,027 | 5,034 |
| <i>Other related parties</i> | | |
| Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş. | 366 | 269 |
| Advansa Sasa Polyester Sanayi A.Ş. | - | 3 |
| | 5,393 | 5,306 |

Interest income on bank deposits

| | | |
|-----------------------------|--------------|--------------|
| Akbank T.A.Ş. (Shareholder) | 4,818 | 4,563 |
| | 4,818 | 4,563 |

Interest expense on borrowings

| | | |
|-------------------------------------|---------------|---------------|
| Akbank T.A.Ş. (Shareholder) | 20,057 | 12,332 |
| Akbank A.G. (Other related parties) | 635 | 1,680 |
| | 20,692 | 14,012 |

Commission income

| | | |
|---|------------|------------|
| Ak Sigorta A.Ş. (Other related parties) | 973 | 703 |
| Akbank T.A.Ş. (Shareholder) | 24 | 87 |
| | 997 | 790 |

Commission expense

| | | |
|-----------------------------|------------|----------|
| Akbank T.A.Ş. (Shareholder) | 192 | - |
| | 192 | - |

Personnel expenses (other operating expenses)

| | | |
|-----------------------------|-----------|-----------|
| Akbank T.A.Ş. (Shareholder) | 43 | 32 |
| | 43 | 32 |

Rent expenses (operating expenses)

| | | |
|--|------------|------------|
| Hacı Ömer Sabancı Holding A.Ş. (Shareholder) | 438 | 415 |
| Akbank T.A.Ş. (Shareholder) | 88 | 30 |
| | 526 | 445 |

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014**

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

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| | 30 June 2014 | 30 June 2013 |
|---|---------------|------------------|
| Gains on derivative instruments | | |
| Akbank T.A.Ş. (Shareholder) | 20,896 | - |
| | 20,896 | - |
| Losses on derivative instruments | | |
| Akbank T.A.Ş. (Shareholder) | 2,383 | 5,769 |
| | 2,383 | 5,769 |
| Remuneration of top management | | |
| Remuneration of top management | 1,081 | 976 |
| Contingent liabilities | | |
| | 30 June 2014 | 31 December 2013 |
| Guarantee letters obtained from | | |
| Akbank T.A.Ş. (Shareholder) | 204,489 | 201,400 |
| Letter of credit obtained from | | |
| Akbank T.A.Ş. (Shareholder) | 12,076 | 30,322 |
| | 30 June 2014 | 30 June 2013 |
| Forward transactions | | |
| Akbank T.A.Ş. (Shareholder) | 95,532 | - |
| Interest rate swap transactions | | |
| Akbank T.A.Ş. (Shareholder) | 56,332 | 66,404 |
| Currency swap transactions | | |
| Akbank T.A.Ş. (Shareholder) | 323,928 | 172,816 |

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 30 June 2014 and 31 December 2013.

Legal Proceedings

The Company has provided for a total provision of TL 360 against certain open legal cases as of 30 June 2014 (31 December 2013: TL 360).

Commitments under derivative instruments

| | 30 June 2014 | | 31 December 2013 | |
|---|----------------------------|------------------|----------------------------|------------------|
| | Nominal Original amount | Nominal TL | Nominal Original amount | Nominal TL |
| Forward and Swap Purchase Transactions | | | | |
| USD | 38,906 | 82,613 | 53,629 | 114,460 |
| EURO | 7,226 | 20,896 | 8,586 | 25,212 |
| TL | 394,614 | 394,614 | 375,383 | 375,383 |
| CZK | 275,000 | 28,996 | - | - |
| HUF | 700,000 | 6,566 | - | - |
| Total Purchase | | 533,685 | | 515,055 |
| Forward and Swap Sale Transactions | | | | |
| USD | 62,151 | 131,971 | 65,943 | 140,742 |
| EURO | 135,592 | 392,119 | 140,603 | 412,880 |
| TL | 12,109 | 12,109 | 1,998 | 1,998 |
| Total Sales | | 536,199 | | 555,620 |
| | | 1,069,884 | | 1,070,675 |

Guarantees given

The Company has letters of credit in the amount of TL 50,421 (31 December 2013 – TL 85,551) and finance lease commitments in the amount of TL 360,159 (31 December 2013 – 323,409) for the leased asset imports.

Aircrafts mortgaged to US Exim and EDC on asset based borrowing transactions and letters of guarantees were given to tax offices, courts and banks including Hermes covered credits utilized amounting to TL 340,772 (31 December 2013 – TL 319,953). Within this amount, the guarantees given for Hermes credit by Akbank is TL 204,489 (31 December 2013 – TL 201,400).

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Contingent liabilities

With the temporary article 69 added to the Income Tax Code by the Code 5479, a regulation was introduced stating that the investment allowance amounts calculated within the scope of investment expenses realized until the date 31 December 2005 can be deducted from 2006, 2007 and 2008 earnings only. Therefore, investment allowance right not used as at 31 December 2008 were not to be transferred to and utilized in following years.

Because of the fact that retrospective rights of the Company had been cancelled with temporary article 69, the Company filed the first advance tax return of 2009 through reservation by claiming that they should be allowed to benefit from investment incentive allowance, and initiated a tax case at tax court within this scope. On 30 March 2011, Republic of Turkey Istanbul 2nd Tax Court ruled (with reference to the Constitutional Court decision mentioned below) that the investment incentive allowance, which the Company could not use within 2008 due to their insufficient profit, can be transferred to the following years and used within the scope of deduction, and the tax amount levied by rejecting the mentioned declaration through reservation is not in compliance with the laws. Furthermore, according to the decision of Istanbul Tax Court dated on 30 November 2012 related to 2009 second advance tax, litigation process finalized in favor of the Company and the Company requested refund of 2009 second advance tax from Tax Office.

With the decision numbered 2006/95 E and 2009/144 K; and dated 15 October 2009 of the Constitutional Court promulgated in the Official Gazette dated 8 January 2011, the time limitation was repealed with regard to the investment incentive allowances which have been already granted.

In 2009 third and fourth advance tax returns and 2009 annual corporate tax return, the Company benefited from investment incentive allowance practice.

In tax inspection reports issued within the scope of tax inspection conducted at the Company within 2011, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2011; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

Tax penalty notifications issued with regard to the mentioned reports were communicated to the Company within July 2011 period. Accordingly, the Company was imposed with principal corporate tax amount of TL 7,358 (excluding delay interest) and tax loss penalty of TL 20,240.

The Company requested settlement for these taxes and penalty amounts imposed against them, but their right to litigation is still preserved. The Company management foresees that; considering the related annulment decision of the Constitutional Court, decision of Istanbul Tax Office taken with regard to 2009 first and second advance tax period of the Company and the decision of the Constitutional Court dated 9 February 2012 and numbered E:2011/93, K. 2012/20 which was published on the Official Gazette on 18 February 2012, if litigation is initiated against the tax penalty notifications issued with regard to the year 2009, the litigation process will be finalized in favor of the Company. Accordingly, no provision has been recorded into the financial statements as of 30 June 2014 and 31 December 2013 related to the abovementioned tax issue.

After the decision of the Constitutional Court, the file at the conciliation commission regarding the investment discount is expected to be closed in accordance with the decision.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014

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

NOTE 14 - SUBSEQUENT EVENTS

None.