

AK FİNANSAL KİRALAMA A.Ş.

**INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF 30 JUNE 2015 TOGETHER WITH INDEPENDENT
AUDITORS' REVIEW REPORT**

Report on review of interim condensed financial statements

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

We have reviewed the accompanying interim condensed financial statements of Ak Finansal Kiralama A.Ş. (“the Company”) which comprise the statement of financial position as at 30 June 2015 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard 34, “Interim financial reporting” (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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



Seda Hacıoğlu, SMMM
Partner

7 September 2015
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

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AK FİNANSAL KİRALAMA A.Ş.**UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015**

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

ASSETS	Notes	30 June 2015	31 December 2014
Cash and cash equivalents		2	2
Due from banks	5	645,117	132,695
Finance lease receivables	6	3,992,224	3,800,066
Other assets and prepaid expenses		15,296	13,883
Assets held for sale		358	358
Property and equipment, net		669	756
Intangible assets, net		572	545
Derivative financial assets held for trading	9	5,366	4,427
Derivative financial assets held for hedging	9	880	3,210
Deferred tax asset, net	10	-	-
Total assets		4,660,484	3,955,942
LIABILITIES			
Borrowings	7	2,440,408	2,216,351
Debt securities issued	8	1,403,812	1,051,087
Accounts payable		83,958	87,198
Advances from customers		30,346	19,170
Derivative financial assets held for trading	9	23,696	11,846
Derivative financial assets held for hedging	9	12,786	337
Other liabilities		7,682	14,864
Income tax liability	10	6,994	4,193
Employment benefits		1,191	1,164
Deferred tax liability, net	10	480	4,278
Total liabilities		4,011,353	3,410,488
EQUITY			
Share capital	11	248,400	188,400
Adjustment to share capital	11	(13,393)	(13,393)
Total paid-in share capital	11	235,007	175,007
Legal reserves		33,534	30,948
Hedge reserves		(680)	-
Retained earnings		381,270	339,499
Total equity		649,131	545,454
Total liabilities and equity		4,660,484	3,955,942

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

AK FİNANSAL KİRALAMA A.Ş.**UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE
INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

	Notes	30 June 2015	30 June 2014
Interest income from direct finance leases		148,916	116,189
Interest income on placements and transactions with banks		4,769	5,173
Total interest income		153,685	121,362
Interest expense on borrowings		(57,465)	(59,693)
Interest expense on debt securities		(29,246)	(20,213)
Net interest income		66,974	41,456
Foreign exchange gains, including net gains or losses from dealing in foreign currency		23,094	(30,322)
Net interest income after foreign exchange gains or losses		90,068	11,134
Net trading, hedging and fair value income/(loss)		(20,215)	47,151
Fee and commission income/(expenses), net		2,344	3,505
Impairment loss on finance lease receivables	6	(12,179)	(13,604)
Recoveries from impaired lease receivables	6	4,119	4,028
Other income/(expenses), net		1,756	157
Operating expenses		(10,440)	(8,168)
Operating profit		55,453	44,203
Income before tax		55,453	44,203
Taxation on income	10	(11,096)	(8,855)
Net income for the year		44,357	35,348
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
- Cash flow Hedge Reserve		-	-
Total comprehensive income		44,357	35,348

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

AK FİNANSAL KİRALAMA A.Ş.

**UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

	Notes	Paid in share capital			Legal reserves	Hedge reserves	Retained earnings	Total Equity
		Share capital	Adjustment to share capital	Total paid-in share capital				
Balance at 1 January 2014		138,400	(13,393)	125,007	26,345	-	263,998	415,350
Transfers		-	-	4,603	-	-	(4,603)	-
Dividends paid		-	-	-	-	-	-	-
Capital increase in cash	11	50,000	-	50,000	-	-	-	50,000
Total comprehensive income		-	-	-	-	-	35,348	35,348
- <i>Net income for the year</i>		-	-	-	-	-	35,348	35,348
- <i>Other Comprehensive Income</i>		-	-	-	-	-	-	-
Balance at 30 June 2014		188,400	(13,393)	175,007	30,948	-	294,743	500,698
Balance at 1 January 2015		188,400	(13,393)	175,007	30,948	-	339,499	545,454
Transfers		-	-	-	2,586	-	(2,586)	-
Dividends paid		-	-	-	-	-	-	-
Capital increase in cash	11	60,000	-	60,000	-	-	-	60,000
Total comprehensive income		-	-	-	-	(680)	44,357	43,677
- <i>Net income for the year</i>		-	-	-	-	-	44,357	44,357
- <i>Other Comprehensive Income</i>		-	-	-	-	(680)	-	(680)
Balance at 30 June 2015		248,400	(13,393)	235,007	33,534	(680)	381,270	649,131

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

AK FİNANSAL KİRALAMA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

	Notes	30 June 2015	30 June 2014
Cash flows from operating activities			
Net income for the year		44,357	35,348
Adjustments for:			
Depreciation and amortization		340	359
Remeasurement of derivative financial instruments at fair value		25,690	(45,547)
Unrealized fair value loss on hedged items		680	-
Provision for employment termination benefits		251	120
Provision for personnel performance bonus		975	600
Provision for impaired receivables		10,184	13,604
Deferred tax charge		(3,798)	8,380
Corporate tax charge		14,894	475
Taxes paid		(7,738)	(3,323)
Interest income and foreign exchange gain/(loss), net		(66,974)	(41,456)
Interest paid		(59,914)	(79,804)
Interest received		157,807	116,255
Unrealized foreign currency gains/(losses)		(9,703)	(30,312)
Cash flows from operating profit before changes in operating assets and liabilities		106,051	(25,301)
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(292,626)	(113,842)
Net decrease/(increase) in other assets and prepaid expenses		(31,153)	52,389
Personnel performance bonus paid		(1,075)	(1,190)
Employment termination benefits paid		(224)	(60)
Net increase in accounts payables		(3,240)	(1,780)
Net (increase)/decrease in borrowings		320,487	(150,000)
Net (increase)/decrease in advances from customers		11,176	6,280
Net decrease in other liabilities		(12,798)	(4,465)
Net cash (used in)/provided by operating activities		96,598	(237,969)
Cash flows from investing activities			
Purchase of property and equipment and intangibles		(280)	(356)
Disposals from property and equipment and intangibles		-	99
Net cash used in from investing activities		(280)	(257)
Cash flows from financing activities			
Proceeds from borrowed funds		486,384	442,137
Proceeds from debt securities issued		324,066	195,453
Payments of borrowed funds and debt securities issued		(494,241)	(453,025)
Capital increase	11	60,000	50,000
Net cash provided by/(used in) financing activities		376,209	234,565
Net increase/(decrease) in cash and cash equivalents		472,527	(3,661)
Effect of foreign exchange rate changes on cash and cash equivalents		39,444	(688)
Cash and cash equivalents at the beginning of the year	5	132,513	171,594
Cash and cash equivalents at the end of the year	5	644,484	167,245

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

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 1 - GENERAL INFORMATION

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

The parent of the Company is Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.S and as at 30 June 2015, the Company employs 82 employees (31 December 2014 – 72 employees).

The financial statements as at and for the year ended 30 June 2015 have been approved by the Board of Directors on 7 September 2015. The General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PRESENTATION

(a) Basis of preparation

These interim condensed financial statements for the period ended 30 June 2015 have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policy and disclosures:

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 2015 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 2015. These amendments did not have an impact on the interim condensed financial statements of the Company.

The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

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 recognise 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 amendment did not have an impact on the financial statements of the Company.

Annual Improvements to IAS/IFRSs

In December 2013, IASB issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle". 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 performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable).

IFRS 8 Operating Segments

The amendments clarify that: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. 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.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. 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.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

Above amendments did not have a significant impact on the interim condensed financial statements of the Company.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

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 clarifies that 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 Amortisation (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 amortisation 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.

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
- Using the equity method defined in IAS 28

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In February 2015, amendments issued 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 recognises 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 recognised 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 February 2015, amendments issued 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 February 2015, amendments issued 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.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued, 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 – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within 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 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 original effective date was 1 January 2017. However, in July 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 2018, 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. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that are applied in the annual financial statements for the year ended December 31, 2014.

2.3 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

In order to achieve convenience presentation of financial statements as at 30 June 2015, no reclassifications have been made on the financial statements for the period ended 31 December 2014 and 30 June 2014.

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Financial risk factors

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

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

b. Credit risk

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

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 June 2015 and 31 December 2014.

30 June 2015	Foreign Currency			
	US\$ (TL Equivalent)	EUR (TL Equivalent)	Other (TL Equivalent)	Total
Assets				
Due from banks	411,403	206,421	414	618,248
Finance lease receivables	1,421,469	1,501,427	375	2,923,271
Other assets	3,003	4,559	4	7,566
Total assets	1,835,875	1,712,407	793	3,549,085
Liabilities				
Borrowings	698,582	1,155,779	-	1,854,362
Debt securities issued	1,084,380	-	75,727	1,160,107
Accounts payable	32,002	23,098	5,337	60,437
Advances from customers	9,353	13,266	-	22,619
Total liabilities	1,824,318	1,192,143	81,064	3,097,525
Net balance sheet position	11,557	520,264	(80,271)	451,550
Off-balance sheet derivative instruments net notional position	(39,017)	(485,280)	75,150	(449,147)
Total net balance sheet position (*)	(27,460)	34,984	(5,121)	2,403

(*) When the effect arisen from the payments to the vendors is eliminated, the net foreign currency position shown on the table above will be US\$ TL (23.383), EUR TL 29.810 and other currency TL 209 which is in total of TL 6.636.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2014	Foreign Currency			
	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.

At 30 June 2015, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL 2.6863=US\$1 and TL 2.9822=EUR1 (31 December 2014 – TL 2.3189=US\$1 and 2.8207=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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	<u>US Dollar Impact</u>		<u>EURO Impact</u>	
	<u>(TL Equivalent)</u>		<u>(TL Equivalent)</u>	
	2015	2014	2015	2014
Profit and Loss	(2,746)	(576)	3,498	219

ii) *Interest rate risk*

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

Interest rate sensitivity

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

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

- profit for the year ended 30 June 2015 would increase / decrease by TL 92 (31 December 2014 –increase /decrease by TL 3,850). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings .

Interest rate swap contracts

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

30 June 2015	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	645,117	-	-	645,117
Finance lease receivables	1,335,827	704,361	1,693,391	3,733,579
Derivative financial assets held for trading	3,433	1,888	46	5,366
Derivative financial assets held for hedging	-	-	880	880
Total assets	1,984,376	706,249	1,694,317	4,384,942
Liabilities				
Borrowings	754,397	919,603	766,408	2,440,408
Debt securities issued	360,519	289,406	753,887	1,403,812
Derivative financial assets held for trading	330	3,981	19,384	23,696
Derivative financial assets held for hedging	-	155	12,631	12,786
Total liabilities	1,115,246	1,213,145	1,552,311	3,880,702
Net re-pricing gap	869,130	(506,896)	142,006	504,240
31 December 2014				
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 assets held for trading	70	643	11,133	11,846
Derivative financial assets 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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity risk

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

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

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

30 June 2015	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	308,748	726,336	1,661,848	2,696,933
Debt securities issued	197,579	335,022	1,079,660	1,612,261
Accounts payable	83,958	-	-	83,958
Advances from customers	30,346	-	-	30,346
Total liabilities	620,631	1,061,358	2,741,508	4,423,498

Cash inflow / (outflow) from derivative financial instruments, net	(8,395)	9,714	25,855	27,174
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31 December 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
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Fair value of financial instruments

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

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

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

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

	Carrying amount		Fair value	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Finance lease receivables	3,765,770	3,665,274	3,826,616	3,725,358
Borrowings	2,440,408	2,216,351	2,252,549	2,044,251
Debt securities issued	1,403,812	1,051,087	1,403,812	953,159

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

The discount rate used to calculate the fair value of US\$, EUR and TL borrowings and debt securities issued as at 30 June 2015 are %3.38, %3.16 and %11.02, respectively. (31 December 2014 are %3.52, %3.40 and %10.66, respectively)

The discount rate used to calculate the fair value of US\$, EUR and TL finance lease receivables as at 30 June 2015 are %5.89 %5.81 and %13.18, respectively. (31 December 2014 are %5.86, %6.00 and %13.01, respectively.)

Fair value hierarchy

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

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

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

30 June 2015

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	5,366	-
Derivative financial assets held for hedging	-	880	-
Finance lease receivables	-	3,826,616	-
Total assets	-	3,832,862	-
Derivative financial liabilities held for trading	-	23,696	-
Derivative financial liabilities held for hedging	-	12,786	-
Borrowings	-	2,252,549	-
Debt securities issued	-	1,403,812	-
Total liabilities	-	3,692,843	-

31 December 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	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

f. Capital risk management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation. The Company complies with this requirement as of 30 June 2015 and 31 December 2014.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

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

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

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance. (Note 6)

Deferred taxation

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2015			31 December 2014		
	FC	TL	Total	FC	TL	Total
Due from banks						
-demand deposits	24,537	3,243	27,780	11,436	4,017	15,453
-time deposits	593,701	23,636	617,337	85,613	31,629	117,242
Total cash and cash equivalents	618,238	26,881	645,117	97,049	35,646	132,695

For the purposes of cash flow statements, cash and cash equivalents comprise TL 644,484 and TL 132,513 at 30 June 2015, 31 December 2014, respectively.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	30 June 2015	31 December 2014
Gross finance lease receivables	4,462,418	4,402,741
Unearned finance income	(728,839)	(755,799)
	3,733,579	3,646,942
Invoiced lease receivables	32,191	18,332
Impaired lease receivables	87,783	82,287
Provision for impaired lease receivables	(71,851)	(63,790)
	3,781,702	3,683,771
Equipments to be leased	134,929	44,635
Advances to vendors	75,593	71,660
	3,992,224	3,800,066

At 30 June 2015 and 31 December 2014 the finance lease receivables according to their interest type are as follows:

	30 June 2015	31 December 2014
Gross finance lease receivables:		
Fixed rate	2,967,723	3,034,561
Floating rate	1,494,695	1,368,180
	4,462,418	4,402,741

At 30 June 2015 and 31 December 2014 the leasing receivables have the following collection schedules:

Year Ending	Finance Lease Receivables	
	Gross 30 June 2015	Net performing 30 June 2015
31 December 2015	626,387	522,963
31 December 2016	585,319	466,519
31 December 2017	992,895	805,852
31 December 2018	744,199	616,098
31 December 2019 and after	1,513,618	1,322,147
	4,462,418	3,733,579

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Year Ending	Finance Lease Receivables	
	Gross 31 December 2014	Net performing 31 December 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

Finance lease receivables can be analyzed as follows:

Year Ending	30 June 2015	31 December 2014
Neither past due nor impaired	3,733,579	3,646,942
Past due but not impaired	32,191	18,332
Impaired	87,783	82,287
Gross	3,853,553	3,747,561
Less: allowances for impairment	(71,851)	(63,790)
Net finance lease receivables	3,781,702	3,683,771

The total impairment provision for finance lease receivables at 30 June 2015 is TL 71,851 (31 December 2014 – TL 63,790) of which TL 57,869 (31 December 2014 – TL 51,805) represents the individually impaired loans and of which TL 13,982 (31 December 2014 – TL 11,985) represents the portfolio provision in the performing portfolio.

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

Collateral amounting to TL 27,470 (31 December 2014: TL 25,092) has been obtained for impaired finance lease receivables amounting to TL 87,783 (31 December 2014 – TL 82,287).

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of past due but not impaired finance lease receivables as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015		31 December 2014	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	8,369	174,182	8,821	312,669
30-60 days	981	17,369	807	25,454
60 -150 days	22,841	121,267	8,704	79,665
	32,191	312,818	18,332	417,788

Movements in provision for impaired finance lease receivables for the years ended 30 June 2015 and 2014 are as follows:

	30 June 2015	30 June 2014
At 1 January	63,790	49,116
Impairment expense during the year	12,180	13,604
Recoveries of amounts previously provided for	(4,119)	(4,028)
At period end	(71,851)	58,692

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	%	31 December 2014	%
Transportation	627,975	14	594,694	14
Construction	591,854	13	620,320	14
Textile	450,712	10	483,192	11
Production	374,208	8	346,548	8
Food and beverage	307,882	7	321,004	7
Steel and mining	300,462	7	312,251	7
Health	328,990	7	289,537	7
Tourism	307,992	7	274,114	6
Energy and natural sources	190,452	4	237,254	5
Financial institutions	109,184	2	133,218	3
Automotive	126,436	3	127,511	3
Agriculture	118,578	3	125,464	3
Wholesale and retail trade	105,851	2	88,523	2
Petroleum and chemistry	51,528	1	51,958	1
Technology, telecommunication, media and entertainment	44,432	1	48,584	1
Chemistry	60,626	1	40,498	1
Printing	30,982	1	24,185	1
Education	15,720	-	14,701	-
Other	318,554	9	269,185	6
	4,462,418	100	4,402,741	100

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

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

The Company has no finance lease payables as at 30 June 2015 and 31 December 2014.

As of 30 June 2015, the restructured lease receivables amounting to TL 3,533 (31 December 2014 – TL 2,603).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 7 - BORROWINGS

	Interest rates per annum (%)	Balance in original currency	30 June 2015		31 December 2014	
			TL	Interest rates per annum (%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
EUR	3.12	77,617	231,469	3.22	87,226	246,037
US\$	4.47	22,822	61,308	4.12	37,949	87,999
TL	10.65	544,400	544,400	10.42	482,555	482,555
Floating rate borrowings:						
EUR	2.57	31,610	94,268	2.68	27,486	77,529
US\$	2.06	88,524	237,803	2.72	29,363	68,089
Total domestic borrowing			1,169,248			962,209
Foreign borrowings						
Fixed rate borrowings:						
EUR	3.42	127,050	378,889	3.65	133,690	377,097
US\$	2.50	21,672	58,217	2.79	26,447	61,332
TL	10.49	41,645	41,645	10.67	43,317	43,317
Floating rate borrowings:						
EUR	1.91	151,283	451,155	2.08	152,979	431,507
US\$	2.13	127,035	341,254	2.09	147,004	340,889
Total foreign borrowings			1,271,160			1,254,142
Total borrowings			2,440,408			2,216,351
			30 June 2015			31 December 2014
Short Term Borrowings			911,659			729,557
Long Term Borrowings			1,528,749			1,486,794
			2,440,408			2,216,351

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 8 –DEBT SECURITIES ISSUED

	30 June 2015	31 December 2014
Debt securities issued		
Turkish Lira (*)	247,138	136,073
Foreign Currency(**)	1,156,674	915,014
	1,403,812	1,051,087

(*) The Company has issued floating rate bonds on February 21,2014 and August 18, 2014 amounting to nominal 70.000.000 TL and 65.000.000 TL with maturity dates on August 21, 2015 and August 15, 2016 respectively.

The Company has issued discounted bonds on March 13,2015 and June 30, 2015 amounting to nominal 107.174.000 TL and 14.130.000 TL with maturity dates on May 13, 2016 and August 1, 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 23 private placements. As of June, 30 2015, the nominal outstanding amount of the issuances is HUF 700 million, CZK 625 million and USD 150.4 million in total (as of December 31, 2014, the nominal outstanding amount of the issuances is HUF 700 million, CZK 275 million and USD 128.6 million).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values	
		Assets	Liabilities
30 June 2015			
Derivatives held for trading:			
Foreign exchange derivatives	970,625	5,366	23,696
Forward and currency swap transactions	803,296	5,321	23,182
Interest rate derivatives	167,329	45	514
Interest rate swap transactions	167,329	45	514
Derivatives held for hedging:	628,860	880	12,786
<i>Derivatives designated as fair value hedges:</i>			
Cross currency swap transactions	332,327	651	12,631
<i>Derivatives designated as cash flow hedges:</i>			
Cross currency swap transactions	210,767	160	155
<i>Derivatives designated as fair value hedges:</i>			
Interest rate swap transactions	85,766	69	-
Total Over the Counter ("OTC")	1,599,485	6,246	36,482
<hr/>			
	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
<i>Derivatives designated as fair value hedges:</i>			
Cross currency swap transactions	215,455	3,210	337
Total Over the Counter ("OTC")	971,152	7,637	12,183

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

Fair Value Hedge Transaction

The Company hedges certain part of its fixed rate Eurobond securities issued against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR/TL financial lease receivables from the fluctuations in the foreign exchange rates with cross currency swaps. As of June 30, 2015, fair value hedge transaction has been proven to be effective.

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

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

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

NOTE 10 - TAXATION

	30 June 2015	30 June 2014
Current tax charge	(14,894)	(475)
Deferred tax charge	3,798	(8,380)
	(11,096)	(8,855)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 10 - TAXATION (Continued)

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

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

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

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

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

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

Exemption for investment allowance

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 10 - TAXATION (Continued)

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

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

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

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

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

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

Income tax

	30 June 2015	31 December 2014
Income taxes currently payable	14,732	10,344
Prepaid taxes	(7,738)	(6,151)
Income taxes payable / (asset)	6,994	4,193

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 10 - TAXATION (Continued)

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

	30 June 2015	30 June 2014
Profit before taxes	55,453	44,203
Theoretical tax expense with 20% tax rate	(11,091)	(8,841)
Non-deductible expenses and others	(5)	(14)
Current year tax (expense)	(11,096)	(8,855)

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)	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Provision for leasing receivables	7,561	6,232	1,512	1,246
Valuation of derivative financial instruments	36,945	12,183	7,389	2,437
Provision for personnel bonus	1,100	1,200	220	240
Provision for unused vacation	658	610	132	122
Provision for employment termination benefits	533	554	107	111
Fair value differences of hedged items, net	-	1,299	-	260
Provision for legal proceedings	324	324	65	65
Total	47,121	22,402	9,425	4,481
Finance Lease Accruals	(39,735)	(35,018)	(7,947)	(7,004)
Valuation of derivative financial instruments	(8,160)	(7,637)	(1,632)	(1,527)
Valuation of financial liabilities	(600)	(542)	(120)	(108)
Other	(1,028)	(598)	(206)	(120)
Total	(49,523)	(43,795)	(9,905)	(8,759)
Net	(2,402)	(21,393)	(480)	(4,278)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 11 - SHARE CAPITAL

At 30 June 2015 the Company's authorized share capital consists of TL 24,840,000,000 shares with a par value of Kr 1 each (31 December 2014 – TL 18,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 30 June 2015 and 31 December 2014, the share capital is as follows:

	30 June 2015		31 December 2014	
	Shares (%)	TL	Shares (%)	TL
Akbank T.A.Ş	99,985	248,363	99,985	188,372
Hacı Ömer Sabancı Holding A.Ş.	0,005	12	0,005	9
Tursa Sabancı Turizm ve Yatırım Hizm A.Ş.	0,005	12	0,005	9
Bimsa Bilgi İşlem A.Ş.	0,003	9	0,003	7
Ak Yatırım Menkul Değerler A.Ş.	0,002	4	0,002	3
	100,00	248,400	100,00	188,400
Adjustment to share capital		(13,393)		(13,393)
		235,007		175,007

According to Extraordinary General Assembly decision, the Company increased its paid-in capital at an amount of TL 60,000 in cash at 9 April 2015. It was registered by Istanbul Trade Registry on 10 April 2015 and was announced in the Turkish Trade Registry dated 16 April 2015.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

a) Balances with related parties

Assets

	30 June 2015	31 December 2014
Due from banks		
Akbank T.A.Ş. (Shareholder)	406,734	62,795
	406,734	62,795
Net finance lease receivables – (Leasing transaction)		
<i>Shareholder</i>		
Akbank T.A.Ş.	86,000	114,304
<i>Other related parties</i>		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	5,145	5,890
	91,145	120,194

Liabilities

Borrowings

	30 June 2015	31 December 2014
Akbank T.A.Ş. (Shareholder)	556,132	546,893
Akbank A.G.	75,160	71,106
	631,292	617,999

Trade payables

	30 June 2015	31 December 2014
Ak Sigorta A.Ş. (Other related parties)	8,309	7,786
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	1,583	3,259
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Akçansa Çimento Sanayi ve Ticaret A.Ş.	77	77
Akbank T.A.Ş. (Shareholder)	-	8
	9,986	11,147

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015**

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

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**b) Transactions with related parties****Interest income from direct finance leases**

	30 June 2015	30 June 2014
<i>Shareholder</i>		
Akbank T.A.Ş.	5,605	5,027
<i>Other related parties</i>		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	409	366
	6,014	5,393

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	3,908	4,818
	3,908	4,818

Interest expense on borrowings

Akbank T.A.Ş. (Shareholder)	23,520	20,057
Akbank A.G. (Other related parties)	635	635
	24,899	20,692

Commission income

Ak Sigorta A.Ş. (Other related parties)	1,068	973
Akbank T.A.Ş. (Shareholder)	13	24
	1,081	997

Commission expense

Ak Yatırım Menkul Değerler A.Ş.	569	-
Akbank T.A.Ş. (Shareholder)	464	192
	1,033	192

Rent and service expenses (other operating expenses)

Akbank T.A.Ş. (Shareholder)	41	43
	41	43

Rent expenses (operating expenses)

Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	490	438
Akbank T.A.Ş. (Shareholder)	85	88
	575	526

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015**

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

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

	30 June 2015	30 June 2014
Gains on derivative instruments		
Akbank T.A.Ş. (Shareholder)	25,242	20,896
	25,242	20,896
Losses on derivative instruments		
Akbank T.A.Ş. (Shareholder)	27,771	2,383
	27,771	2,383
Remuneration of top management		
Remuneration of top management	1,224	1,081
	30 June 2015	31 December 2014
Contingent liabilities		
Guarantee letters obtained from		
Akbank T.A.Ş. (Shareholder)	196,477	185,711
Letter of credit obtained from		
Akbank T.A.Ş. (Shareholder)	-	11,779
Finance lease commitments		
Akbank T.A.Ş. (Shareholder)	8,251	4,753
Forward transactions		
Akbank T.A.Ş. (Shareholder)	38,126	20,934
Interest rate swap transactions		
Akbank T.A.Ş. (Shareholder)	71,820	76,413
Currency swap transactions		
Akbank T.A.Ş. (Shareholder)	279,511	212,624
Derivatives designated as fair value hedges		
Akbank T.A.Ş. (Shareholder)	318,973	202,843

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 30 June 2015 and 31 December 2014.

Legal Proceedings

The Company has provided for a total provision of TL 324 against certain open legal cases as of 30 June 2015 (31 December 2014: TL 325).

Commitments under derivative instruments

	30 June 2015		31 December 2014	
	Nominal Original amount	Nominal TL	Nominal Original amount	Nominal TL
Forward and Swap Purchase Transactions				
USD	95,312	256,036	99,190	230,011
EURO	9,622	28,695	5,838	16,468
TL	430,575	430,575	203,715	203,715
CZK	625,000	68,500	275,000	27,995-
HUF	700,000	6,566	700,000	6,272
Total Purchase		790,456		484,461
Forward and Swap Sale Transactions				
USD	109,836	295,053	69,652	161,516
EURO	172,348	513,976	106,157	299,438
TL	-	-	25,737	25,737
Total Sales		809,029		486,691
		1,599,485		971,152

Guarantees given

The Company has letters of credit in the amount of TL 22,024 (2014 – TL 50,786) and finance lease commitments in the amount of TL 139,261 (2014 – TL 98,873) for the leased asset imports.

Aircrafts mortgaged to US Exim and EDC on asset based borrowing transactions and letters of guarantees were given to tax offices, courts and banks including Hermes covered credits utilized amounting to TL 387,828 (2014 – TL 365,651). The guarantee given for Hermes credit is TL 184,051 (2014– TL 184,766).

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2015

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

NOTE 13 - 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 2011, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2011; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

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

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

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

NOTE 14 - SUBSEQUENT EVENTS

None.