AK FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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Independent auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ak Finansal Kiralama A.Ş. (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of leasing receivables

Determining the adequacy of impairment allowance on leasing receivables is a key area of judgment for the management due to the significance of the balances, complexity and subjectivity over estimating timing and amount of impairment. The risk is that leasing receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of IFRS. Accordingly, carrying amount of leasing receivables and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these leasing receivables is a key audit matter. Refer Note 6 to the financial statements relating to the impairment of leasing receivables.

Our audit procedures included among others, selecting samples of leasing receivables based on our judgement and considering whether there is objective evidence that impairment exists on these leasing receivables. We also assessed whether impairment losses for leasing receivables were reasonably determined in accordance with the requirements of IFRS. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of leasing receivable provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired leasing receivables and the required provisions against them.

Responsibilities of management and the Board of Directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Management and the Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

► Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

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► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

► Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

► Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management and the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Damla Harman.

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

Istanbul, Turkey
April 28, 2017

AK FİNANSAL KİRALAMA A.Ş.

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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

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

ASSETS	Notes	31 December 2016	31 December 2015
Cash and cash equivalents	5	280,450	405,285
Finance lease receivables	6	5,006,565	4,033,860
Other assets and prepaid expenses	8	33,045	26,841
Assets held for sale	10	31,845	329
Property and equipment, net	9	455	538
Intangible assets, net	9	1,735	598
Derivative financial instruments	7	22,624	6,658
Deferred tax asset, net	16	12,225	5,179
Total assets		**5,388,944**	**4,479,288**
LIABILITIES			
Borrowings	11	2,696,115	2,415,891
Debt securities issued	12	1,627,584	1,182,418
Accounts payable	13	112,389	91,680
Advances from customers	13	22,116	22,654
Derivative financial instruments	7	107,477	56,576
Other liabilities	14	3,142	2,609
Income tax liability	16	14,627	4,583
Employment benefits	15	1,500	1,578
Total liabilities		**4,584,950**	**3,777,989**
EQUITY			
Share capital	17	248,400	248,400
Adjustment to share capital	17	(13,393)	(13,393)
Total paid-in share capital	17	235,007	235,007
Legal reserves	18	41,813	33,534
Hedge reserves		(5)	1,021
Retained earnings		423,458	336,913
Net profit /(loss) for current year		103,721	94,824
Total equity		**803,994**	**701,299**
Total liabilities and equity		**5,388,944**	**4,479,288**

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	31 December 2016	31 December 2015
Interest income from direct finance leases		337,166	310,155
Interest income on placements and transactions with banks		20,893	12,365
Total interest income		**358,059**	**322,520**
Interest expense on borrowings		(121,556)	(116,298)
Interest expense on debt securities issued		(74,430)	(61,864)
Net interest income		**162,073**	**144,358**
Foreign exchange gains(losses), including net gains or losses from dealing in foreign currency		62,238	48,075
Net interest income after foreign exchange gains or losses		**224,311**	**192,433**
Net trading, hedging and fair value income/(loss)		(32,692)	(35,634)
Impairment loss on finance lease receivables	6	(45,008)	(21,715)
Recoveries from impaired lease receivables	6	7,657	4,247
Other income/(expenses), net		1,001	1,694
Operating expenses	19	(25,270)	(22,796)
Operating profit		**129,999**	**118,229**
Income before tax		**129,999**	**118,229**
Taxation on income	16	(26,278)	(23,405)
Net income for the year		**103,721**	**94,824**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Cash flow hedge income/(expenses)		(1,283)	1,276
Tax on cash flow hedge		257	(255)
Net other comprehensive income/(expense) for the year		**(1,026)**	**1,021**
Total comprehensive income		**102,695**	**95,845**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2015		**188,400**	**(13,393)**	**175,007**	**30,948**	-	**339,499**	**545,454**
Transfers		-	-	-	2,586	-	(2,586)	-
Capital increase		60,000	-	60,000	-	-	-	60,000
Total comprehensive income		-	-	-	-	**1,021**	**94,824**	**95,845**
- Net income for the year		-	-	-	-	-	94,824	94,824
-Other Comprehensive Income		-	-	-	-	1,021	-	1,021
Balance at 31 December 2015		**248,400**	**(13,393)**	**235,007**	**33,534**	**1,021**	**431,737**	**701,299**
Balance at 1 January 2016		**248,400**	**(13,393)**	**235,007**	**33,534**	**1,021**	**431,737**	**701,299**
Transfers		-	-	-	8,279	-	(8,279)	-
Capital increase	17	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	**(1,026)**	**103,721**	**102,695**
- Net income for the year		-	-	-	-	-	103,721	103,721
-Other Comprehensive Income		-	-	-	-	(1,026)	-	(1,026)
Balance at 31 December 2016		**248,400**	**(13,393)**	**235,007**	**41,813**	**(5)**	**527,179**	**803,994**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	31 December 2016	31 December 2015
Cash flows from operating activities			
Net income for the year		103,721	94,824
Adjustments for:			
Depreciation and amortization	9,19	913	713
Re-measurement of derivative financial instruments at fair value	7	(84,853)	(49,918)
Unrealized fair value loss on hedged items	7	-	(2,822)
Provision for employment termination benefits	15	659	478
Provision for legal proceedings	14	(574)	(457)
Provision for personnel performance bonus	15	1,618	1,500
Provision for impaired receivables	6	45,008	21,715
Deferred tax charge	16	6,039	9,712
Corporate tax charge	16	(33,067)	(33,117)
Taxes paid	16	(23,023)	(32,727)
Interest income and foreign exchange gain/(loss), net		(62,238)	(138,746)
Net increase/(decrease) in borrowings		280,224	197,232
Interest paid		(195,986)	(178,162)
Interest received		350,913	312,540
Unrealized foreign currency gains/(losses)		(38,811)	(80,320)
Cash flows from operating profit before changes in operating assets and liabilities		**350,543**	**122,445**
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(972,705)	(335,417)
Net decrease/(increase) in other assets and prepaid expenses		(65,535)	(44,030)
Personnel performance bonus paid	15	(975)	(1,375)
Employment termination benefits paid	15	(246)	(382)
Net increase in accounts payables		20,709	(137,054)
Net (increase)/decrease in advances from customers		(538)	-
Net (decrease)/increase in other liabilities		61,400	(12,255)
Net cash (used in)/provided by operating activities		**(607,347)**	**(408,068)**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	9	(1,967)	(555)
Sales of property and equipment	9	-	-
Net cash (used in)/ provided by investing activities		**(1,967)**	**(555)**
Cash flows from financing activities			
Debt securities issued		445,166	129,664
Capital increase		-	60,000
Net cash provided by/(used in) financing activities		**445,166**	**189,664**
Net increase/(decrease) in cash and cash equivalents		(164,148)	(218,959)
Effect of foreign exchange rate changes on cash and cash equivalents		39,313	491,731
Cash and cash equivalents at the beginning of the year	5	405,285	132,513
Cash and cash equivalents at the end of the year	5	**280,450**	**405,285**

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 2016, the Company employs 77 employees (31 December 2015: 86 employees).

The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements of the Company after issuance, on which the accompanying financial statements were based.

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 recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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").

Classifications

The Company's current financial statements are prepared in comparison with the previous period to allow the determination of the financial position and performance trends. The comparative information are restated or classified when necessary in terms of ensuring compliance with the presentation of current period consolidated profit or loss and other comprehensive income statements.

A classification is performed in income statement prepared as of December 31, 2015 to ensure compliance with financial statements of December 31, 2016. Classification which is performed in order to ensure comparatives with current period is as follows:

- Fee and commission income from leasing transaction at an amount of TL 5,612 included in "Fee and commission income" account are classified to "interest income from direct finance leases" account as of December 31, 2015.

2.2. CHANGES IN ACCOUNTING POLICIES

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2016 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 2016. 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 2016 are as follows:

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. The amendments did 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 did not have an impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amendment is not applicable for the Company and did 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)

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 not applicable for the Company and did 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)

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 amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

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. These amendments did not have significant impact on the notes to the financial statements of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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
- 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

These amendments did not have significant 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.

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

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 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. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 15 Revenue from Contracts with Customers

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 effective date is 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. 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, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment are 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)

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are 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)

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 incidentals 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 Company 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".

Derivative instruments are re-measured at fair value after initial recognition, if the fair value of a derivative financial instrument is positive, it is accounted for as "derivative financial instruments-assets"; if the fair value difference is negative, it is accounted for as derivative financial instruments-liabilities". Differences in the fair value of 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 and Cash Flow Hedge Transactions

Fair value hedge

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.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized 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 recognized in the income statement in net trading, hedging and fair value income/ (loss).

Cash flow hedge

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognized initially in other comprehensive income and subsequently recycled to income statement when the cash flows relating to hedged item affect the income statement. The ineffective portion of the gain or loss on the hedging instrument is recognized in "net trading, hedging and fair value income/ (loss)".

Hedge effectiveness testing

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is 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.

Property and equipment

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

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 carrying amounts and 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, 2016 assets held for sale are stated at their carrying amounts. 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 are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets 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 "employment 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 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.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Financial risk factors

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

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

b. Credit risk

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

The table below summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2016 and 2015.

December 31, 2016	Assets	%	Liabilities	%
Turkey	5,358,947	99	2,567,509	56
European countries	5,926	0	1,542,701	34
Other	24,071	1	474,740	10
	5,388,944	**100**	**4,584,950**	**100**
December 31, 2015	**Assets**	**%**	**Liabilities**	**%**
Turkey	4,440,862	99	1,386,452	37
European countries	6,457	0	2,003,940	53
Other	31,969	1	387,597	10
	4,479,288	**100**	**3,777,989**	**100**

Maximum exposure to credit risk

	December 31, 2016	December 31, 2015
Credit risk exposures relating to balance sheet items:		
Lease receivables, net	5,006,565	4,033,860
Due from banks	280,450	405,285
Derivative financial instruments	22,624	6,658

Further credit risk related disclosures are provided in Note 6.

(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 31 December 2016 and 2015.

		Foreign Currency		
December 31, 2016	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	153,700	88,197	11	241,908
Finance lease receivables (*)	1,501,902	2,286,202	-	3,788,104
Other assets	1,819	4,164	-	5,983
Total assets	**1,657,421**	**2,378,563**	**11**	**4,035,995**
Liabilities				
Borrowings	745,923	1,472,386	-	2,218,309
Debt securities issued	1,023,225	-	47,423	1,070,648
Accounts payable	13,480	65,473	1,769	80,722
Advances from customers	4,128	8,020	1	12,149
Total liabilities	**1,786,756**	**1,545,879**	**49,193**	**3,381,828**
Net balance sheet position	**(129,335)**	**832,684**	**(49,182)**	**654,167**
Off-balance sheet derivative instruments net notional position	**131,137**	**(830,658)**	**46,261**	**(653,260)**
Total net balance sheet position (**)	**1,802**	**2,026**	**(2,921)**	**907**

(*) Foreign currency follow-up loans that are not subject to evaluation amounting to TL 17,532 are not presented in the currency risk.

(**) 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 8,578, for EUR -TL (885) and for other currency TL (1,154) which is in total of TL 6,539.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2015	US$ (TL Equivalent)	Foreign Currency EUR (TL Equivalent)	Other (TL Equivalent)	Total
Assets				
Due from banks	115,275	202,820	496	318,591
Finance lease receivables (*)	1,471,201	1,486,348	283	2,957,832
Other assets	2,550	4,749	15	7,314
Total assets	**1,589,026**	**1,693,917**	**794**	**3,283,737**
Liabilities				
Borrowings	717,874	1,265,596	-	1,983,470
Debt securities issued	895,595	-	81,603	977,198
Accounts payable	32,961	19,980	1,502	54,443
Advances from customers	6,585	8,394	16	14,995
Total liabilities	**1,653,015**	**1,293,970**	**83,121**	**3,030,106**
Net balance sheet position	**(63,989)**	**399,947**	**(82,327)**	**253,631**
Off-balance sheet derivative instruments net notional position	**42,989**	**(392,082)**	**80,650**	**(268,443)**
Total net balance sheet position (**)	**(21,000)**	**7,865**	**(1,677)**	**(14,812)**

(*) Foreign currency follow-up loans that are not subject to evaluation amounting to TL 24,899 are not presented in the currency risk.

(**) 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 (4.298), for EUR -TL 3,107 and for other currency TL (177) which is in total of TL (1,368).

At 31 December 2016, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL 3.5192=US$1 and TL 3.7099=EUR1 (2015 – TL 2.9076=US$1 and 3.1776=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, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Profit and Loss	33	(2,100)	202	787

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

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 re-pricing 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 2016 would decrease by TL 10,707 (2015 –increase by TL 2,985). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

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, 2016	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	280,450	-	-	280,450
Finance lease receivables	1,532,361	1,026,123	2,152,862	4,711,346
Derivative financial instruments	22,624	-	-	22,624
Total assets	**1,835,435**	**1,026,123**	**2,152,862**	**5,014,420**
Liabilities				
Borrowings	876,307	1,035,518	784,290	2,696,115
Debt securities issued	353,887	239,441	1,034,256	1,627,584
Derivative financial instruments	107,477	-	-	107,477
Total liabilities	**1,337,671**	**1,274,959**	**1,818,546**	**4,431,176**
Net re-pricing gap	**497,764**	**(248,836)**	**334,316**	**583,244**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2015	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	405,285	-	-	405,285
Finance lease receivables	1,474,727	671,090	1,667,440	3,813,257
Derivative financial instruments	6,658	-	-	6,658
Total assets	**1,886,670**	**671,090**	**1,667,440**	**4,225,200**
Liabilities				
Borrowings	803,615	969,301	642,975	2,415,891
Debt securities issued	189,590	172,995	819,833	1,182,418
Derivative financial instruments	56,576	-	-	56,576
Total liabilities	**1,049,781**	**1,142,296**	**1,462,808**	**3,654,885**
Net re-pricing gap	**836,889**	**(471,206)**	**204,632**	**570,315**

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, 2016	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	237,360	714,775	1,988,098	2,940,233
Debt securities issued	296,190	232,167	1,228,178	1,756,535
Accounts payable	112,389	-	-	112,389
Advances from customers	22,116	-	-	22,116
Total liabilities	**668,055**	**946,942**	**3,216,276**	**4,831,273**
Cash inflow / (outflow) from derivative financial instruments, net	386	(5,980)	10,604	5,010

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

December 31, 2015	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	285,743	798,993	1,536,798	2,621,534
Debt securities issued	93,139	262,149	930,491	1,285,779
Accounts payable	91,680	-	-	91,680
Advances from customers	22,654	-	-	22,654
Total liabilities	**493,216**	**1,061,142**	**2,467,289**	**4,021,647**
Cash inflow / (outflow) from derivative financial instruments, net	5,241	(3,230)	2,591	4,602

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	
	2016	**2015**	**2016**	**2015**
Finance lease receivables	5,006,565	4,033,860	4,807,435	3,918,192
Borrowings	2,696,115	2,415,891	2,518,353	2,259,896
Debt securities issued	1,627,584	1,182,418	1,537,873	1,101,948

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 2016 are %3.95, %2.80 and %11.29 respectively. (31 December 2015 are %3.61, %2.96 and %11.04, respectively).

The discount rate used to calculate the fair value of US$, EUR and TL finance lease receivables as at 31 December 2016 are %6.23, %4.98 and %13.79 respectively. (31 December 2015 are %6.09, %5.31 and %13.98, respectively).

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy

Fair values of financial assets and liabilities 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.

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, 2016

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	10,684	-
Derivative financial assets held for hedging	-	11,940	-
Finance lease receivables	-	4,807,435	-
Total assets	**-**	**4,830,059**	**-**
Derivative financial liabilities held for trading	-	69,238	-
Derivative financial liabilities held for hedging	-	38,239	-
Borrowings	-	2,518,353	-
Debt securities issued	-	1,537,873	-
Total liabilities	**-**	**4,163,703**	**-**

December 31, 2015

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	2,288	-
Derivative financial assets held for hedging	-	4,370	-
Finance lease receivables	-	3,918,192	-
Total assets	**-**	**3,924,850**	**-**
Derivative financial liabilities held for trading	-	32,697	-
Derivative financial liabilities held for hedging	-	23,879	-
Borrowings	-	2,259,896	-
Debt securities issued	-	1,101,948	-
Total liabilities	**-**	**3,418,420**	**-**

(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 December 31, 2016 and 2015.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, 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 – CASH AND CASH EQUIVALENTS

	December 31, 2016			December 31, 2015		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks						
-demand deposits	19,350	1,494	20,844	20,080	3,594	23,674
-time deposits	222,560	37,046	259,606	298,511	83,100	381,611
Total due from banks	**241,910**	**38,540**	**280,450**	**318,591**	**86,694**	**405,285**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	December 31, 2016	December 31, 2015
Gross finance lease receivables	5,567,885	4,542,385
Unearned finance income	(856,539)	(729,128)
	4,711,346	**3,813,257**
Invoiced lease receivables	49,783	33,300
Impaired lease receivables	153,422	114,268
Provision for impaired lease receivables	(118,609)	(81,258)
	4,795,942	**3,879,567**
Equipments to be leased	83,239	65,010
Advances to vendors	127,384	89,283
Net finance lease receivables	**5,006,565**	**4,033,860**

At 31 December 2016 and 2015 the finance lease receivables according to their interest type are as follows:

Gross finance lease receivables:	December 31, 2016	December 31, 2015
Fixed rate	3,751,437	2,970,089
Floating rate	1,816,448	1,572,296
	5,567,885	**4,542,385**

At 31 December 2016 and 2015 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross December 31, 2016**	**Net performing December 31, 2016**
31 December 2017	1,601,114	1,236,514
31 December 2018	1,248,618	1,024,171
31 December 2019	932,451	780,874
31 December 2020	677,249	579,022
31 December 2021 and after	1,108,453	1,090,765
	5,567,885	**4,711,346**

(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, 2015	Net performing December 31, 2015
31 December 2016	1,294,603	1,060,962
31 December 2017	1,019,747	832,075
31 December 2018	784,339	656,898
31 December 2019	550,798	468,864
31 December 2020 and after	892,898	794,458
	4,542,385	**3,813,257**

Finance lease receivables can be analyzed as follows:

Year Ending	December 31, 2016	December 31, 2015
Neither past due nor impaired	4,711,346	3,813,257
Past due but not impaired	49,783	33,300
Impaired	153,422	114,268
Gross	**4,914,551**	**3,960,825**
Less: allowances for impairment	(118,609)	(81,258)
Net finance lease receivables	**4,795,942**	**3,879,567**

The total impairment provision for finance lease receivables at December 31, 2016 is TL 118,609 (2015 – TL 81,258) of which TL 89,222 (2015 – TL 63,928) represents the individually impaired loans and of which TL 29.387 (2015 – TL 17,330) 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 converted into cash by selling the related assets.

Collateral in the form of mortgages on property amounting to TL 69,941 (December 31, 2015: TL 61,963) has been obtained for impaired finance lease receivables amounting to TL 153,422 (December 31, 2015 – TL 114,268).

(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 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	6,420	106,926	9,741	150,787
30-60 days	4,231	56,312	1,632	16,477
60 -150 days	39,132	283,393	21,927	161,327
	49,783	**446,631**	**33,300**	**328,591**

Movements in provision for impaired finance lease receivables for the years ended 31 December 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
At 1 January	**81,258**	**63,790**
Impairment expense during the year	45,008	21,715
Recoveries of amounts previously provided for	(7,657)	(4,247)
At 31 December	**118.609**	**81,258**

(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 2016 and 2015 are as follows:

	December 31, 2016	%	December 31, 2015	%
Construction	938,730	17%	568,909	13%
Transportation	768,236	14%	628,812	14%
Steel and mining	556,282	10%	459,075	10%
Textile	493,791	9%	420,622	9%
Food and beverage	371,884	7%	383,837	8%
Tourism	363,204	7%	298,595	7%
Health	323,248	6%	342,774	8%
Production	322,774	6%	206,715	5%
Energy and natural resources	226,629	4%	222,582	5%
Wholesale and retail trade	162,054	3%	190,294	4%
Automotive	118,069	2%	120,828	3%
Chemistry	105,728	2%	52,877	1%
Agriculture	103,558	2%	113,637	3%
Financial institutions	85,319	2%	93,877	2%
Petroleum and chemistry	81,541	1%	41,704	1%
Printing	27,157	0%	30,351	1%
Technology, telecommunication, media and entertainment	15,727	0%	40,039	1%
Education	12,552	0%	14,383	0%
Other	491,402	9%	312,474	7%
	5,567,885	**100%**	**4,542,385**	**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 2016 and 2015.

As of 31 December 2016, the restructured lease receivables amounted to TL 2,931 (2015 – TL 3,839).

(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, 2016			
Derivatives held for trading:			
Foreign exchange derivatives	**1,729,586**	**10,684**	**69,238**
Forward and currency swap transactions	1,635,241	10,618	69,219
Interest rate derivatives			
Interest rate swap transactions	94,345	66	19
Derivatives held for hedging:	**467,893**	**11,940**	**38,239**
Derivatives designated as fair value hedges:			
Cross currency swap transactions	233,267	909	37,893
Interest rate swap transactions	89,428	229	-
Derivatives designated as cash flow hedges:			
Cross currency swap transactions	94,353	10,802	-
Interest rate swap transactions	50,845	-	346
Total Over the Counter ("OTC")	**2,197,479**	**22,624**	**107,477**

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 2015			
Derivatives held for trading:			
Foreign exchange derivatives	**659,783**	**2,288**	**32,697**
Forward and currency swap transactions	518,724	2,189	32,406
Interest rate derivatives			
Interest rate swap transactions	141,059	99	291
Derivatives held for hedging:	**709,329**	**4,370**	**23,879**
Derivatives designated as fair value hedges:			
Cross currency swap transactions	260,006	527	22,447
Interest rate swap transactions	86,666	47	-
Derivatives designated as cash flow hedges:			
Cross currency swap transactions	311,849	3,796	1.249
Interest rate swap transactions	50,808	-	183
Total Over the Counter ("OTC")	**1,369,112**	**6,658**	**56,576**

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).

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Information regarding to hedge accounting as of 31 December 2016 and 2015 are summarized below;

-Information regarding fair value hedge accounting:

As at 31 December 2016 and 2015 Information regarding fair value hedge accounting are summarized below:

The Company has entered into fair value hedge transaction in order to hedge fair risk of its fixed rate issued debt securities with its cross currency swaps. Fair value change of hedged item is TL (649) (December 31, 2015: TL (448)).

The Company has decided to implement fair value hedging strategy in order to provide hedging through fixed interest TL sales part of cross currency swap transaction (Cross Currency IRS) against fair value risk which shall arise due to changes in market interests of long term principal payment TL fixed interest credit included in its liabilities in scope of interest rate risk management.

The Company has decided to implement fair value hedging strategy in order to provide hedging through fixed interest USD purchase part of cross currency swap transaction (Cross Currency IRS) against fair value risk which shall arise due to changes in USD/TL exchange rate changes in USD financial leasing receivables included in its assets in scope of exchange rate risk management. Fair value change following the commencement of hedge accounting of loans, which are hedged items, is TL 849 (December 31, 2015: TL 2,747).

Fixed rate financial leasing transaction of the Company is entreated to accounting hedge with interest swap transaction against fair value changes sourcing from changes in market interest rates. Fair value change of fixed rate financial leasing transaction which is the hedged item is TL (246) following the beginning of accounting hedge (December 31, 2015: TL (93)).

All fair value hedged transactions have been found to be effective as of December 31, 2016.

-Information regarding cash flow hedge:

Within the subject of interest rate and currency risk management, the Company has decided to implement cash flow hedge strategy in order to take protection via cross-currency swap transaction against the cash flow risk that might occur due to both change in market interest rates and currency rates for foreign currency borrowings. Cumulative gain/ (loss) recognized under other comprehensive income since the beginning of hedge amounts to TL 274 (December 31, 2015: TL (1,830)).

Within the subject of interest rate and currency risk management, the Company has decided to implement cash flow hedge strategy in order to take protection via cross-currency swap transaction against the cash flow risk that might occur due to both change in market interest rates and currency rates for issued Eurobond; at the same time, change in currency rates onto financial lease receivables these are booked under assets. Related transaction have closed on its maturity date at February 11, 2016, (December 31, 2015: TL 478).

All cash flow hedge transactions have been found to be effective as of December 31, 2016.

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

- **Information on transactions, whose hedge accounting do not continue since the hedging instrument is expired, realized, sold or the hedge accounting is terminated or the effectiveness test is not effective, is as follows:**

-Information regarding fair value hedge accounting:

During 2016, the Company discontinued fair value hedge accounting for debt securities with cross-currency swap against the fair value changes sourcing from changes in market interest rates. As of December 31, 2016 unamortized portion of fair value adjustments on the hedged item is TL 255 (December 31, 2015: TL 616).

-Information regarding cash flow hedge:

Floating rate foreign currency borrowings of the Company is subject to hedge accounting by interest swap transaction against cash flow changes sourcing from changes in market interest rates. Cumulative gain/ (loss) recognized under other comprehensive income from the beginning of hedge amounts to TL (281) (December 31, 2015: TL 76).

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	31 December 2016	31 December 2015
Deferred VAT	18,334	11,747
Insurance, notary and other receivables	12,818	13,194
Prepaid expenses	587	734
Other	1,306	1,166
	33,045	**26,841**

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

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment:

	1 January 2016	Additions	Disposals	Transfer	31 December 2016
Cost					
Land improvements	-	-	-	-	-
Furniture and fixtures	513	8	-	-	521
Leasehold improvements	727	10	-	-	737
Office equipment and motor vehicles	589	294	-	-	883
	1,829				**2,141**
Accumulated depreciation					
Land improvements	-	-	-	-	-
Furniture and fixtures	371	88	-	-	459
Leasehold improvements	565	125	-	-	690
Office equipment and motor vehicles	355	182	-	-	537
	1,291	**395**	**-**	**-**	**1,686**
Net book value	**538**				**455**

	1 January 2015	Additions	Disposals	Transfer	31 December 2015
Cost					
Land improvements	-	-	-	-	-
Furniture and fixtures	498	15	-	-	513
Leasehold improvements	727	-	-	-	727
Office equipment and motor vehicles	499	116	(26)	-	589
	1,724	**131**	**(26)**	**-**	**1,829**
Accumulated depreciation					
Land improvements	-	-	-	-	-
Furniture and fixtures	275	96	-	-	371
Leasehold improvements	419	146	-	-	565
Office equipment and motor vehicles	274	100	(19)	-	355
	968	**342**	**(19)**	**-**	**1,291**
Net book value	**756**				**538**

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

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

Intangible assets

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights	2,221	1,655	-	3,876
	2,221	**1,655**	**-**	**3,876**
Accumulated amortization				
Rights	1,623	518	-	2,141
	1,623	**518**	**-**	**2,141**
Net book value	**598**			**1,735**

	1 January 2015	Additions	Disposals	31 December 2015
Cost				
Rights	1,797	424	-	2,221
	1,797	**424**	**-**	**2,221**
Accumulated amortization				
Rights	1,252	371	-	1,623
	1,252	**371**	**-**	**1,623**
Net book value	**545**			**598**

NOTE 10 - ASSETS HELD FOR SALE

	31 December 2016	31 December 2015
Foreclosure assets	31,845	329
	31,845	**329**

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

NOTE 11 - BORROWINGS

	December 31, 2016			December 31, 2015		
	Interest rates per annum (%)	Balance in original currency	TL	Interest rates per annum (%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
EUR	1.75	30,027	111,399	2.78	67,670	201,806
US$	3.57	23,613	83,100	4.28	18,044	52,463
TL	10.68	380,899	350,899	10.63	456,414	456,414
Floating rate borrowings:						
EUR	2.29	36,851	136,715	2.51	32,593	97,199
US$	2.73	27,392	96,397	2.15	112,144	326,071
Total domestic borrowing			**778,510**			**1,133,953**
Foreign borrowings						
Fixed rate borrowings:						
EUR	2.90	128,654	477,295	3.30	141,249	421,262
US$	3.70	46,679	164,273	2.50	21,568	58,180
TL	11.88	126,907	126,907	-	-	-
Floating rate borrowings:						
EUR	1.84	201,354	747,003	1.76	175,471	523,289
US$	2.83	114,267	402,127	2.39	103,937	279,207
Total foreign borrowings			**1,917,605**			**1,281,938**
Total borrowings			**2,696,115**			**2,415,891**

	31 December 2016	31 December 2015
Short Term Borrowings	862,122	1,062,554
Long Term Borrowings	1,833,993	1,353,337
	2,696,115	**2,415,891**

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

NOTE 12 -DEBT SECURITIES ISSUED

	31 December 2016	31 December 2015
Debt securities issued (*)	556,936	205,220
Eurobond (**)	1,070,648	977,198
	1,627,584	**1,182,418**

(*) As of December 31, 2016 debt securities issued comprise discount bonds at nominal amounts of 107,000 TL issued on 15 June 2016, 113,000 TL issued on 23 September 2016, 60,000 TL issued on 7 November 2016, 75,000 TL issued on 16 November 2016 and 65,000 TL issued on 30 December 2016 and the maturities of the aforementioned bonds are 10 January 2017, 21 March 2017, 4 May 2017, 12 May 2017 and 31 march 2017 respectively. Beside, debt securities issued at comprise floating rate bonds at nominal amounts of 75,000 TL issued on 16 November 2016 and 70,000 TL issued on 16 November 2016 and the maturities of the aforementioned bonds are 14 November 2018 and 13 November 2019.

(**) 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 Global Medium Term Note Programme providing opportunity for making export in different currencies on 23 December 2013. 28 export transactions were made under the programme as of 31 December 2016 having balances of HUF 700 million, CZK 275 million and USD 38.8 million (HUF 700 million, CZK 625 million and USD 55.6 million as of 31 December 2015).

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 2016 amount to TL 112,389 (2015 – TL 91,680).

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 2016 amount to TL 22,116 (2015 – TL 22,654).

NOTE 14 - OTHER LIABILITIES

	31 December 2016	31 December 2015
Accrual for personnel performance bonus	1,618	1,500
Withholding taxes and duties payable	928	627
Provision for lawsuit	460	457
Other	136	25
	3,142	**2,609**

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

NOTE 15 - EMPLOYMENT BENEFITS (Continued)

NOTE 15 - EMPLOYMENT BENEFITS

	31 December 2016	31 December 2015
Provision for unused vacation	841	928
Reserve for employment termination benefits	659	650
	1,500	**1,578**

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 4,297.21 (31 December 2015 – TL 3,828.37) (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 2016 and 2015:

	December 31, 2016	December 31, 2015
Discount rate (%)	4.23	3.62
Turnover rate to estimate the probability of retirement (%)	92.86	92.50

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 4,297.21 (in full "TL" amount) which is effective as of July 1, 2016 has been taken into consideration in calculating the provision for employment termination benefits of the Company (TL 3.828,37 (in full "TL" amount) which was effective from 1 September 2015 as of 31 December 2015).

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

	31 December 2016	31 December 2015
At 1 January	**650**	**554**
Paid during the year	(246)	(382)
Increase during the year	255	478
At 31 December	**659**	**650**

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

NOTE 16 - TAXATION

	31 December 2016	31 December 2015
Current tax charge	(33,067)	(33,117)
Deferred tax charge	6,789	9,712
	(26,278)	**(23,405)**

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 2016	31 December 2015
Income taxes currently payable	33,067	33,117
Prepaid taxes	(18,440)	(28,534)
Income taxes payable / (asset)	**14,627**	**4,583**

(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, 2016	December 31, 2015
Profit before taxes	129,999	118,229
Theoretical tax expense with 20% tax rate	(26,000)	(23,646)
Non-deductible expenses and others	(278)	241
Current year tax (expense)	**(26,278)**	**(23,405)**

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)	
	2016	2015	2016	2015
Provision for leasing receivables	24,376	16,061	4,875	3,212
Valuation of derivative financial instruments	107,477	56,576	21,495	11,315
Provision for personnel bonus	1,618	1,500	324	300
Provision for unused vacation	842	928	168	186
Provision for employment termination benefits	659	650	132	130
Fair value differences of hedged items, net	408	-	81	-
Provision for legal proceedings	574	457	115	91
Total	**135,954**	**76,172**	**27,190**	**15,234**
Finance Lease Accruals	(51,031)	(39,774)	(10,206)	(7,955)
Valuation of derivative financial instruments	(22,217)	(6,658)	(4,443)	(1,332)
Fair value differences of hedged items, net	-	(2,822)	-	(564)
Valuation of financial liabilities	(595)	(599)	(119)	(120)
Other	(985)	(420)	(197)	(84)
Total	**(74,828)**	**(50,273)**	**(14,965)**	**(10,055)**
Net	**(61,126)**	**25,899**	**12,225**	**5,179**

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

NOTE 17 - SHARE CAPITAL

At 31 December 2016 the Company's authorized share capital consists of TL 24,840,000,000 shares with a par value of Kr 1 each (2015 – TL 24,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 31 December 2016 and 2015, the share capital is as follows:

	31 December 2016		31 December 2015	
	Shares (%)	**TL**	**Shares (%)**	**TL**
Akbank T.A.Ş	99.985	248,363	99.985	248,363
Hacı Ömer Sabancı Holding A.Ş.	0.005	12	0.005	12
Tursa Sabancı Turizm ve Yatırım Hizm A.Ş.	0.005	12	0.005	12
Exsa Export Sanayi Mamul. satış ve araş. A.Ş.	0.003	9	-	-
Ak Yatırım Menkul Değerler A.Ş.	0.002	4	0.002	4
Bimsa Bilgi İşlem A.Ş.	-	-	0.003	9
	100	**248,400**	**100**	**248,400**
Adjustment to share capital		(13,393)		(13,393)
		235,007		**235,007**

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 2016 and 2015 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 2016	31 December 2015
Legal reserves	41,813	33,534

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, 2016	December 31, 2015
Staff costs	15,466	14,163
Legal proceedings and lawyer expense	1,668	2,506
Rent expenses	1,158	1,047
Depreciation and amortization expense (Note 9)	913	713
Audit and consultancy expenses	895	478
Office management expenses	856	825
Advertisement expenses	622	22
Communication expenses	257	145
Taxes and duties other than on income	143	184
Travel expenses	69	70
Other	3,223	2,643
	25,270	**22,796**

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, 2016	December 31, 2015
Due from banks		
Akbank T.A.Ş. (Shareholder)	202,683	391,576
	202,683	**391,576**
Net finance lease receivables – (Leasing transaction)		
Shareholder		
Akbank T.A.Ş.	30,236	86,410
Other related parties		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	85,596	93,645
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	2,577	4,347
	118,409	**184,402**
Other receivables		
Akbank T.A.Ş. (Shareholder)	2,500	-
	2,500	**-**

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

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

Liabilities

Borrowings

	December 31, 2016	December 31, 2015
Akbank T.A.Ş. (Shareholder)	415,159	616,735
Akbank A.G.	149,184	80,075
	564,343	**696,810**

Trade payables

	December 31, 2016	December 31, 2015
Ak Sigorta A.Ş.	7,748	6,955
Akçansa Çimento Sanayi ve Ticaret A.Ş.	77	77
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	4	3
	7,846	**7,052**

b) Transactions with related parties

Interest income from direct finance leases

	December 31, 2016	December 31, 2015
Shareholder		
Akbank T.A.Ş.	7,413	10,033
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	4,062	766
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	527	351
	12,002	**11,150**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	15,650	10,567
	15,650	**10,567**

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

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

	December 31, 2016	December 31, 2015
Commission income		
Akbank T.A.Ş. (Shareholder)	-	15
Ak Sigorta A.Ş. (Other related parties)	2,591	1,937
Other	5	-
	2,596	**1,952**
Commission expense		
Akbank T.A.Ş. (Shareholder)	211	508
Ak Yatırım Menkul Değerler A.Ş.(Shareholder)	1,597	781
	1,808	**1,289**
Interest expense on borrowings		
Akbank T.A.Ş. (Shareholder)	42,057	49,524
Akbank A.G. (Other related parties)	4,049	3,019
	46,106	**52,543**
Personnel expense		
Akbank T.A.Ş. (Shareholder)	112	93
	112	**93**
Rent and service expenses (operating expenses)		
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	1,015	980
Akbank T.A.Ş. (Shareholder)	229	182
	1,244	**1,162**
Gain on derivative instruments		
Akbank T.A.Ş. (Shareholder)	86,391	38,335
	86,391	**38,335**
Losses on derivative instruments		
Akbank T.A.Ş. (Shareholder)	132,908	60,232
	132,908	**60,232**
Remuneration of top management		
Remuneration of top management	**2,058**	**2,260**

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

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

Contingent liabilities

Guarantee obtained from

Akbank T.A.Ş. (Shareholder)	205,572	195,992

Finance lease commitments

Akbank T.A.Ş. (Shareholder)	1,044	21,603

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 2016			
Derivative financial instruments held for trading:			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	-	-	-
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	38,984	4	(19)
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	1,299,121	4,972	(53,070)
Derivative financial instruments held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	216,520	-	(37,893)
Derivative financial instruments held for cash flow hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	94,353	10,802	-
Total	**1,648,978**	**15,778**	**(90,982)**

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 2015			
Derivative financial instruments held for trading:			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	-	-	
Interest rate swap transactions			-
Akbank T.A.Ş. (Shareholder)	62,620	-	
Currency swap transactions			(268)
Akbank T.A.Ş. (Shareholder)	113,817	-	
			(8,060)
Derivative financial instruments held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	245,570	-	
			(22,448)
Derivative financial instruments held for cash flow hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	85,179	1,861	
Total	**507,186**	**1,861**	**(30.776)**

(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 2016 and 2015.

Legal Proceedings

The Company has provided for a total provision of TL 460 against certain open legal cases as of December 31, 2016 (December 31, 2015: TL 457).

Commitments under derivative instruments

	31 December 2016		31 December 2015	
	Nominal Original amount	Nominal TL	Nominal Original amount	Nominal TL
Forward and Swap Purchase Transactions				
USD	101,128	355,889	95,737	278,364
EURO	6,853	25,422	10,972	34,864
TL	647,509	647,509	271,348	271,348
CZK	275,000	37,854	625,000	73,538
HUF	700,000	8,407	700,000	7,112
Total Purchase		**1,075,081**		**665,226**
Forward and Swap Sale Transactions				
USD	63,865	224,753	44,132	235,375
EURO	230,756	856,080	124,919	426,946
TL	41,565	41,565	18,000	41,565
Total Sales		**1,122,398**		**703,886**
Grand Total		**2,197,479**		**1,369,112**

Guarantees given

The Company has given letter of credit and guarantee amounting to TL 464,402 (2015 – TL 380,878) to courts, customs, banks for Hermes covered loans; this amount also covers the aircrafts mortgaged to US Exim and EDC on asset based structured finance transactions. The guarantees given for Hermes covered loans is TL 192,749 (2015 – TL 193,263) and the amount of aircrafts mortgaged is amounting to TL 173,501 (2015 – TL 184,457). The external guarantee which has provided for the credit from Europe Investment Bank is 85,328 TL. The Company has letters of credit in the amount of TL 94,892 (2015 – TL 48,869) and finance lease commitments in the amount of TL 435,583 (2015 – TL 229,824) for the leased asset imports.

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.

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 2016 and 2015 related to the abovementioned tax issue.

NOTE 22 - SUBSEQUENT EVENTS

None.