AK FİNANSAL KİRALAMA A.Ş.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2014
TOGETHER WITH INDEPENDENT
AUDITORS' REPORT**

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Independent auditor's report

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

We have audited the accompanying financial statements of Ak Finansal Kiralama A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2014 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ak Finansal Kiralama A.Ş. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Fatma Ebru Yücel, SMMM
Partner

February 25, 2015
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

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

ASSETS	Notes	31 December 2014	31 December 2013
Cash and cash equivalents		2	-
Due from banks	5	132,695	171,707
Finance lease receivables	6	3,800,066	3,314,901
Other assets and prepaid expenses	8	13,883	17,785
Derivative financial assets held for trading	7	4,427	344
Derivative financial assets held for hedging	7	3,210	-
Assets held for sale	10	358	24,694
Property and equipment, net	9	756	1,165
Intangible assets, net	9	545	573
Deferred tax asset, net	16	-	5,461
Total assets		**3,955,942**	**3,536,630**
LIABILITIES			
Borrowings	11	2,216,351	2,158,371
Debt securities issued	12	1,051,087	684,657
Accounts payable	13	87,198	195,618
Advances from customers	13	19,170	22,458
Derivative financial liabilities held for trading	7	11,846	52,572
Derivative financial liabilities held for hedging	7	337	-
Other liabilities	14	14,864	2,113
Income tax liability	16	4,193	4,603
Employment benefits	15	1,164	888
Deferred tax liability, net	16	4,278	-
Total liabilities		**3,410,488**	**3,121,280**
EQUITY			
Share capital	17	188,400	138,400
Adjustment to share capital	17	(13,393)	(13,393)
Total paid-in share capital	17	175,007	125,007
Legal reserves	18	30,948	26,345
Retained earnings		339,499	263,998
Total equity		**545,454**	**415,350**
Total liabilities and equity		**3,955,942**	**3,536,630**

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	31 December 2014	31 December 2013
Interest income from direct finance leases		245,616	195,926
Interest income on placements and transactions with banks		9,253	10,188
Total interest income		254,869	206,114
Interest expense on borrowings		(119,703)	(94,531)
Interest expense on debt securities issued		(41,813)	(27,256)
Net interest income		93,353	84,327
Foreign exchange gains, including net gains or losses from dealing in foreign currency		(18,015)	57,161
Net interest income after foreign exchange gains or losses		75,338	141,488
Net trading, hedging and fair value income/(loss)		49,906	(51,342)
Fee and commission income/(expenses), net		6,473	2,994
Impairment loss on finance lease receivables	6	(19,862)	(24,271)
Recoveries from impaired lease receivables	6	5,188	2,453
Other income/(expenses), net		635	90
Operating expenses	19	(17,491)	(17,606)
Operating profit		100,187	53,806
Income before tax		100,187	53,806
Taxation on income	16	(20,083)	(10,841)
Net income for the year		80,104	42,965
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	62
- Cash flow Hedge Reserve		-	62
Total comprehensive income		80,104	43,027

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

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

		Paid in share capital						
	Notes	Share Capital	Adjustment to share capital	Total paid-in share capital	Legal reserves	Hedge reserves	Retained earnings	Total Equity
Balance at 1 January 2013		**88,400**	**(13,393)**	**75,007**	**23,776**	**(62)**	**223,602**	**322,323**
Transfers		-	-	-	2,569	-	(2,569)	-
Capital increase		50,000	-	50,000	-	-	-	50,000
Total comprehensive income		-	-	-	-	**62**	**42,965**	**43,027**
- Net income for the year		-	-	-	-	-	42,965	42,965
-Other Comprehensive Income		-	-	-	-	62	-	62
Balance at 31 December 2013		**138,400**	**(13,393)**	**125,007**	**26,345**	-	**263,998**	**415,350**
Balance at 1 January 2014		**138,400**	**(13,393)**	**125,007**	**26,345**	-	**263,998**	**415,350**
Transfers		-	-	-	4,603	-	(4,603)	-
Capital increase	17	50,000	-	50,000	-	-	-	50,000
Total comprehensive income		-	-	-	-	-	**80,104**	**80,104**
- Net income for the year		-	-	-	-	-	80,104	80,104
-Other Comprehensive Income		-	-	-	-	-	-	-
Balance at 31 December 2014		**188,400**	**(13,393)**	**175,007**	**30,948**	-	**339,499**	**545,454**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	31 December 2014	31 December 2013
Cash flows from operating activities			
Net income for the year		80,104	42,965
Adjustments for:			
Depreciation and amortization	9,19	741	622
Re-measurement of derivative financial instruments at fair value	7	(47,682)	53,325
Unrealized fair value loss on hedged items	7	1,299	-
Provision for employment termination benefits	15	248	242
Provision for legal proceedings	14	(35)	339
Provision for personnel performance bonus	15	1,200	1,200
Provision for impaired receivables	6	19,862	24,271
Deferred tax charge	16	9,739	(7,574)
Corporate tax charge	16	10,344	18,415
Taxes paid	16	(10,754)	(13,812)
Interest income and foreign exchange gain/(loss), net		(93,353)	(84,327)
Interest paid		(161,516)	(121,565)
Interest received		264,042	201,007
Unrealized foreign currency gains/(losses)		(11,013)	(190,137)
Cash flows from operating profit before changes in operating assets and liabilities		**63,226**	**(75,029)**
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(514,271)	(1,257,255)
Net decrease/(increase) in other assets and prepaid expenses		102,179	(2,095)
Personnel performance bonus paid	14	(1,200)	(800)
Employment termination benefits paid	15	(97)	(215)
Net increase in accounts payables		(108,420)	87,261
Net (increase)/decrease in advances from customers		(3,288)	556
Net (decrease) in other liabilities		6,151	4,306
Net cash (used in)/provided by operating activities		**(455,720)**	**(1,243,271)**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	9	(559)	(558)
Sales of property and equipment	9	442	-
Net cash used in from investing activities		**(117)**	**(558)**
Cash flows from financing activities			
Proceeds from borrowings and debt securities issued		1,809,673	4,076,739
Payments of borrowings and debt securities issued		(1,447,430)	(2,874,070)
Capital increase		50,000	50,000
Net cash provided by/(used in) financing activities		**412,243**	**1,252,669**
Net increase/(decrease) in cash and cash equivalents		(43,594)	8,840
Effect of foreign exchange rate changes on cash and cash equivalents		4,513	9,686
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	**132,513**	**171,594**

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

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.Ş. and as at 31 December 2014, the Company employs 72 employees (31 December 2013: 74 employees).

The financial statements as at and for the year ended 31 December 2014 have been approved by the Board of Directors on February 25, 2015. The General Assembly and certain regulatory bodies have the power to amend the statutory 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 presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

Accounting standards

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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.

The financial statements are based on the historical cost convention, except for the derivative instruments which are stated at their fair values. 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

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

Going concern

The Company prepared its financial statements on the going concern basis.

Functional and presentation currency

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

2.2. CHANGES IN ACCOUNTING POLICIES

2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted in preparation of the financial statements as at 31 December 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. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) 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)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

IFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

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

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be notated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment is not applicable to the Company and does not have any impact on the financial position or performance of the Company.

ii) 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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

The amendments to IAS 16 and IAS 38 have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IAS/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 - 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. IFRS 15 scopes out(a) lease contracts within the scope of IAS 17 Leases;(b) insurance contracts within the scope of IFRS 4 Insurance Contracts;(c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Company estimates that the impact of the standard on its financial position or performance will not be significant.

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. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),

or

- Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents comprise cash and due from banks with less than 90 days original maturity.

Related parties

For the purpose of these financial statements, the shareholders of the Company, key management personnel and Board members and their close family members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 20).

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
    (i) has control or joint control over the reporting entity;
    (ii) has significant influence over the reporting entity; or
    (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
    (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    (iii) Both entities are joint ventures of the same third party.
    (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    (vi) The entity is controlled or jointly controlled by a person identified in (a).
    (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(i) As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalized at initial recognition as part of the investment in direct finance lease and amortized via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct finance leases. Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realizable value. To date, the Company has not entered into operating leases over company assets.

(ii) Operating lease as lessee

Leases that do not transfer to the company substantially all of the risks and incidential to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 6).

Derivative financial instruments

The major derivative instruments utilized by the Company are currency and interest rate swaps, cross currency swaps, and currency forwards.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "International Accounting Standard for Financial Instruments: Recognition and Measurement" ("IAS 39"). Although certain derivative transactions provide effective economic hedges under the Bank's risk management position, in accordance with IAS 39 they are treated as derivatives "Held-for-trading".

Payables and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Derivative financial assets held for hedging"; if the fair value difference is negative, it is recorded to "Derivative financial liabilities held for hedging". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "net trading, hedging and fair value income/(loss)" item in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Fair Value Hedge Transaction

The Company hedges its fixed rate HUF Eurobond security issued against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps.

The Company hedges its fixed rate TL borrowings against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps.

As of 31 December 31 2014, fair value hedge transactions have 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 / (loss)". 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property and equipment

All property and equipment is carried at cost, less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Furniture and fixtures	5-10 years
Office equipment and motor vehicles	2 - 10 years
Leasehold improvements	Shorter of lease period or useful lives

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents fair value less costs to sell.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets comprise computer software costs and are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 3-5 years.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value". As of December 31, 2013 assets held for sale are stated at their book values. Assets are not depreciated or amortized once classified as held for sale.

Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective yield method.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the unused investment allowances, provision for impaired lease receivables, derivative financial instruments, provisions for employment termination benefits and personnel bonus (Note 16).

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Employment termination benefits

Defined Benefit Plans:

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees in accordance with the this Law and is calculated using the projected unit credit method (Note 15).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Contribution Plans:

The Company also has to pay contributions to the Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

Short Term Plans:

The company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

Revenue recognition

Direct financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

Contingent assets and liabilities

Possible assets or obligations that arise 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 Company are not included in the financial statements and treated as contingent assets or liabilities.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in TL at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

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 continuouslymeasured and monitored.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2014 and 2013.

December 31, 2014	Assets	%	Liabilities	%
Turkey	3,930,001	99	1,158,787	34
European countries	8,699	0	1,825,601	54
Other	17,242	1	426,100	12
	3,955,942	**100**	**3,410,488**	**100**
December 31, 2013	**Assets**	**%**	**Liabilities**	**%**
Turkey	3,319,701	94	1,104,596	35
European countries	199,611	6	1,126,563	36
Other	17,318	-	890,121	29
	3,536,630	**100**	**3,121,280**	**100**

Maximum exposure to credit risk

	December 31, 2014	December 31, 2013
Credit risk exposures relating to balance sheet items:		
Lease receivables, net	3,800,066	3,314,901
Due from banks	132,695	171,707
Derivative financial assets held for trading	4,427	344
Derivative financial assets held for hedging	3,210	-

Further credit risk related disclosures are provided in Note 6.

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.

(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 31 December 2014 and 2013.

	Foreign Currency			
December 31, 2014	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	76,935	19,843	271	97,049
Finance lease receivables	1,333,444	1,436,263	408	2,770,115
Other assets	2,919	4,599	-	7,518
Total assets	**1,413,298**	**1,460,705**	**679**	**2,874,682**
Liabilities				
Borrowings	558,309	1,132,170	-	1,690,479
Debt securities issued	884,062	-	34,925	918,987
Accounts payable	37,646	34,166	1,200	73,012
Advances from customers	7,538	9,214	-	16,752
Total liabilities	**1,487,555**	**1,175,550**	**36,125**	**2,699,230**
Net balance sheet position	**(74,257)**	**285,155**	**(35,446)**	**175,452**
Off-balance sheet derivative instruments net notional position	**68,495**	**(282,970)**	**34,267**	**(180,208)**
Total net balance sheet position (*)	**(5,762)**	**2,185**	**(1,179)**	**(4,756)**

(*) Foreign currency exchange differences resulting from payments made to vendors are later charged to lessees. When the effect of the payments to the vendors is eliminated, the net foreign currency position shown on the table above will be for US$ -TL 552, for EUR -TL 3,194 and for other currency TL 20 which is in total of TL 3,766.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2013	US$ (TL Equivalent)	EUR (TL Equivalent)	Other (TL Equivalent)	Total
	Foreign Currency			
Assets				
Due from banks	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
Total assets	**1,333,677**	**1,370,032**	**835**	**2,704,544**
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
Total liabilities	**1,298,276**	**976,076**	**3,659**	**2,278,011**
Net balance sheet position	**35,401**	**393,956**	**(2,824)**	**426,533**
Off-balance sheet derivative instruments net notional position	**(26,282)**	**(387,668)**	**-**	**(413,950)**
Total net balance sheet position (*)	**9,119**	**6,288**	**(2,824)**	**12,583**

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

At 31 December 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 2.3189=US$1 and TL 2.8207=EUR1 (2013 – TL 2.1343=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.

	US Dollar Impact (TL Equivalent)		EURO Impact (TL Equivalent)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Profit and Loss	(576)	912	219	629

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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 31 December 2014 would decrease by TL 3,850 (2013 –increase by TL 2,707). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

(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.

December 31, 2014	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	132,695	-	-	132,695
Finance lease receivables	1,261,219	624,913	1,760,810	3,646,942
Derivative financial assets held for trading	2,938	1,367	122	4,427
Derivative financial assets held for hedging	-	-	3,210	3,210
Total assets	**1,396,852**	**626,280**	**1,764,142**	**3,787,274**
Liabilities				
Borrowings	622,782	788,785	804,784	2,216,351
Debt securities issued	263,074	145,642	642,371	1,051,087
Derivative financial liabilities held for trading	70	643	11,133	11,846
Derivative financial liabilities held for hedging	-	-	337	337
Total liabilities	**885,926**	**935,070**	**1,458,625**	**3,279,621**
Net re-pricing gap	**510,926**	**(308,790)**	**305,517**	**507,653**

December 31, 2013	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	171,707	-	-	171,707
Finance lease receivables	727,818	574,389	1,509,876	2,812,083
Derivative financial assets held for trading	185	-	159	344
Derivative financial assets held for hedging	-	-	-	-
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 liabilities held for trading	14,768	25,160	12,644	52,572
Derivative financial liabilities held for hedging	-	-	-	-
Total liabilities	**799,126**	**902,678**	**1,193,796**	**2,895,600**
Net re-pricing gap	**100,584**	**(328,289)**	**316,239**	**88,534**

(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.

December 31, 2014	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	270,709	475,767	1,697,209	2,443,685
Debt securities issued	55,968	275,574	829,386	1,160,928
Accounts payable	87,198	-	-	87,198
Advances from customers	19,170	-	-	19,170
Total liabilities	**433,045**	**751,341**	**2,526,595**	**3,710,981**
Cash inflow / (outflow) from derivative financial instruments, net	4,778	11,689	14,217	30,684

December 31, 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)

(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 their carrying amounts:

	Carrying amount		Fair value	
	2014	2013	2014	2013
Finance lease receivables	3,665,274	2,825,903	3,725,358	2,866,879
Borrowings	2,216,351	2,158,371	2,044,251	2,004,653
Debt securities issued	1,051,087	684,657	953,159	603,785

The fair value of finance lease receivables and borrowings and debt securities issued carried at amortized cost are estimated based on discounted cash flows using prevailing market interest rates

The discount rate used to calculate the fair value of US$, EUR and TL borrowings and debt securities issued as at 31 December 2014 are %3.52, %3.40 and %10.66, respectively. (31 December 2013 was: %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 31 December 2014 are %5.86, %6.00 and %13.01, respectively. (31 December 2013 was: %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: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the quoted market price of the relevant asset or liability mentioned in Level 1.

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.

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

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value and carried at amortized cost but for which fair values are disclosed are as follows:

December 31, 2014

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	4,427	-
Derivative financial assets held for hedging	-	3,210	-
Finance lease receivables	-	3,725,358	-
Total assets	-	**3,732,995**	-
Derivative financial liabilities held for trading	-	11,846	-
Derivative financial liabilities held for hedging	-	337	-
Borrowings	-	2,044,251	-
Debt securities issued	-	953,159	-
Total liabilities	-	**3,009,593**	

December 31, 2013

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	344	-
Derivative financial assets held for hedging	-	-	-
Finance lease receivables	-	2,866,879	-
Total assets	-	**2,867,223**	-
Derivative financial liabilities held for trading	-	52,572	-
Derivative financial liabilities held for hedging	-	-	-
Borrowings	-	2,004,653	-
Debt securities issued	-	603,785	-
Total liabilities	-	**2,661,010**	-

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 December 31, 2014 and 2013.

(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 realization 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 – DUE FROM BANKS

	December 31, 2014			December 31, 2013		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks						
-demand deposits	11,436	4,017	15,453	56,397	16,431	72,828
-time deposits	85,613	31,629	117,242	2,937	95,942	98,879
Total due from banks	**97,049**	**35,646**	**132,695**	**59,334**	**112,373**	**171,707**

For the purposes of cash flow statements, cash and cash equivalents comprise TL 132,513 and TL 171,594 at December 31, 2014 and 2013, respectively.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	December 31, 2014	December 31, 2013
Gross finance lease receivables	4,402,741	3,345,016
Unearned finance income	(755,799)	(532,933)
	3,646,942	**2,812,083**
Invoiced lease receivables	18,332	13,820
Impaired lease receivables	82,287	54,984
Provision for impaired lease receivables	(63,790)	(49,116)
	3,683,771	**2,831,771**
Equipments to be leased	44,635	368,222
Advances to vendors	71,660	114,908
Net finance lease receivables	**3,800,066**	**3,314,901**

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

Gross finance lease receivables:	December 31, 2014	December 31, 2013
Fixed rate	3,034,561	2,583,096
Floating rate	1,368,180	761,920
	4,402,741	**3,345,016**

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

	Finance Lease Receivables	
Year Ending	**Gross December 31, 2014**	**Net performing December 31, 2014**
31 December 2015	1,152,906	930,472
31 December 2016	951,690	763,515
31 December 2017	720,227	589,226
31 December 2018	557,480	468,697
31 December 2019 and after	1,020,438	895,032
	4,402,741	**3,646,942**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

	Finance Lease Receivables	
Year Ending	**Gross December 31, 2013**	**Net performing December 31, 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	**December 31, 2014**	**December 31, 2013**
Neither past due nor impaired	3,646,942	2,812,083
Past due but not impaired	18,332	13,820
Impaired	82,287	54,984
Gross	**3,747,561**	**2,880,887**
Less: allowances for impairment	(63,790)	(49,116)
Net finance lease receivables	**3,683,771**	**2,831,771**

The total impairment provision for finance lease receivables at December 31, 2014 is TL 63,790 (2013 – TL 49,116) of which TL 51,805 (2013 – TL 41,109) represents the individually impaired loans and of which TL 11,985 (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 (Note 10), to be is readily converted into cash by selling the related assets.

Collateral in the form of mortgages on property amount amounting to TL 25,092 (December 31, 2013: TL 15,394) has been obtained for impaired finance lease receivables amounting to TL 82,287 (December 31, 2013 – TL 54,984).

(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 31 December 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	8,821	312,669	10,277	490,201
30-60 days	807	25,454	1,914	20,957
60 -150 days	8,704	79,665	1,629	13,858
	18,332	**417,788**	**13,820**	**525,016**

Movements in provision for impaired finance lease receivables for the years ended 31 December 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
At 1 January	**49,116**	**27,298**
Impairment expense during the year	19,862	24,271
Recoveries of amounts previously provided for	(5,188)	(2,453)
At 31 December	**63,790**	**49,116**

(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 31 December 2014 and 2013 are as follows:

	December 31, 2014	%	December 31, 2013	%
Construction	620,320	14	359,009	11
Transportation	594,694	14	611,938	18
Textile	483,192	11	352,876	11
Production	346,548	8	238,784	7
Food and beverage	321,004	7	151,164	5
Steel and mining	312,251	7	277,192	8
Health	289,537	7	196,700	6
Tourism	274,114	6	170,777	5
Energy and natural sources	237,254	5	239,191	7
Financial institutions	133,218	3	119,119	4
Automotive	127,511	3	116,295	3
Agriculture	125,464	3	115,540	3
Wholesale and retail trade	88,523	2	69,506	2
Petroleum and chemistry	51,958	1	33,451	1
Technology, telecommunication, media and entertainment	48,584	1	35,861	1
Chemistry	40,498	1	34,434	1
Printing	24,185	1	25,354	1
Education	14,701	0	9,256	0
Machinery and metal industry	168	0	1,859	0
Other	269,017	6	186,710	6
	4,402,741	**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 31 December 2014 and 2013.

As of 31 December 2014, the restructured lease receivables amounting to TL 2,603 (2013 – None).

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 2014			
Derivatives held for trading:			
Foreign exchange derivatives	**755,697**	**4,427**	**11,846**
Forward and currency swap transactions	575,822	4,305	11,232
Interest rate derivatives			
Interest rate swap transactions	179,875	122	614
Derivatives held for hedging:	**215,455**	**3,210**	**337**
Derivatives designated as fair value hedges:			
Cross currency swap transactions	215,455	3,210	337
Total Over the Counter ("OTC")	**971,152**	**7,637**	**12,183**

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 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 rate swap transactions	225,195	159	1,057
Derivatives held for hedging	-	-	-
Derivatives designated as fair value hedges:	-	-	-
Cross currency swap transactions	-	-	-
Total Over the Counter ("OTC")	**1,070,675**	**344**	**52,572**

Derivative financial instruments are further analyzed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 21) and financial risk management (Note 3).

As at 31 December 2014 derivative financial instruments held for hedging are summarized below:

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair value hedges:

The Company hedges its fixed rate HUF Eurobond security issued against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps. As of 31 December 2014, related to fair value hedge transaction, the fair value change of the Eurobond since the beginning of hedge accounting is TL (275).

The Company hedges its fixed rate TL borrowings against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps. As of 31 December 2014, related to fair value hedge transactions, the fair value change of the borrowings since the beginning of hedge accounting is TL (1,024)

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	31 December 2014	31 December 2013
Insurance, notary and other receivables	11,938	9,468
Deferred VAT	-	7,894
Other	1,127	345
Prepaid expenses	818	78
	13,883	**17,785**

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment:

	1 January 2014	Additions	Disposals	Transfer	31 December 2014
<u>Cost</u>					
Land improvements	257	-	(257)	-	-
Furniture and fixtures	467	31	-	-	498
Leasehold improvements	664	63	-	-	727
Office equipment and motor vehicles	620	64	(185)	-	499
	2,008	**158**	**(442)**	-	**1,724**
<u>Accumulated depreciation</u>					
Land improvements	12	-	(12)	-	-
Furniture and fixtures	183	92	-	-	275
Leasehold improvements	279	140	-	-	419
Office equipment and motor vehicles	369	80	(175)	-	274
	843	**312**	**(187)**	-	**968**
Net book value	**1,165**	**(154)**	**(255)**	-	**756**

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

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	1 January 2013	Additions	Disposals	Transfer	31 December 2013
Cost					
Land improvements	257	-	-	-	257
Furniture and fixtures	377	90	-	-	467
Leasehold improvements	639	25	-	-	664
Office equipment and motor vehicles	478	142	-	-	620
	1,751	**257**	**-**	**-**	**2,008**
Accumulated depreciation					
Land improvements	2	10	-	-	12
Furniture and fixtures	104	79	-	-	183
Leasehold improvements	149	130	-	-	279
Office equipment and motor vehicles	295	74	-	-	369
	550	**293**	**-**	**-**	**843**
Net book value	**1,201**	**(36)**	**-**	**-**	**1,165**

Intangible assets

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Rights	1,396	401	-	1,797
	1,396	**401**	**-**	**1,797**
Accumulated amortization				
Rights	823	429	-	1,252
	823	**429**	**-**	**1,252**
Net book value	**573**	**(28)**	**-**	**545**

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

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Rights	1,095	301	-	1,396
	1,095	**301**	-	**1,396**
Accumulated amortization				
Rights	494	329	-	823
	494	**329**	-	**823**
Net book value	**601**	**(28)**	-	**573**

NOTE 10 - ASSETS HELD FOR SALE

	31 December 2014	31 December 2013
Possessed Collaterals	358	24,694
	358	**24,694**

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

NOTE 11 - BORROWINGS

	December 31, 2014			December 31, 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	3.22	87,226	246,037	5.10	32,716	96,070
US$	4.12	37,949	87,999	5.33	66,712	142,383
TL	10.42	482,555	482,555	9.53	532,469	532,470
Floating rate borrowings:						
EUR	2.68	27,486	77,529	2.34	47,776	140,293
US$	2.72	29,363	68,089	2.65	43,194	92,188
Total domestic borrowing			**962,209**			**1,003,404**
Foreign borrowings						
Fixed rate borrowings:						
EUR	3.65	133,690	377,097	3.63	143,457	421,262
US$	2.79	26,447	61,332	3.65	45,422	96,944
TL	10.67	43,317	43,317	9.06	86,286	86,286
Floating rate borrowings:						
EUR	2.08	152,979	431,507	1.86	82,502	242,268
US$	2.09	147,004	340,889	2.24	144,406	308,207
Total foreign borrowings			**1,254,142**			**1,154,967**
Total borrowings			**2,216,351**			**2,158,371**

	31 December2014	31 December2013
Short Term Borrowings	729,557	895,916
Long Term Borrowings	1,486,794	1,262,455
	2,216,351	**2,158,371**

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

NOTE 12 –DEBT SECURITIES ISSUED

	31 December 2014	31 December 2013
Debt securities issued		
Turkish Lira (*)	136,073	151,553
Foreign Currency (**)	915,014	533,104
	1,051,087	**684,657**

(*) The floating rate bond of TL 150 million that the Company issued on February 24, 2012 has been repaid on February 21, 2014. The Company issued a discount bond amounting to nominal TL 80 million on February 21, 2014 which has been repaid on August 19, 2014.

The Company issued floating rate bonds amounting to nominal TL 70 million on February 21, 2014 and nominal TL 65 million on August 18, 2014. The maturity dates of the bonds are August 21, 2015 and August 15, 2016, respectively.

(**) The Company issued a Eurobond amounting to nominal USD 250 million on April 17, 2013 with the maturity date of April 17, 2018.

The Company established a multi-currency Global Medium Term Note Programme on December 23, 2013. Under the programme, the Company issued private placements amounting to nominal HUF 700 million, CZK 275 million and USD 128.6 million in total.

NOTE 13 - ACCOUNTS PAYABLE AND ADVANCES RECEIVED

Accounts payable comprise mainly amounts due to suppliers in relation to assets purchased to be leased under finance lease agreements. Accounts payable with respect to new financial leasing agreements at 31 December 2014 amount to TL 87,198 (2013 – TL 195,618).

Advances received are related with the amounts received from customers regarding the financial leasing agreements. Advances received with respect to new financial leasing agreements at 31 December 2014 amount to TL 19,170 (2013 – TL 22,458).

NOTE 14 - OTHER LIABILITIES

	31 December 2014	31 December 2013
Provision for personnel performance bonus	1,200	1,200
Withholding taxes and duties payable	13,259	474
Provision for lawsuit	325	360
Other	80	79
	14,864	**2,113**

NOTE 15 - EMPLOYMENT BENEFITS

	31 December 2014	31 December 2013
Reserve for employment termination benefits	554	403
Provision for unused vacation	610	485
	1,164	**888**

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

NOTE 15 - EMPLOYMENT BENEFITS (Continued)

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (31 December 2013 – TL 3,254.44) (in full "TL" amount) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2014 and 2013:

	December 31, 2014	December 31, 2013
Discount rate (%)	3.62	4.43
Turnover rate to estimate the probability of retirement (%)	92.50	94.25

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of TL 3,541.37 (in full "TL" amount) which is effective as of January 1, 2015 has been taken into consideration in calculating the provision for employment termination benefits of the Company (TL 3,438.22 (in full "TL" amount) which was effective from 1 January 2014 as of 31 December 2013).

Movement of the reserve for employment termination benefits for the year is as follows:

	31 December 2014	31 December 2013
At 1 January	**403**	**376**
Paid during the year	(97)	(215)
Increase during the year	248	242
At 31 December	**554**	**403**

NOTE 16 - TAXATION

	31 December 2014	31 December 2013
Current tax charge	(10,344)	(18,415)
Deferred tax charge	(9,739)	7,574
	(20,083)	**(10,841)**

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

NOTE 16 - 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.

Income tax

	31 December 2014	31 December 2013
Income taxes currently payable	10,344	18,415
Prepaid taxes	(6,151)	(13,812)
Income taxes payable / (asset)	**4,193**	**4,603**

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

NOTE 16 - TAXATION (Continued)

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

	December 31, 2014	December 31, 2013
Profit before taxes	100,187	53,806
Theoretical tax expense with 20% tax rate	(20,037)	(10,761)
Non-deductible expenses and others	(46)	(80)
Investment allowances used	-	-
Current year tax (expense)	**(20,083)**	**(10,841)**

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:

	Cumulative timing differences		Deferred assets / (liabilities)	
	2014	2013	2014	2013
Provision for leasing receivables	6,232	6,768	1,246	1,354
Valuation of derivative financial instruments	12,183	52,572	2,437	10,514
Provision for personnel bonus	1,200	1,200	240	240
Provision for unused vacation	610	485	122	97
Provision for employment termination benefits	554	403	111	81
Fair value differences of hedged items, net	1,299	-	260	-
Provision for legal proceedings	324	360	65	72
Total	**22,402**	**61,788**	**4,481**	**12,358**
Finance Lease Accruals	(35,018)	(32,718)	(7,004)	(6,544)
Valuation of derivative financial instruments	(7,637)	(344)	(1,527)	(69)
Valuation of financial liabilities	(542)	(804)	(108)	(161)
Other	(598)	(617)	(120)	(123)
Total	**(43,795)**	**(34,483)**	**(8,759)**	**(6,897)**
Net	**(21,393)**	**27,305**	**(4,278)**	**5,461**

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

NOTE 17 - SHARE CAPITAL

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

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

	31 December 2014		31 December 2013	
	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**

In the General Assembly meeting held on March 3, 2014, the Company increased its share capital by cash amounting to TL 50,000. This General Assembly resolution was registered by Istanbul Trade Registry on March 20, 2014 and announced in the Trade Registry Gazette of Turkey on March 27, 2014.

NOTE 18 - RETAINED EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

At 31 December 2014 and 2013 reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law is as follows:

	31 December 2014	31 December 2013
Legal reserves	30,948	26,345

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase whereas extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders.

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

NOTE 19 - OPERATING EXPENSES

	December 31, 2014	December 31, 2013
Staff costs	11,289	10,705
Legal proceedings and lawyer expense	1,291	1,461
Rent expenses	956	897
Depreciation and amortization expense (Note 9)	741	622
Office management expenses	681	614
Audit and consultancy expenses	342	496
Taxes and duties other than on income	326	681
Communication expenses	148	181
Advertisement expenses	124	64
Travel expenses	128	131
Other	1,465	1,754
	17,491	**17,606**

NOTE 20 - 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.

a) Balances with related parties

Assets

	December 31, 2014	December 31, 2013
Due from banks		
Akbank T.A.Ş. (Shareholder)	62,795	145,967
Akbank N.V. (Other related parties)	-	1
	62,795	**145,968**
Net finance lease receivables – (Leasing transaction)		
Shareholder		
Akbank T.A.Ş.	114,304	107,185
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	5,890	3,215
	120,194	**110,400**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Liabilities

Borrowings

	December 31, 2014	December 31, 2013
Akbank T.A.Ş. (Shareholder)	546,893	519,776
Akbank A.G.	71,106	-
	617,999	**519,776**

Trade payables

	December 31, 2014	December 31, 2013
Akbank T.A.Ş. (Shareholder)	8	10
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	3,259	1,092
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Akçansa Çimento Sanayi ve Ticaret A.Ş.	77	77
Ak Sigorta A.Ş. (Other related parties)	7,786	5,100
	11,147	**6,296**

b) Transactions with related parties

Interest income from direct finance leases

	December 31, 2014	December 31, 2013
Shareholder		
Akbank T.A.Ş.	10,312	9,746
Other related parties		
Advansa Sasa Polyester Sanayi A.Ş.	-	3
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	875	514
	11,187	**10,263**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	8,455	8,263
	8,455	**8,263**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	December 31, 2014	December 31, 2013
Commission income		
Akbank T.A.Ş. (Shareholder)	79	250
Ak Sigorta A.Ş. (Other related parties)	1,899	1,506
Other	10	-
	1,988	**1,756**
Commission expense		
Akbank T.A.Ş. (Shareholder)	652	678
Ak Yatırım Menkul Değerler A.Ş.	113	788
	765	**1,466**
Interest expense on borrowings		
Akbank T.A.Ş. (Shareholder)	43,337	29,477
Akbank A.G. (Other related parties)	2,022	2,892
	45,359	**32,369**
Rent and service expenses (operating expenses)		
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	874	830
Akbank T.A.Ş. (Shareholder)	186	236
	1,060	**1,066**
Gain on derivative instruments		
Akbank T.A.Ş. (Shareholder)	27,022	3,131
	27,022	**3,131**
Losses on derivative instruments		
Akbank T.A.Ş. (Shareholder)	6,378	14,860
	6,378	**14,860**
Remuneration of top management		
Remuneration of top management	**1,850**	**1,525**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Contingent liabilities

Guarantee letters obtained from

Akbank T.A.Ş. (Shareholder)	185,711	201,400

Letter of credit obtained from

Akbank T.A.Ş. (Shareholder)	11,779	30,322

Finance lease commitments

Akbank T.A.Ş. (Shareholder)	4,753	7,043

	Contract/notional	Fair values	
	amount	Assets	Liabilities
December 31, 2014			
Derivative financial instruments held for trading:			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	20,934	49	-
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	76,413	2	596
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	212,624	1,710	70
Derivative financial assets held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	202,843	2,805	337
Total	**512,814**	**4,566**	**1,003**

	Contract/notional	Fair values	
	Amount	Assets	Liabilities
December 31, 2013			
Derivative financial instruments held for trading:			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	-	-	-
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	66,404	20	1,019
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	172,816	147	13,446
Derivative financial assets held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	-	-	-
Total	**239,220**	**167**	**14,465**

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

NOTE 21 - 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 December, 31 2014 and 2013.

Legal Proceedings

The Company has provided for a total provision of TL 325 against certain open legal cases as of December 31, 2014 (December 31, 2013: TL 360).

Commitments under derivative instruments

	31 December 2014		31 December 2013	
	Nominal Original amount	Nominal TL	Nominal Original amount	Nominal TL
Forward and Swap Purchase Transactions				
USD	99,190	230,011	53,629	114,460
EURO	5,838	16,468	8,586	25,212
TL	203,715	203,715	375,383	375,383
CZK	275,000	27,995	-	-
HUF	700,000	6,272	-	-
Total Purchase		**484,461**		**515,055**
Forward and Swap Sale Transactions				
USD	69,652	161,516	65,943	140,742
EURO	106,157	299,438	140,603	412,880
TL	25,737	25,737	1,998	1,998
Total Sales		**486,691**		**555,620**
Grand Total		**971,152**		**1,070,675**

Guarantees given

The Company has letters of credit in the amount of TL 50,786 (2013 – TL 85,551) and finance lease commitments in the amount of TL 98,873 (2013 – TL 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 the guarantees obtained from the banks for Hermes covered loans in the amount of TL 365,651 (2013 – TL 319,953). The guarantees obtained for Hermes covered loans is TL 184,766 (2013 – TL 201,400) and the amount of aircrafts mortgaged to US Ex-Im and EDC on asset based borrowing transactions is TL 178,125 (2013 – TL 124,826)

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.

NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 2010, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2010; 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 2010 period. Accordingly, the Company was imposed with principal corporate tax amount of TL 14,940 (excluding delay interest) and tax loss penalty of TL 22,410.

The Company requested a settlement for the principal tax and tax penalties communicated to the Company; however, a settlement could not be arranged as of October 30, 2014. In response, the Company filed a lawsuit in the Tax Court on November 7, 2014 for the corresponding case.

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 31 December 2014 and 2013 related to the abovementioned tax issue.

NOTE 22 - SUBSEQUENT EVENTS

According to Board of Directors Resolution, dated January 20, 2015 numbered 568, issuance of domestic bonds to qualified investors on private placement basis between 3 months to 3 years tenor and up to TL 500 million was approved.