AK FİNANSAL KİRALAMA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2018 TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

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

Introduction

1. We have reviewed the accompanying condensed interim statement of financial position of Ak Finansal Kiralama A.Ş. (the "Company") as of 30 June 2018 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

3. As discussed in Note 2 to the financial information, for the calculations of impairment provision for finance lease receivables, the Company started to apply the expected credit loss model under IFRS 9, "Financial Instruments" which is effective from 1 January 2018. In accordance with IFRS 9, the provision for impairment of finance lease receivables is based on expected credit loss that needs to be calculated using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Company used rates provided by its parent bank for the calculations of impairment provision for finance lease receivables and did not provide supportable evidence with respect to appropriateness of the data used in the computation of its own expected credit loss. Therefore, we are unable to determine the amount of adjustments, if any, that should be booked to the impairment provision for finance lease receivables, deferred tax assets, retained earnings and net profit for the current period as of 30 June 2018.

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Qualified Conclusion

4. Based on our review, except for the possible effects of the matter on the condensed interim financial statements described in the basis for qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 31 October 2018

AK FİNANSAL KİRALAMA A.Ş.

INDEX TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2018 AND FOR THE SIX-MONTH PERIOD THEN ENDED

CONTENTS **PAGE**

AK FİNANSAL KİRALAMA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

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

ASSETS	**Notes**	**30 June 2018**
Cash and cash equivalents		583,496
Finance lease receivables	7	6,002,746
Other assets and prepaid expenses		54,121
Assets held for sale		156,158
Property and equipment, net		508
Intangible assets, net		1,820
Derivative financial instruments	10	7,978
Deferred tax asset, net		62,323
Total assets		**6,869,150**
LIABILITIES		
Borrowings	8	4,575,090
Debt securities issued	9	1,058,341
Accounts payable		155,544
Advances from customers		73,495
Derivative financial instruments	10	171,678
Other liabilities		3,102
Income tax liability		8,940
Provision for employment benefits		2,609
Total liabilities		**6,048,799**
EQUITY		
Share capital		248,400
Adjustment to share capital		(13,393)
Total paid-in share capital		235,007
Legal reserves		57,737
Hedge reserves		(168)
Retained earnings		490,954
Net profit for the current period		36,821
Total equity		**820,351**
Total liabilities and equity		**6,869,150**

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

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

ASSETS	**Notes**	**31 December 2017**
Cash and cash equivalents		589,082
Finance lease receivables	7	5,813,093
Other assets and prepaid expenses		73,745
Assets held for sale		75,995
Property and equipment, net		421
Intangible assets, net		2,004
Derivative financial instruments	10	19,540
Deferred tax asset, net		35,862
Total assets		**6,609,742**
LIABILITIES		
Borrowings	8	3,559,941
Debt securities issued	9	1,771,598
Accounts payable		221,733
Advances from customers		49,681
Derivative financial instruments	10	121,453
Other liabilities		3,427
Income tax liability		12,990
Provision for employment benefits		2,200
Total liabilities		**5,743,023**
EQUITY		
Share capital		248,400
Adjustment to share capital		(13,393)
Total paid-in share capital		235,007
Legal reserves		50,080
Hedge reserves		166
Retained earnings		518,912
Net profit for the current period		62,554
Total equity		**866,719**
Total liabilities and equity		**6,609,742**

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

	Notes	30 June 2018
Interest and similar income from direct finance leases		243,445
Interest income on placements and transactions with banks		16,775
Total interest and similar income		**260,220**
Interest expense on borrowings		(97,539)
Interest expense on debt securities issued		(73,048)
Net interest income		**89,633**
Foreign exchange gains, including net gains or losses from dealing in foreign currency, net		71,599
Net interest income after foreign exchange gains or losses		**161,232**
Net trading, hedging and fair value loss (-)		(64,904)
Impairment loss on finance lease receivables (-)	7	(47,729)
Recoveries from impaired lease receivables	7	20,738
Other income, net		3,822
Operating expenses (-)		(28,254)
Operating profit		**44,905**
Profit before income tax		**44,905**
Taxation on income (-)		(8,084)
Profit for the period		**36,821**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges		(417)
Tax on cash flow hedge		83
Net other comprehensive loss for the period (-)		**(334)**
Total comprehensive income		**36,487**
Profit for the period:		
Basic earnings per share (full TL)	13	0.0015
Diluted earnings per share (full TL)	13	0.0015

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

AK FİNANSAL KİRALAMA A.Ş.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

	Notes	30 June 2017
Interest and similar income from direct finance leases		194,225
Interest income on placements and transactions with banks		10,127
Total interest and similar income		**204,352**
Interest expense on borrowings		(62,738)
Interest expense on debt securities issued		(61,529)
Net interest income		**80,085**
Foreign exchange gains, including net gains or losses from dealing in foreign currency, net		45,338
Net interest income after foreign exchange gains or losses		**125,423**
Net trading, hedging and fair value loss (-)		(16,841)
Impairment loss on finance lease receivables (-)	7	(41,695)
Recoveries from impaired lease receivables	7	8,865
Other income, net		1,297
Operating expenses (-)		(13,850)
Operating profit		**63,199**
Profit before income tax		**63,199**
Taxation on income (-)		(12,637)
Profit for the period		**50,562**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges		246
Tax on cash flow hedge		(49)
Net other comprehensive income for the period		**197**
Total comprehensive income		**50,759**
Profit for the period:		
Basic earnings per share (full TL)	13	0.0020
Diluted earnings per share (full TL)	13	0.0020

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

The accompanying policies and explanatory notes are an integral part of these condensed financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

	Paid in share capital						
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2017	**248,400**	**(13,393)**	**235,007**	**41,813**	**(5)**	**527,179**	**803,994**
Transfers to legal reserves	-	-	-	8,267	-	(8,267)	-
Total comprehensive income	-	-	-	-	197	50,562	50,759
- Net profit for the period	-	-	-	-	-	50,562	50,562
-Other comprehensive income, net	-	-	-	-	197	-	197
Balance at 30 June 2017	**248,400**	**(13,393)**	**235,007**	**50,080**	**192**	**569,474**	**854,753**

	Paid in share capital						
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 31 December 2017 (*)	**248,400**	**(13,393)**	**235,007**	**50,080**	**166**	**581,466**	**866,719**
First time adoption impact of IFRS 9, net	-	-	-	-	-	(82,855)	(82,855)
Balance at 1 January 2018 (*)	**248,400**	**(13,393)**	**235,007**	**50,080**	**166**	**498,611**	**783,864**
Transfers to legal reserves	-	-	-	7,657	-	(7,657)	-
Total comprehensive income	-	-	-	-	(334)	36,821	36,487
- Net profit for the period	-	-	-	-	-	36,821	36,821
-Other comprehensive loss, net (-)	-	-	-	-	(334)	-	(334)
Balance at 30 June 2018	**248,400**	**(13,393)**	**235,007**	**57,737**	**(168)**	**527,775**	**820,351**

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules (Note 4).

The accompanying policies and explanatory notes are an integral part of these condensed financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

	Notes	30 June 2018
Cash flows from operating activities		
Net profit for the period		36,821
Adjustments for:		
Depreciation and amortization		654
Re-measurement of derivative financial instruments at fair value		61,787
Provision for employment termination benefits		184
Provision for unused vacation		256
Provision for legal proceedings		(84)
Provision for personnel performance bonus		1,065
Provision for impaired receivables	7	47,729
Provision for impaired asset held for sale		12,390
Deferred tax charge		(5,704)
Corporate tax charge		13,788
Interest income, net (-)		(89,633)
Net foreign exchange loss related to cash and funds borrowed		597,791
Cash flows from operating profit before changes in operating assets and liabilities		**677,044**
Changes in operating assets and liabilities		
Net increase in finance lease receivables (-)		(338,422)
Net increase in other assets and prepaid expenses (-)		(72,929)
Net decrease in accounts payables (-)		(66,189)
Net increase in advances from customers		23,814
Net decrease in other liabilities (-)		(325)
Personnel performance bonus paid (-)		(1,107)
Employment termination benefits paid (-)		(9)
Interest received		255,946
Interest paid (-)		(167,056)
Taxes paid (-)		(17,838)
Net cash provided by operating activities		**292,929**
Cash flows from investing activities		
Purchase of property and equipment and intangibles (-)		(557)
Net cash used in investing activities (-)		**(557)**
Cash flows from financing activities		
Proceeds from debt securities issued		921,315
Repayments of debt securities issued		(1,780,840)
Proceeds from borrowings		1,290,150
Repayments of borrowings		(753,994)
Net cash used in financing activities (-)		**(323,369)**
Net decrease in cash and cash equivalents (-)		**(30,997)**
Effect of foreign exchange rate changes on cash and cash equivalents		24,901
Cash and cash equivalents at the beginning of the period		587,846
Cash and cash equivalents at the end of the period		**581,750**

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality 2017 financial statements are presented separately.

The accompanying policies and explanatory notes are an integral part of these condensed financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

	Notes	30 June 2017
Cash flows from operating activities		
Net profit for the period		50,562
Adjustments for:		
Depreciation and amortization		541
Re-measurement of derivative financial instruments at fair value		16,978
Provision for employment termination benefits		109
Provision for unused vacation		88
Provision for legal proceedings		(139)
Provision for personnel performance bonus		205
Provision for impaired receivables	7	41,695
Deferred tax charge		(4,094)
Corporate tax charge		16,731
Interest income, net (-)		(78,707)
Net foreign exchange loss related to cash and funds borrowed		100,433
Cash flows from operating profit before changes in operating assets and liabilities		**144,402**
Changes in operating assets and liabilities		
Net increase in finance lease receivables (-)		(484,659)
Net decrease in other assets and prepaid expenses (-)		(8,458)
Net increase in accounts payables		165,798
Net decrease in other liabilities (-)		(755)
Other changes in operating assets and liabilities		21,551
Personnel performance bonus paid (-)		(900)
Employment termination benefits paid (-)		(30)
Interest received		187,860
Interest paid (-)		(108,805)
Taxes paid (-)		(24,448)
Net cash used in operating activities (-)		**(108,444)**
Cash flows from investing activities		
Purchase of property and equipment and intangibles (-)		(852)
Net cash used in investing activities (-)		**(852)**
Cash flows from financing activities		
Proceeds from debt securities issued		743,725
Repayments of debt securities issued (-)		(620,511)
Proceeds from borrowings		657,010
Repayments of borrowings (-)		(538,361)
Net cash provided by financing activities		**241,863**
Net increase in cash and cash equivalents		**132,567**
Effect of foreign exchange rate changes on cash and cash equivalents		9,438
Cash and cash equivalents at the beginning of the period		280,450
Cash and cash equivalents at the end of the period		**422,455**

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

The accompanying policies and explanatory notes are an integral part of these condensed financial statements.

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

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. ("Akbank") 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 and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.Ş. and as at 30 June 2018, the Company employs 73 employees (31 December 2017: 72 employees).

These financial statements as of and for the period ended 30 June 2018 have been approved on 31 October 2018 by the Company management.

NOTE 2 - BASIS OF PRESENTATION

2.1 Basis of Presentation

These interim condensed financial statements for the period ended 30 June 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2017. The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 9, "Financial Instruments". The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. The impact of the adoption of this standard and the new accounting policies are disclosed below in Note 4. The other new standards did not have any significant impact on the Company's accounting policies.

2.2 Accounting Policies, Judgements and Estimates

The application of IFRS 9, "Financial Instruments" to the condensed financial statements is summarised below:

Financial Assets

The Company classifies and recognizes its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in the section below related to the classification and measurement of financial instruments of "IFRS 9 Financial Instruments". At initial recognition, financial assets are measured at fair value. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 Accounting Policies, Judgements and Estimates (Continued)

The Company recognizes a financial asset in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. When the business model determined by the Company's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

Financial Assets at Fair Value through Profit or Loss

"Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Equity securities classified as financial assets at fair value through profit or loss are carried at fair value.

Financial Assets at Fair Value through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are initially recognized at their fair value plus transaction costs, if any. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income on debt instruments at fair value through other comprehensive income that is calculated using the effective interest method is reflected in the statement of income. The difference between the fair value of the debt instruments at fair value through other comprehensive income and the amortized cost of the financial assets, net of expected loss impairment allowance, i.e. "Unrealized gains and losses", is not recognized in the statement of income until the realization of the financial asset, i.e. the sale of the asset or its other disposal.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition, the Company can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 Accounting Policies, Judgements and Estimates (Continued)

Financial Assets Measured at Amortised Cost

A financial asset is classified as a financial asset measured at amortized cost when it is held within a business model to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal or interest.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs, if any, which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Derivatives

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

Derivative financial instruments of the Company are classified under IFRS 9 "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in the statement of financial position only when it becomes a party to the contractual provisions of the instrument.

The Company recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

The Company derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Company has also assumed an obligation to pay them in full without material delay to a third party; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 Accounting Policies, Judgements and Estimates (Continued)

The Company does not have any assets where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Company's continuing involvement in the asset.

The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment

"Expected credit loss model" defined in IFRS 9, "Financial Instruments" superseded the "incurred credit loss model" in IAS 39, "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. In accordance with IFRS 9, the expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions and forecasts of future economic conditions

The Company allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Company recognize provisions for impairment in accordance with IFRS 9 requirements:

General model

The Company identifies three 'stages' that correspond each to a specific status with regards to the evolution of counterparty credit risk since the initial recognition of the asset.

- 12-month expected credit losses ('stage 1'): If at the reporting date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is impaired at an amount equal to 12-month expected credit losses (resulting from the risk of default within the next 12 months).

- Lifetime expected credit losses for non-impaired assets ('stage 2'): The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk of the financial instrument has increased significantly since initial recognition, but the financial asset is not credit impaired.

- Lifetime expected credit losses for credit-impaired financial assets ('stage 3'): when an asset is "credit-impaired", the loss allowance is also measured for an amount equal to the lifetime expected credit losses.

This general model is applied to all instruments within the scope of IFRS 9 impairment.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 Accounting Policies, Judgements and Estimates (Continued)

The IFRS 9 expected credit loss approach is symmetrical, i.e. if lifetime expected credit losses have been recognized in a previous reporting period, and if it is assessed in the current reporting period that there is no longer any significant increase in credit risk since initial recognition, the loss allowance reverts to a 12-months expected credit loss.

Definition of default

The definition of default is consistent with the definition used for internal credit risk management purposes for the finance lease receivables and aligned with the IFRS 9 default definition, with a rebuttable presumption that the default occurs no later than 90 days past-due. The definition of default is used consistently for assessing the increase in credit risk and measuring expected credit losses.

Credit impaired financial assets

Definition

A financial asset is credit-impaired and classified in 'stage 3' when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

At an individual level, objective evidence that a financial asset is credit impaired includes observable data regarding the following events: the existence of accounts that are more than 90 days past due; knowledge or indications that the borrower meets significant financial difficulties, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments.

Significant increase in credit risk

Significant increase in credit risk is assessed on an individual basis taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

Assessment of deterioration is based on the comparison of the probabilities of default or the ratings on the date of initial recognition with those existing at the reporting date.

There is also, according to the standard, a rebuttable presumption that the credit risk of an instrument has significantly increased since initial recognition when the contractual payments are more than 30 days past due.

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses (i.e. the present value of all cash shortfalls) weighted by the probability of occurrence of these losses over the expected life of financial instrument. They are measured on an individual basis, for all exposures.

In practice, for exposures classified in stage 1 and stage 2, expected credit losses are measured as the product of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), discounted at the effective interest rate of the exposure (EIR). They result from the risk of default within the next 12 months (stage 1), or from the risk of default over the maturity of the facility (stage 2).

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 Accounting Policies, Judgements and Estimates (Continued)

For exposures classified in stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument. Cash shortfalls represent the difference between the cash-flows that are due in accordance with the contract, and the cash-flows that are expected to be received.

The Company used rates provided by its Parent Bank, Akbank, for the calculations of impairment provision for finance lease receivables as the customer portfolio of the Company is almost same with Akbank and the joint customer limits are approved by Akbank.

The Company has also evaluated the calculated provision amount for its customers of which total exposure is TL 5,000 and classified as Stage 2 and Stage 3 by individual assessment. With respect to this evaluation process, the Company management has decided whether any additional provision is needed or not. In this context, the Company has booked an additional provision of TL 69,205 as a result of the individual assessment.

Probability of Default ("PD")

The Probability of Default is an estimate of the likelihood of default over a given time horizon.

The measurement of expected credit losses requires the estimation of both 1 year probabilities of default and lifetime probabilities of default.

Loss Given Default ("LGD")

The Loss Given Default is the difference between the contractual cash-flows and the expected cash-flows, discounted using the effective interest rate at the default date. The LGD is expressed as a percentage of the EAD.

Exposure at Default ("EAD")

The Exposure at Default (EAD) of an instrument is the anticipated outstanding amount owed by the obligor at the time of default.

Forward looking

The amount of expected credit losses is measured on the basis of probability-weighted scenarios, in view of past events, current conditions and reasonable and supportable economic forecasts.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.3 Explanations on Prior Period Accounting Policies not Valid for the Current Period

Allowance for impairment of lease receivables

In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of lease receivables and individual lease receivables.

Finance lease receivables with principal and/or interest overdue for more than 150 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on finance lease receivables has been incurred, the amount of the loss is measured based on the difference between the carrying amount and the estimated recoverable amount of the finance lease receivables. The estimated recoverable amount of a collateralized finance lease receivables is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the statement of income.

The Company first assesses whether objective evidence for impairment exists individually for finance lease receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence for impairment exists for an individually assessed finance lease receivables, whether significant or not, the asset is included in a group of finance lease receivables with similar credit risk characteristics and that group of finance lease receivables is collectively assessed for impairment. Finance lease receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in statement of comprehensive income, to the extent that the carrying value of the finance lease receivables does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a finance lease receivables is deemed uncollectible or in the case of debt forgiveness. Such finance lease receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in statement of comprehensive income.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.4 New and Revised International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2018:

i) **IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Refer to the Section 2.2 for new accounting policies based on IFRS 9.

ii) **IFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard improves the financial reporting of revenue and comparability of the top line in financial statements globally.

iii) **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

iv) **Amendments to IFRS 4, 'Insurance contracts',** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

v) **Amendment to IAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.4 New and Revised International Financial Reporting Standards (Continued)

vi) **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

vii) **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
- IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,

viii) **IFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b) ***Standards, amendments and interpretations that are issued but not effective as at 30 June 2018:***

i) **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

ii) **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.4 New and Revised International Financial Reporting Standards (Continued)

iii) **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far- reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has started to work on compliance with the IFRS 16 Leases Standard effective from 1 January 2019 and continues its works in order to comply with related standard.

iv) **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

v) **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

vi) **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.4 New and Revised International Financial Reporting Standards (Continued)

vii) **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The new standards, amendments and interpretations which will be effective after 1 January 2018 are not expected to have a material impact on the Company's financial statements, except IFRS 16. The Company is still assessing the impact of IFRS 16, "Leases" Standard, which will be effective from 1 January 2019.

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9, "Financial Instruments".

NOTE 3 - SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

None.

NOTE 4 - IMPACTS OF PRESENTATION CHANGES AND OF THE FIRST TIME ADOPTION OF IFRS 9

"IFRS 9 Financial Instruments", which is effective from 1 January 2018 has been applied. The aim of the standard is to determine the financial reporting principles on financial assets and financial liabilities. The Company has applied the classification, measurement and impairment requirements by adjusting the opening balance sheet and opening equity at 1 January 2018, without restatement of the comparative financial statements.

IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting. IFRS 9 permits not to apply the standard's principles on hedge accounting and to continue to apply hedge accounting principles of IAS 39. The Company continues to comply with all principles of IAS 39 for hedge accounting based on the analyses made so far.

The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Due to the impracticality, 2017 financial statements are presented separately.

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

NOTE 4 - IMPACTS OF PRESENTATION CHANGES AND OF THE FIRST TIME ADOPTION OF IFRS 9 (Continued)

a) Classification and measurement of financial instruments

According to IFRS 9, each financial asset will be classified as either amortized cost, fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI") in accordance with the business model and the contractual cash flow characteristics. The business model is determined by the Company in terms of the manner in which assets are managed and their performance is reported.

	Before IFRS 9		After IFRS 9	
	Basis of Measurement	**Book value**	**Basis of Measurement**	**Book value**
Financial Assets		**31 December 2017**		**1 January 2018**
Cash and cash equivalents	Amortised cost	589,082	Amortised cost	589,082
Finance lease receivables, net	Amortised cost	5,813,093	Amortised cost	5,709,524

b) Financial statement confirmation of financial assets at IFRS 9 transition:

	Book Value Before IFRS 9	Reclassifications	Remeasurement	Book Value After IFRS 9
Financial Assets	**31 December 2017**			**1 January 2018**
Finance lease receivables				
Book value in accordance with IAS 39	5,813,093			
Remeasurement effects		-	(103,568)	
Book value in accordance with IFRS 9				5,709,525

c) Reconciliation of the opening balance of the provisions for impairment at IFRS 9 transition

The following table presents the reconciliation between provisions for impairment of the Company as of 31 December 2017 and the provision provided for expected credit losses measured in accordance with IFRS 9 expected loss model as of 1 January 2018.

	Book value before IFRS 9	Remeasurement	Book value after IFRS 9
	31 December 2017 (*)		**1 January 2018**
Finance lease receivables	**214,679**	**103,568**	**318,247**
Stage 1	-	22,981	22,981
Stage 2	53,425	9,422	62,847
Stage 3	161,254	71,165	232,419

(*) Since there was no differentiation between stages before the application of IFRS 9, provision for collectively impaired lease receivables amounting to TL53,425 has been presented in the line "Stage 2" and provision for individually impaired lease receivables amounting to TL161,254 TL has been presented as "Stage 3".

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

NOTE 4 - IMPACTS OF PRESENTATION CHANGES AND OF THE FIRST TIME ADOPTION OF IFRS 9 (Continued)

d) Equity impacts of IFRS 9 transition

In accordance with IFRS 9, "Financial Instruments", it is not compulsory to restate previous period information at initial application of IFRS 9 and if the previous period information is not restated, the differences between the book values of 1 January 2018, the date of initial application, should be reflected in the opening balance of equity. The explanations about the initial application effects of IFRS 9, amounting to TL82,855 decrease on equity are presented below:

Equity at 31 December 2017 before the application of IFRS 9	866,719
Less: Increase in the provision for finance lease receivables (-) (*)	(103,568)
Add: Deferred tax assets recognized on IFRS 9 adjustments above (**)	20,713
First time adoption impact of IFRS 9, net (-)	(82,855)
Equity at 1 January 2018 after the application of IFRS 9	**783,864**

(*) The negative difference amounting to TL103,568 between provisions for impairment provided in accordance with IAS 39 and provisions provided for the expected credit losses measured in accordance with the IFRS 9 expected loss model as of 1 January 2018, has been adjusted under "Retained earnings" in the equity.

(**) Deferred tax assets amounting to TL20,713 have been reflected to the opening financials as of 1 January 2018 and the related amount has been adjusted under "Retained earnings" in the equity.

NOTE 5 - SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors. The Company does not present segment information from the business and geographic perspective, since the Company operates in one business segment (financial lease) and one geographical area, namely Turkey.

NOTE 6 - FINANCIAL RISK MANAGEMENT

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 program 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.

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

NOTE 6 - FINANCIAL RISK MANAGEMENT (Continued)

a. 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 20% increase and decrease in the TL against the relevant foreign currencies. 20% 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 20% change in foreign currency rates. A positive number indicates an increase in profit or loss (before tax) where the TL weakens against the relevant currency.

	US Dollar Impact (TL Equivalent)		EURO Impact (TL Equivalent)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Profit or Loss/Equity	(7,488)	(8,656)	1,494	9,002

b. 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	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Cash and cash equivalents	583,496	589,082	583,496	589,082
Finance lease receivables	6,002,746	5,813,093	6,067,375	5,931,376
Borrowings	4,575,090	3,559,941	4,395,862	3,321,298
Debt securities issued	1,058,341	1,771,598	1,004,524	1,737,883

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 USD, EUR and TL finance lease receivables as at 30 June 2018 are 7.10%, 4.84% and 16.71%, respectively (31 December 2017: 6.54%, 4.81% and 15.09% respectively).

The discount rate used to calculate the fair value of US$, EUR and TL borrowings and debt securities issued as at 30 June 2018 are 5.32%, 2.69% and 14.13%, respectively. (31 December 2017: 4.21%, 3.05% and 13.40%, respectively).

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

NOTE 6 - FINANCIAL RISK MANAGEMENT (Continued)

c. 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.

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

30 June 2018	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value			
-Derivative financial assets held for trading	-	6,980	-
-Derivatives used for hedging purposes	-	998	-
Total assets	**-**	**7,978**	**-**
Financial liabilities at fair value			
-Derivatives held-for-trading	-	112,786	-
-Derivatives used for hedging purposes	-	58,892	-
Total liabilities	**-**	**171,678**	**-**

31 December 2017	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value			
-Derivative financial assets held for trading	-	3,238	-
-Derivatives used for hedging purposes	-	16,302	-
Total assets	**-**	**19,540**	**-**
Financial liabilities at fair value			
-Derivatives held-for-trading	-	76,100	-
-Derivatives used for hedging purposes	-	45,353	-
Total liabilities	**-**	**121,453**	**-**

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET

	30 June 2018
Gross finance lease receivables	6,375,899
Invoiced lease receivables	56,222
Unearned finance income (-)	(856,433)
	5,575,688
Impaired lease receivables	387,726
Provision for impaired lease receivables (-)	(345,233)
	5,618,181
Leasing contracts in progress (*)	206,563
Advances to vendors	178,002
Net finance lease receivables	**6,002,746**

	31 December 2017
Gross finance lease receivables	6,159,725
Invoiced lease receivables	89,793
Unearned finance income (-)	(876,409)
	5,373,109
Impaired lease receivables	287,070
Provision for impaired lease receivables (-)	(214,679)
	5,445,500
Leasing contracts in progress (*)	185,346
Advances to vendors	182,247
Net finance lease receivables	**5,813,093**

(*) The Company purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contracts terms. As of 30 June 2018 and 31 December 2017, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees, yet.

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

At 30 June 2018 and 31 December 2017 the finance lease receivables according to their interest type are as follows:

	30 June 2018	31 December 2017
Fixed rate	5,038,381	4,555,476
Floating rate	1,337,518	1,604,249
	6,375,899	**6,159,725**

At 30 June 2018 and 31 December 2017 the leasing receivables have the following collection schedules:

	Finance Lease Receivables (*)	
Period Ending	**Gross 30 June 2018**	**Net performing 30 June 2018**
31 December 2018	1,110,727	988,381
31 December 2019	1,845,722	1,563,195
31 December 2020	1,374,744	1,181,164
31 December 2021	941,837	832,553
31 December 2022 and after	1,159,091	1,010,395
	6,432,121	**5,575,688**

	Finance Lease Receivables (*)	
Year Ending	**Gross 31 December 2017**	**Net performing 31 December 2017**
31 December 2018	1,971,057	1,667,866
31 December 2019	1,477,983	1,237,783
31 December 2020	1,069,115	919,838
31 December 2021	750,792	661,511
31 December 2022 and after	980,571	886,111
	6,249,518	**5,373,109**

(*) Leasing contracts in progress and advance to vendors' balances are not included in the maturity analysis as they have not been scheduled to payment plans, yet.

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

As of 31 December 2017, the Company's performing finance lease receivables amount to TL 6,432,121 (31 December 2017: TL 6,249,518) and all these finance lease receivables are secured by the leased equipment. The nominal amount of mortgages received for finance lease receivables is TL 1.272.413 (31 December 2017: TL 1,384,393).

Finance lease receivables can be analyzed as follows:

30 June 2018	Gross exposure	Loss Provision	Net exposure
Stage 1	5,517,283	25,930	5,491,353
Stage 2	442,970	92,821	350,149
Stage 3	387,726	226,482	161,244
Total	**6,347,979**	**345,233**	**6,002,746**

	31 December 2017
Neither past due nor impaired	5,283,316
Past due but not impaired	89,793
Impaired	287,070
Gross	**5,660,179**
Less: allowances for impairment	(214,679)
Finance lease receivables	**5,445,500**

As of 30 June 2018, the allowances for impaired lease receivables is TL 345,233 of which TL 226,482 represents allowance for individually impaired lease receivables and TL 118,751 represents allowance for expected credit loss according to staging criteria.

As of 31 December 2017, the allowances for impaired lease receivables is TL 214,679 of which TL 161,254 represents allowance for individually impaired lease receivables and TL 53,425 represents allowance for collectively impaired lease receivables.

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

Collaterals amounting to TL 196,058 (31 December 2017: TL 161,778) has been obtained for impaired finance lease receivables amounting to TL 387,726 (31 December 2017: TL 287,070).

As of 30 June 2018, the total amount of restructured lease receivables is TL 4,040 (31 December 2017: TL 3,619).

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

Movements in provision for impaired finance lease receivables for the periods ended 30 June 2018 and 2017 are as follows:

	30 June 2018
Provision amount at 31 December 2017 before application of IFRS 9	214,679
Impact of adopting IFRS 9	103,568
At 1 January	**318,247**
Impairment expense for the period	47,729
Recoveries of amounts previously provided for	(20,738)
Release of provision from written-off receivables	(5)
At period end	**345,233**

	30 June 2017
At 1 January	118,609
Impairment expense for the period	41,695
Recoveries of amounts previously provided for	(8,865)
Release of provision from written-off receivables	(12,708)
At period end	**138,731**

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	**%**	**31 December 2017**	**%**
Construction	1,379,145	22	1,186,147	19
Transportation	739,630	12	701,766	11
Steel and mining	633,422	10	603,165	10
Energy and natural resources	585,837	9	475,422	8
Textile	524,605	8	494,979	8
Production	508,759	8	452,612	7
Health	329,177	5	322,521	5
Food and beverage	321,181	5	348,110	6
Tourism	301,468	5	280,263	5
Automotive	126,452	2	129,395	2
Petroleum and related chemistry	105,438	2	92,131	1
Agriculture	94,258	1	94,380	2
Chemistry	89,388	1	72,336	1
Wholesale and retail trade	88,521	1	109,451	2
Financial institutions	38,768	1	50,109	1
Technology, telecommunication, media and entertainment	35,537	1	39,141	1
Printing	16,795	-	16,018	-
Education	1,066	-	7,866	-
Other	456,452	7	683,913	11
	6,375,899	**100**	**6,159,725**	**100**

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

NOTE 7 - FINANCE LEASE RECEIVABLES, NET (Continued)

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

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

The Company has no finance lease payables as at 30 June 2018 and 31 December 2017.

NOTE 8 - BORROWINGS

	30 June 2018			31 December 2017		
	Effective interest rates per annum (%)	**Balance in original currency**	**TL**	**Effective interest rates per annum (%)**	**Balance in original currency**	**TL**
Domestic borrowings						
Fixed rate borrowings:						
EUR	3.33	16,648	88,387	3.51	7,223	32,616
US$	5.95	178,681	814,907	4.80	29,959	113,002
TL	11.6	212,293	212,293	11.46	308,912	308,912
Floating rate borrowings:						
EUR	2.2	36,431	193,420	2.23	31,179	140,789
US$	-	-	-	-	-	-
Total domestic borrowing			**1,309,007**			**595,319**
Foreign borrowings						
Fixed rate borrowings:						
EUR	2.72	222,905	1,183,448	2.13	231,857	1,046,950
US$	4.3	51,041	232,782	4.11	52,949	199,720
TL	17.46	184,184	184,184	12.40	49,528	49,528
Floating rate borrowings:						
EUR	2.69	222,992	1,183,909	1.95	235,529	1,063,531
US$	4.76	105,632	481,760	3.79	160,368	604,893
Total foreign borrowings			**3,266,083**			**2,964,622**
Total borrowings			**4,575,090**			**3,559,941**

	30 June 2018	**31 December 2017**
Short term borrowings	1,138,436	906,449
Long term borrowings	3,436,654	2,653,492
	4,575,090	**3,559,941**

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

NOTE 9 - DEBT SECURITIES ISSUED

	30 June 2018	31 December 2017
Debt securities issued (*)	1,046,316	793,963
Eurobond (**)	12,025	977,635
	1,058,341	**1,771,598**

(*) The Company has issued rediscounting bonds on 21 March 2018 with a nominal value of TL 184,190; on 18 April 2018 with a nominal value of TL 130,050; on 7 May 2018 with a nominal value of TL 141,660; on 18 May 2018 with a nominal value TL 100,000; on 18 May 2018 with a nominal value of TL 50,000; on 8 June 2018 with a nominal value of TL 26,080 and on 8 June 2018 with a nominal value of TL 164,480. Their maturity dates are 15 August 2018; 12 July 2018; 9 October 2018; 18 July 2018, 18 July 2018; 6 September 2018 and 22 October 2018, respectively. The average rediscount rates for these bonds are 14.50%, 14.40%, 14.80%, 15.00%, 15.00%, 17.50% and 18.15%, respectively.

Along with the rediscounting bonds, the Company has issued floating rate bonds on 16 November 2016 with a nominal value of TL 75,000; on 16 November 2016 with a nominal value of TL 70,000 and on 10 January 2017 with a nominal value of 110,000. The maturity dates of these bonds are 14 November 2018; 13 November 2019 and 3 August 2018 respectively. The interest rates for the final coupon payments are 17,46%, 5,63% (yearly real coupon rate, indexed to CPI) and 14.91% respectively.

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

The Company established a multi-currency Global Medium Term Note Programme on 23 December 2013. Under the programme, the Company issued 28 private placements. As of 30 June 2018, the nominal outstanding amount of the issuances is HUF 700 million (as of 31 December 2017, the nominal outstanding amount of the issuances is HUF 700 million and USD 4 million).

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

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held-for-trading:

		Fair Values	
30 June 2018	**Contract/Notional Amount**	**Assets**	**Liabilities**
Forward contracts	362,406	1,455	(19,105)
Currency swap contracts	1,092,005	5,318	(93,367)
Interest rate swap contracts	92,930	207	(314)
Total	**1,547,341**	**6,980**	**(112,786)**

		Fair Values	
31 December 2017	**Contract/Notional Amount**	**Assets**	**Liabilities**
Forward contracts	501,469	-	(9,774)
Currency swap contracts	1,204,961	3,114	(66,043)
Interest rate swap contracts	94,110	124	(283)
Total	**1,800,540**	**3,238**	**(76,100)**

Derivatives used for hedging purposes:

		Fair Values	
30 June 2018	**Contract/Notional Amount**	**Assets**	**Liabilities**
Derivatives used for fair value hedging purposes:			
Currency swap contracts	189,807	-	(58,892)
Interest rate swap contracts	83,976	998	-
Total	**273,783**	**998**	**(58,892)**

		Fair Values	
31 December 2017	**Contract/Notional Amount**	**Assets**	**Liabilities**
Derivatives used for fair value hedging purposes:			
Currency swap contracts	198,934	947	(45,353)
Interest rate swap contracts	78,461	483	-
Derivatives used for cash flow hedging purposes:			
Currency swap contracts	98,144	14,872	-
Total	**375,539**	**16,302**	**(45,353)**

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

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Currency information of the Company's derivative financial instruments is presented in the table below:

Derivative financial assets held for hedging:

	30 June 2018		31 December 2017	
	TRY	Foreign Currency	TRY	Foreign Currency
Fair value hedges	-	998	-	1,430
Cash flow hedges	-	-	14,872	-
	-	**998**	**14,872**	**1,430**

Derivative financial liabilities held for hedging:

	30 June 2018		31 December 2017	
	TRY	Foreign Currency	TRY	Foreign Currency
Fair value hedges	-	58,892	-	45,353
	-	**58,892**	**-**	**45,353**

Information regarding to hedge accounting as of 30 June 2018 and 31 December 2017 are summarized below;

- **Information regarding fair value hedge accounting:**

As at 30 June 2018 and 31 December 2017 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 (Eurobond) with its cross currency swaps. Fair value change of hedged item which is issued Eurobond since the start of the hedge accounting is TL (468) (31 December 2017: TL (594)).

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 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 3,782 (31 December 2017: TL 1,514).

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 (620) following the beginning of accounting hedge (31 December 2017: TL (281)).

All fair value hedged transactions have been found to be effective as of 30 June 2018.

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

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

- **Information regarding cash flow hedge:**

The Company has not any cash flow hedge as at 30 June 2018. Within the subject of interest rate and currency risk management, the Company had decided to implement cash flow hedge strategy in order to take protection via cross-currency swap transaction against the cash flow risk that might have occured 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 amounted to TL 441 as at 31 December 2017.

All cash flow hedge transactions have been found to be effective as of 31 December 2017.

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 discontinued cash flow hedge:**

The Company discontinued cash flow hedge for floating rate foreign currency borrowings with interest swap transaction against the cash flow changes resulting from changes in market interest rates. Cumulative gain/(loss) recognized under other comprehensive income from the beginning of hedge amounts to TL 210 (31 December 2017: TL 234).

NOTE 11 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

A number of transactions were entered into with related parties in the normal course of business.

a) Balances with related parties

	30 June 2018	31 December 2017
Due from banks		
Shareholders		
Akbank T.A.Ş.	537,608	509,559
	537,608	**509,559**
Net finance lease receivables		
Shareholders		
Hacı Ömer Sabancı Holding A.Ş.	635	635
Akbank T.A.Ş.	57	6,379
Other group companies (*)		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	51,923	59,799
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	2,959	3,928
	55,574	**70,741**
Borrowings		
Shareholders		
Akbank T.A.Ş.	828,306	347,164
Other group companies (*)		
Akbank A.G.	79,689	67,781
	907,995	**414,945**

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

NOTE 11 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Trade payables

	30 June 2018	31 December 2017
Other group companies (*)		
Aksigorta A.Ş.	43,372	27,069
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	3	2
	43,392	**27,088**

(*) "Other group companies" consist of Akbank T.A.Ş. and Hacı Ömer Sabancı Holding A.Ş. group companies.

b) Transactions with related parties

Interest income from finance leases

	1 January - 30 June 2018	1 January - 30 June 2017
Shareholders		
Akbank T.A.Ş.	65	1,488
Hacı Ömer Sabancı Holding A.Ş	24	-
Other group companies(*)		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	1,347	1,828
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	237	163
	1,673	**3,479**

Interest income on bank deposits

Shareholders		
Akbank T.A.Ş.	13,905	8,108
	13,905	**8,108**

Interest expense on borrowings

Shareholders		
Akbank T.A.Ş.	25,374	20,710
Other group companies(*)		
Akbank A.G.	1,086	1,898
	26,460	**22,608**

Commission income

Other group companies(*)		
Aksigorta A.Ş.	1,498	1,272
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	-	3
	1,498	**1,275**

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

NOTE 11 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2018	1 January - 30 June 2017
Commission expense		
Shareholders		
Ak Yatırım Menkul Değerler A.Ş.	2,537	1,369
Akbank T.A.Ş. (Shareholder)	142	115
	2,679	**1,484**

(*) "Other group companies" consist of Akbank T.A.Ş. and Hacı Ömer Sabancı Holding A.Ş. group companies.

	1 January - 30 June 2018	1 January - 30 June 2017
Personnel expense		
Shareholders		
Akbank T.A.Ş.	48	58
	48	**58**
Rent and service expenses		
Shareholders		
Hacı Ömer Sabancı Holding A.Ş.	611	595
Akbank T.A.Ş.	183	136
	794	**731**
Gains on derivative instruments		
Shareholders		
Akbank T.A.Ş.	125,579	116,713
	125,579	**116,713**

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

NOTE 11 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2018	**1 January - 30 June 2017**
Losses on derivative instruments		
Shareholders		
Akbank T.A.Ş. (Shareholder)	197,093	135,881
	197,093	**135,881**
Remuneration of top management		
Remuneration of top management	1,245	1,521
	1,245	**1,521**

Off-balance sheet items

	30 June 2018	**31 December 2017**
Guarantee letters obtained from		
Shareholders		
Akbank T.A.Ş.	231,181	224,606
	231,181	**224,606**
Finance lease commitments		
Shareholders		
Akbank T.A.Ş.	23,193	-
Total	**23,193**	**-**

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

NOTE 11 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

30 June 2018	**Contract/notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivative financial instruments held for trading:			
Forward transactions			
Akbank T.A.Ş. (Shareholder)	362,406	1,455	(19,105)
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	21,353	71	-
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	665,438	3,766	(24,879)
Cross-currency swap transactions			
Akbank T.A.Ş. (Shareholder)	379,618	1,552	(65,388)
Derivative financial instruments held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	166,588	-	(58,624)
Total	**1,595,403**	**6,844**	**(167,996)**

31 December 2017	**Contract/notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivative financial instruments held for trading:			
Forward transactions			
Akbank T.A.Ş. (Shareholder)	385,715	-	(8,858)
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	25,946	58	-
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	748,046	2,395	(17,346)
Cross-currency swap transactions			
Akbank T.A.Ş. (Shareholder)	210,017	-	(38,766)
Derivative financial instruments held for fair value hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	178,563	-	(45,353)
Derivative financial instruments held for cash flow hedges:			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	98,144	14,872	-
Total	**1,646,431**	**17,325**	**(110,323)**

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

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 30 June 2018 and 31 December 2017:

Legal Proceedings

The Company has provided for a total provision of TL 291 against certain open legal cases of 30 June 2018 (31 December 2017: TL 375).

Commitments under derivative instruments

	30 June 2018		31 December 2017	
	Nominal Original amount	Nominal TL	Nominal Original amount	Nominal TL
Forward and Swap Purchase Transactions				
USD	59,219	270,079	152,696	575,956
EURO	5,139	27,286	5,710	25,786
TL	540,426	540,426	438,923	438,923
HUF	700,000	11,284	700,000	10,220
Total Purchase		**849,075**		**1,050,885**
Forward and Swap Sale Transactions				
USD	43,995	200,650	31,992	120,671
EURO	145,295	771,399	174,149	786,368
TL	-	-	218,155	218,155
Total Sales		**972,049**		**1,125,194**
Grand Total		**1,821,124**		**2,176,079**

Guarantees given

The Company has collateral and given letters of guarantees amounting to TL 981,910 (31 December 2017: TL 877,499) to courts, customs, banks for borrowings from Hermes; this amount also covers the aircrafts mortgaged to US Exim and Export Development Canada on structured finance transactions.

As of 30 June 2018, the Company has given the letters of guarantee amounting to TL 210,618 (31 December 2017: TL 193,902) which had been obtained from Akbank and the aircrafts mortgaged amounting to TL 138,450 (31 December 2017: TL 132,127) had been given as collateral. The letter of guarantee and aircrafts mortgaged were given with respect to borrowings from Hermes.

The external guarantee provided for the borrowings from Europe Investment Bank is amounting to TL 610,558 (31 December 2017 TL 519,283). The Company has letters of credit for import of the equipment subject to finance leases in the amount of TL 114,180 (31 December 2017: TL 190,724) and finance lease commitments in the amount of TL 522,999 (31 December 2017: TL 228,798) for the leased asset imports.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Contingent liabilities

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

Because of the fact that retrospective rights of the Company had been cancelled with temporary article 69, the Company filed the first advance tax return of 2009 through reservation by claiming that they should be allowed to benefit from investment incentive allowance, and initiated a tax case at tax court within this scope. On 30 March 2010, 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 2011 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 2010, the time limitation was repealed with regard to the investment incentive allowances which have been already granted.

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

In tax inspection reports issued within the scope of tax inspection conducted at the Company within 2010, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2010; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

Tax penalty notifications, determined in accordance with the abovementioned reports, have been declared to the Company in July 2010. In this context, the Company has been notified of original corporate tax charge amounting to TL7,358 and related tax loss penalty amounting to TL20,240, excluding the overdue interest.

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 30 October 2014. In response, the Company filed a lawsuit in the tax court on 7 November 2014 for corresponding case.

The lawsuit has been resulted in the Company's favour, (as "can be appealed"), with the decisions of Istanbul 9. Tax Court that have been made on 18 May 2015 with decision numbers of 2015/1149 and 2015/1152. As the defendant parties appealed the decision of first degree court, the related lawsuits are being investigated by the Council of State. Since the Company management foresees that the appeal of the lawsuit will also result in the favour of Company, no provision has been recorded in the financial statements as of 30 June 2018 and 31 December 2017 with respect to the abovementioned tax penalties.

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

NOTE 13 - EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from profit reserves such as retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below:

	30 June 2018	**30 June 2017**
Net income for the period	36,821	50,562
Weighted average number of ordinary shares with a nominal value of Kr 1	24,840,000,000	24,840,000,000
Earnings per share (full TL)	**0.0015**	**0.0020**

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 14 - SUBSEQUENT EVENTS

i. There has been a significant currency depreciation of Turkish Lira, between the period ending 30 June 2018 and 31 October 2018 where the financial statements are approved mainly against USD and EUR (USD: 21%, EUR: 18% appreciation against Turkish Lira).

ii. The Communiqué Regarding Amendment on the Communiqué Regarding Decree No. 32 on the Protection of the Value of the Turkish Lira Currency (Communiqué No: 2018-32/34) is published in the Official Gazette dated 06.10.2018, numbered 30557 and came into force on the publication date (Communiqué No: 2018-32/51, the "Communiqué"). The Communiqué brings various provisions related to the implementation of the restrictions on agreements in foreign currency or foreign currency-indexed under the Decree no.85 on the Protection of the Value of Turkish Currency numbered 85 that was published on the Official Gazette numbered 30534 and dated 13 September 2018 ("Decree No.85").

With the Decree no.85, which was published and became effective on 13 September 2018, a new paragraph, paragraph (g), was added to the Article 4 of Decree No.32 on the Protection of the Value of Turkish Currency ("Decree No. 32"). Accordingly, for residents in Turkey, contract prices and other payment obligations arising therefrom; sale-purchase and rental/lease agreements related to both movable properties (including vehicles) and real estate, employment agreements, independent contractor agreements and service agreements cannot be agreed upon in foreign currency or indexed to foreign currency.

In addition, provisional article 8 was added to the Decree No.32. Accordingly, for such contracts that had been made before the execution date of the Decree (13 September 2018) and still in force and in which contract prices had been determined in foreign currency, the parties shall re-determine the foreign currency contract prices in Turkish Lira within 30 days (until 13 October 2018). Along with this, in both of the new clauses, it was stated that the Ministry of Finance and Treasury ("the Ministry") shall determine exemptions from such prohibition on using foreign currency contract prices.

NOTE 14 - SUBSEQUENT EVENTS (Continued)

In this context, abrogated article 8 of the Communiqué Regarding Decree No. 32 on the Protection of the Value of the Turkish Lira Currency (Communiqué No: 2018-32/34) is redrafted by the Ministry. With the new article 8, certain points with respect to the provisions in the scope of Decree No.85 have been clarified.

Contract prices and other payment obligations arising from the agreements listed below that will be executed by and between Turkish residents, shall not be agreed upon in foreign currency or indexed to foreign currency:

- Real estate sales and rental agreements including those for residential and roofed workplaces, relating to real estate in Turkey (including those in free trade zones),
- Employment agreements,
- Service agreements including consultancy, brokerage and transportation services,
- Independent contractor agreements,
- Sales agreements of vehicles (including construction equipment),
- Rental agreements of vehicles (including construction equipment) made after 13 September 2018.

Financial leasing agreements related to ships that are defined in the Law Amending Turkish International Ship Registry Law numbered 4490 and Legislative Decree numbered 491; and financial leasing agreements that will be executed within the scope of articles 17 and 17/A of the Decree No.32 are exempted from the prohibition to execute agreements in foreign currency or indexed to foreign currency.

In addition, it is clearly stated that the agreements above that are exempted from the obligation to execute in foreign currency are also exempted from the obligation to convert to Turkish Lira within the scope of the provisional article 8 as well, even if they were entered into before the execution date of the Decree no.85.

Based on the correspondences with the Financial Institutions Association (the "Association"), the Company was informed that; apart from the exception with respect to conversion of foreign currency loan agreements under Articles 17 and 17/A as mentioned in provisional article 5 of the Decree No.32, the existing finance lease agreements may be excluded from the requirements of the abovementioned legislation considering Article 14 of the Circular on Capital Movements and the views provided by the Central Bank of Republic of Turkey to the Association together. Furthermore, since provisional article 5 is still in force, this granted exception can be deemed to fall under "the cases to be determined by the Ministry" as stated under provisional article 8, which is also applicable for Article 17 and 17/A. In this regard, it has been evaluated by the Association that financial leasing agreements executed prior to 2 May 2018, may not be subject to requirement of conversion to Turkish Lira within 30 days, as stated under provisional article 8.

The Company's above assessment is generally based on the argument that financial lease agreements, as defined by the law numbered 6361 related to financial lease companies, are different from operating lease agreements as the financial lease agreements are contracted due to the financing requirements of the companies; and in this respect, they are substantially similar to loan agreements extended by banks. Therefore; financial lease agreements should not be evaluated in the manner that other lease agreements are evaluated with respect to the above mentioned new regulation. Based on the assessment of above mentioned regulation changes, as of the date of preparation of financial statements, the management is of the view that the regulation changes will not have a significant effect on the operations and financial statements of the Company.

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