

AK FİNANSAL KİRALAMA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2021 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 2021 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for six-month period then ended and 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.

Conclusion

3. Based on our review, 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.

Zeynep Uras, SMMM
Partner

Istanbul, 18 August 2021

AK FİNANSAL KİRALAMA A.Ş.

**INDEX TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2021 AND FOR THE SIX-MONTH PERIOD THEN ENDED**

CONTENTS	PAGE
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	2
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	3
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	4
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS.....	5-24
NOTE 1 ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY	5
NOTE 2 BASIS OF PRESENTATION	5-8
NOTE 3 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD.....	8
NOTE 4 SEGMENT REPORTING.....	8
NOTE 5 FINANCIAL RISK MANAGEMENT	8-10
NOTE 6 FINANCE LEASE RECEIVABLES, NET.....	11-15
NOTE 7 BORROWINGS	16
NOTE 8 DERIVATIVE FINANCIAL INSTRUMENTS.....	17-19
NOTE 9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	19-22
NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES	23
NOTE 11 EARNINGS PER SHARE	24
NOTE 12 SUBSEQUENT EVENTS.....	24

AK FİNANSAL KİRALAMA A.Ş.**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

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

ASSETS	Notes	30 June 2021	31 December 2020
Cash and cash equivalents		1,327,432	550,614
Finance lease receivables	6	6,363,019	5,663,174
Other financial assets measured at amortized cost		-	40,088
Other assets and prepaid expenses		39,944	45,934
Assets held for sale		76,835	77,363
Property and equipment, net		1,663	953
Intangible assets, net		1,795	1,770
Derivative financial instruments	8	7,957	-
Deferred tax asset, net		45,080	53,660
Total assets		7,863,725	6,433,556
LIABILITIES			
Borrowings	7	6,272,165	4,965,991
Accounts payable		147,074	143,951
Advances from customers		151,379	98,950
Derivative financial instruments		40,814	85,998
Lease liabilities		1,213	361
Other liabilities		29,663	23,885
Income tax liability		18,876	7,474
Provision for employment benefits		4,305	3,618
Total liabilities		6,665,489	5,330,228
EQUITY			
Share capital	11	373,400	373,400
Adjustment to share capital		(13,393)	(13,393)
Total paid-in share capital		360,007	360,007
Legal reserves		61,728	57,737
Hedge reserves		(54)	(854)
Retained earnings		682,447	531,472
Net profit/(loss) for the current period		94,108	154,966
Total equity		1,198,236	1,103,328
Total liabilities and equity		7,863,725	6,433,556

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

AK FİNANSAL KİRALAMA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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

	Notes	30 June 2021	30 June 2020
Interest and similar income from direct finance leases		261,835	214,293
Interest income on placements and transactions with banks		25,565	10,137
Total interest and similar income		287,400	224,430
Interest expense on borrowings (-)		(144,938)	(116,503)
Interest expense on leases (-)		(141)	(102)
Net interest income		142,321	107,825
Foreign exchange gains/(losses), including net gains or losses from dealing in oreign currency, net		(35,923)	9,695
Net interest income after foreign exchange gains or losses		106,398	117,520
Net trading, hedging and fair value gains		44,359	4,193
Impairment loss on finance lease receivables (-)	6	(48,457)	(91,112)
Recoveries from impaired lease receivables	6	43,026	66,459
Other (expense)/income, net		(1,833)	(3,400)
Operating expenses (-)		(20,651)	(16,430)
Operating profit		122,842	77,230
Profit before income tax		122,842	77,230
Taxation on income (-)		(28,734)	(16,519)
Profit for the period		94,108	60,711
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges		1,000	181
Tax on cash flow hedge		(200)	(40)
Net other comprehensive profit for the period		800	141
Total comprehensive income		94,908	60,852
Profit for the period:			
Basic earnings per share (full TL)	11	0.0025	0.0016
Diluted earnings per share (full TL)	11	0.0025	0.0016

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

AK FİNANSAL KİRALAMA A.Ş.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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

	Paid in share capital			Legal reserves	Hedge reserves	Retained earnings	Total Equity
	Share capital	Adjustment to share capital	Total paid-in share capital				
Balance at 1 January 2020	373,400	(13,393)	360,007	57,737	(1,323)	531,472	947,893
Total comprehensive income	-	-	-	-	141	60,711	60,852
- <i>Net profit for the period</i>	-	-	-	-	-	60,711	60,711
- <i>Other comprehensive profit, net</i>	-	-	-	-	141	-	141
Balance at 30 June 2020	373,400	(13,393)	360,007	57,737	(1,182)	592,183	1,008,745
	Paid in share capital			Legal reserves	Hedge reserves	Retained earnings	Total Equity
	Share capital	Adjustment to share capital	Total paid-in share capital				
Balance at 1 January 2021	373,400	(13,393)	360,007	57,737	(854)	686,438	1,103,328
Transfers	-	-	-	3,991	-	(3,991)	-
Total comprehensive income	-	-	-	-	800	94,108	94,908
- <i>Net profit for the period</i>	-	-	-	-	-	94,108	94,108
- <i>Other comprehensive profit, net</i>	-	-	-	-	800	-	800
Balance at 30 June 2021	373,400	(13,393)	360,007	61,728	(54)	776,555	1,198,236

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

AK FİNANSAL KİRALAMA A.Ş.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

	Notes	30 June 2021	30 June 2020
Cash flows from operating activities			
Net profit for the period		94,108	60,711
Adjustments for:			
Depreciation and amortization		1,513	1,463
Re-measurement of derivative financial instruments at fair value		(53,141)	(14,848)
Provision for employment termination benefits		279	200
Provision for unused vacation		408	334
Provision for legal proceedings		(165)	(158)
Provision for personnel performance bonus		1,855	783
Provision for impaired receivables	6	48,457	91,112
Provision for cash and cash equivalents	6	600	41
Deferred tax expense		8,395	16,519
Corporate tax charge		20,339	-
Interest income, net		(142,321)	(107,825)
Net foreign exchange loss related to cash and funds borrowed		735,082	533,140
Cash flows from operating profit before changes in operating assets and liabilities		715,409	581,472
Changes in operating assets and liabilities			
Net (increase)/decrease in finance lease receivables		(750,310)	(119,203)
Net (increase)/decrease in other assets and prepaid expenses		46,606	(105,082)
Net (decrease)/increase in accounts payables		3,123	(26,445)
Net increase/(decrease) in advances from customers		52,429	30,960
Net (decrease)/increase in other liabilities		5,778	5,966
Personnel performance bonus paid (-)		(2,174)	(1,839)
Employment termination benefits paid (-)		-	(7)
Interest received		289,992	223,699
Interest paid (-)		(120,243)	(126,263)
Taxes paid (-)		(7,474)	-
Net cash provided by operating activities		233,136	463,258
Cash flows from investing activities			
Purchase of property and equipment and intangibles (-)		(529)	(470)
Net cash used in investing activities (-)		(529)	(470)
Cash flows from financing activities			
Proceeds from borrowings		1,917,165	1,297,533
Repayments of borrowings (-)		(1,380,300)	(1,636,755)
Payments of leases (-)		(2,025)	(1,099)
Net cash used in financing activities (-)		534,840	(340,321)
Net increase/(decrease) in cash and cash equivalents		767,447	122,467
Effect of foreign exchange rate changes on cash and cash equivalents		9,391	11,130
Cash and cash equivalents at the beginning of the period		550,615	685,366
Cash and cash equivalents at the end of the period		1,327,453	818,963

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

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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 2021, the Company employs 56 employees (31 December 2020: 56 employees).

The main activity of the Company is to carry out domestic financial leasing within the framework of the legislations and to conduct leasing transactions of any kinds.

These financial statements as of and for the period ended 30 June 2021 have been approved on 18 August 2021 by the Company management. The General Assembly and regulatory bodies have the right to change the approved financial statements.

NOTE 2 - BASIS OF PRESENTATION

2.1 Basis of Presentation

These interim condensed financial statements for the period ended 30 June 2021 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 2020. 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.

The Company prepared its condensed financial statements on a going concern basis.

The Company which is incorporated in Turkey maintains its books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. Functional currency of the Company is the Turkish Lira (“TL”), being the currency of economic environment in which the Company operates. The financial statements have been prepared in accordance with IFRS and presented in TL. For the purpose of fair presentation in accordance with IFRS, certain reclassifications have been made to the statutory financial statements.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.1 Basis of Presentation (Continued)

Due to COVID-19, The Company has been given the opportunity to postpone the principal, interest and installment payments of its individual and corporate customers as they request, and the deferral of payments within this scope has been applied and this opportunity was extended until 30 September 2021. The Company has evaluated the risks of postponed finance lease receivables and those risks have been taken into account in the provision calculations.

Comparatives and changes in presentation of prior periods' financial statements

The Company's financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. The Company prepared its condensed balance sheet as of 30 June 2021 and as of 31 December 2020 and the condensed statement of comprehensive income, condensed equity movement and condensed cash flow statement for the interim period between 1 January - 30 June 2020.

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Company has prepared its condensed financial statements for the interim period ended 30 June 2021, consistent with the accounting policies valid on 31 December 2020.

2.2 New and Revised International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2021:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.2 New and Revised International Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2023. 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.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 2 - BASIS OF PRESENTATION (Continued)

2.3 Critical Accounting Judgements and Estimates

In the preparation of the financial statements, the Company management make assumptions and estimates that will affect the assets and liabilities and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on Company management's best knowledge of current events and transactions, actual results may differ from those estimates. Estimates are regularly reviewed necessary adjustments are made and reflected in the income statement of the period they occur.

NOTE 3 - SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

None.

NOTE 4 - 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 5 - 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.

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

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

a. Foreign currency sensitivity

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

	US Dollar Impact (TL Equivalent)		EURO Impact (TL Equivalent)	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Profit or loss	(2,993)	(621)	22,738	23,026

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 2021	31 December 2020	30 June 2021	31 December 2020
Cash and cash equivalents	1,327,432	550,614	1,327,432	550,614
Finance lease receivables	6,363,019	5,663,174	6,143,575	5,432,621
Borrowings	6,272,165	4,965,991	5,867,976	4,622,511

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

The discount rate used to calculate the fair value of US Dollar, Euro and TL borrowings as at 30 June 2021 are 7.08%, 5.67% and 19.70%, respectively (31 December 2020: 3.78%, 2.88% and 9.66% respectively).

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The discount rate used to calculate the fair value of US Dollar, Euro and TL finance lease receivables as at 30 June 2021 are 3.55%, 2.91% and 15.97%, respectively (31 December 2020: 7.33%, 5.90% and 16.80% respectively).

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 2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss			
derivative financial assets held for trading	-	7,957	-
Total assets	-	7,957	-
Financial liabilities at fair value through profit and loss			
derivatives held-for-trading	-	33,163	-
Derivatives used for hedging purposes	-	7,651	-
Total liabilities	-	40,814	-
31 December 2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss			
derivative financial assets held for trading	-	-	-
Derivatives used for hedging purposes	-	-	-
Total assets	-	-	-
Financial liabilities at fair value through profit and loss			
derivatives held-for-trading	-	70,051	-
Derivatives used for hedging purposes	-	15,947	-
Total liabilities	-	85,998	-

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	30 June 2021	31 December 2020
Gross finance lease receivables	6,263,950	5,518,690
Invoiced lease receivables	63,621	128,049
Unearned finance income (-)	(725,800)	(631,599)
	5,601,771	5,015,140
Expected credit loss - Stage 1 (-)	(46,229)	(49,022)
Expected credit loss - Stage 2 (-)	(62,912)	(50,977)
Total finance lease receivables	5,492,630	4,915,141
Impaired lease receivables	470,116	567,711
Expected credit loss - Stage 3 (-)	(216,821)	(294,454)
	5,745,925	5,188,398
Leasing contracts in progress (*)	363,166	249,813
Advances to vendors	253,928	224,963
Net finance lease receivables	6,363,019	5,663,174

(*) 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 2021 and 31 December 2020, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees, yet.

At 30 June 2021 and 31 December 2020 the finance lease receivables according to their interest type are as follows:

	30 June 2021	31 December 2020
Fixed rate	5,341,012	4,883,173
Floating rate	922,938	635,517
	6,263,950	5,518,690

AK FİNANSAL KİRALAMA A.Ş.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

At 30 June 2021 and 31 December 2020 the leasing receivables have the following collection schedules:

Year Ending	Finance Lease Receivables (*)	
	Gross 30 June 2021	Net 30 June 2021
31 December 2021	1,375,600	1,225,788
31 December 2022	1,943,386	1,666,565
31 December 2023	1,248,641	1,090,198
31 December 2024	866,177	781,808
31 December 2025 and after	893,767	837,412
	6,327,571	5,601,771

(*) 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.

Year Ending	Finance Lease Receivables (*)	
	Gross 31 December 2020	Net 31 December 2020
31 December 2020	2,122,120	1,871,231
31 December 2021	1,463,086	1,278,772
31 December 2022	864,981	763,307
31 December 2023	579,865	525,160
31 December 2024 and after	616,687	576,670
	5,646,739	5,015,140

(*) 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.

Finance lease receivables can be analyzed as follows:

30 June 2021	Gross exposure	Loss Provision	Net exposure
Stage 1	5,907,914	(46,229)	5,861,685
Stage 2	310,951	(62,912)	248,039
Stage 3	470,116	(216,821)	253,295
Total	6,688,981	(325,962)	6,363,019

31 December 2020	Gross exposure	Loss Provision	Net exposure
Stage 1	5,059,571	(49,022)	5,010,549
Stage 2	430,345	(50,977)	379,368
Stage 3	567,711	(294,454)	273,257
Total	6,057,627	(394,453)	5,663,174

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The Company has evaluated the calculated ECL 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 a increase in ECL provision of TL 33,666 as a result of the individual assessment (31 December 2020: decrease of TL 6,958).

As of 30 June 2021, outstanding lease receivable amount for sell and leaseback transactions is TL 626,325 (31 December 2020: TL 662,658).

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 216,821 (31 December 2020: TL 344,518) has been obtained for impaired finance lease receivables amounting to TL 325,962 (31 December 2020: TL 567,711).

Aging analysis for overdue but not impaired receivables:

	30 June 2021	31 December 2020
30-60 days	56,989	8,153
60-90 days	102,710	84,448
Over 90 days (*)	26,327	94,032
	186,026	186,633

(*) Due to COVID-19 outbreak impact, the 90 past due days criteria applied for the definition of default started to be applied as 180 days in accordance with the local legislation. Despite the classification changes due to local regulation, the Company calculates provisions for finance lease receivables with 90-180 past due days in accordance with the requirements of IFRS 9 and its own risk policies by taking the borrower's conditions into account. According to the decision of local regulator dated 17 June 2021 and numbered 9624, the relevant application will be valid until 30 September 2021.

Movements in provision for impaired finance lease receivables for the periods ended 30 June 2021 and 2020 are as follows:

	2021	2020
At 1 January	394,453	401,711
Impairment expense for the period	49,057	91,153
- Provisions for finance lease receivables	48,457	91,112
- Provisions for other financial assets measured at amortized cost	600	41
Recoveries of amounts previously provided for	(43,026)	(66,459)
Release of provisions from written-off receivables (-)	(73,922)	(43,792)
At 30 June	326,562	382,613

(*) As of 30 June 2021 TL 325,962 (30 June 2020: TL 382,572) of expected loan loss provisions is financial leasing receivables, TL 600 (30 June 2020: TL 41) consists of provisions for other financial assets measured at amortized cost.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	%	31 December 2020	%
Steel and mining	1,129,702	18	1,043,128	19
Construction	1,038,525	17	908,711	16
Energy and natural resources	766,189	12	734,165	13
Textile	863,220	14	588,395	11
Transportation	364,043	6	408,225	7
Production	471,333	8	386,388	7
Tourism	212,223	3	191,773	3
Food and beverage	204,384	3	189,873	3
Petroleum and related chemistry	213,978	3	164,966	3
Health	155,580	2	129,454	2
Automotive	189,323	3	104,953	2
Chemistry	125,456	2	91,137	2
Printing	77,761	1	55,783	1
Agriculture	64,374	1	53,054	1
Wholesale and retail trade	71,676	1	35,455	1
Technology, telecommunication, media and entertainment	22,052	-	28,315	1
Financial institutions	13,738	-	13,765	-
Education	7,830	-	12,164	-
Other	272,563	4	378,986	7
	6,263,950	100	5,518,690	100

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

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

The Company has no finance lease payables as at 30 June 2021 and 31 December 2020.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Movements in expected credit loss for the periods ended 30 June 2021 and 31 December 2020 are as follows:

Expected Credit Loss	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2021	49,022	50,977	294,454	394,453
Transfers;				
- Balance change in Stage 1	(12,156)	-	-	(12,156)
- Transfer from Stage 1 to Stage 2	(216)	4,172	-	3,956
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Balance change in Stage 2	-	8,787	-	8,787
- Transfer from Stage 2 to Stage 1	3,368	(8)	-	3,360
- Transfer from Stage 2 to Stage 3	-	(8,680)	4,877	(3,803)
- Balance change in Stage 3	-	-	2,677	2,677
New financial assets originated or purchased and recoveries	8,931	-	3	8,934
Provisions no longer required (except for balance changes)	(2,720)	7,664	(11,268)	(6,324)
Release of provision from written-off receivables	-	-	(73,922)	(73,922)
Loss allowance as at 30 June 2021	46,229	62,912	216,821	325,962
Expected Credit Loss	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2020	46,066	63,171	292,474	401,711
Transfers;				
- Balance change in Stage 1	(1,844)	-	-	(1,844)
- Transfer from Stage 1 to Stage 2	(119)	2,632	-	2,513
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Balance change in Stage 2	-	7,582	-	7,582
- Transfer from Stage 2 to Stage 1	810	(583)	-	227
- Transfer from Stage 2 to Stage 3	-	(26,239)	27,663	1,424
- Balance change in Stage 3	-	-	13,313	13,313
New financial assets originated or purchased and recoveries	3,834	41	1,748	5,623
Provisions no longer required (except for balance changes)	(1,006)	(2,096)	(1,083)	(4,185)
Release of provision from written-off receivables	-	-	(43,792)	(43,792)
Loss allowance as at 30 June 2020	47,741	44,508	290,323	382,572

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 7 - BORROWINGS

	30 June 2021			31 December 2020		
	Interest rates per annum (%)	Balance in original currency	TL	Interest rates per annum (%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
Euro	2.55	54,074	560,454	2.25	28,699	258,520
US Dollar	-	-	-	5.38	12,322	90,448
TL	16.05	1,388,827	1,388,827	9.19	763,922	763,922
Floating rate borrowings:						
Euro	1.94	14,138	146,535	2.02	18,841	169,719
Total domestic borrowings			2,095,816			1,282,609
Foreign borrowings						
Fixed rate borrowings:						
Euro	2.11	145,440	1,507,416	2.05	155,425	1,400,053
US Dollar	3.49	60,427	526,029	4.05	32,519	238,703
TL	-	-	-	-	1,271	1,271
Floating rate borrowings:						
Euro	1.98	97,498	1,010,517	1.94	113,371	1,021,239
US Dollar	2.95	130,082	1,132,387	3.00	139,243	1,022,116
Total foreign borrowings			4,176,349			3,683,382
Total borrowings			6,272,165			4,965,991

	30 June 2021	31 December 2020
Short term borrowings	3,351,022	2,179,465
Long term borrowings	2,921,143	2,786,526
	6,272,165	4,965,991

Movements in funds borrowed for the periods ended 30 June 2021 and 2020 are as follows:

	2021	2020
Balance as at 1 January	4,965,991	4,590,391
Cash flows	536,865	(339,222)
Foreign exchange adjustments	744,473	544,270
Other non-cash movements	24,836	(10,749)
Balance as at 30 June 2021	6,272,165	4,784,690

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS*Derivatives held-for-trading:*

30 June 2021	Contract/Notional Amount	Fair Values	
		Assets	Liabilities
Forward contracts	207,507	32	(3)
Currency swap contracts	1,605,248	7,925	(33,047)
Interest rate swap contracts	35,512	-	(113)
Total	1,848,267	7,957	(33,163)

31 December 2020	Contract/Notional Amount	Fair Values	
		Assets	Liabilities
Forward contracts	251,087	-	(2,677)
Currency swap contracts	1,218,434	-	(67,210)
Interest rate swap contracts	41,153	-	(164)
Total	1,510,674	-	(70,051)

Derivatives used for hedging purposes:

30 June 2021	Contract/Notional Amount	Fair Values	
		Assets	Liabilities
Currency swap contracts	12,937	-	(7,593)
Interest rate swap contracts	24,567	-	(58)
Total	37,504	-	(7,651)

Derivatives used for fair value hedging purposes:

Currency swap contracts	12,937	-	(7,593)
Interest rate swap contracts	24,567	-	(58)
Total	37,504	-	(7,651)

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2020	Contract/Notional Amount	Fair Values	
		Assets	Liabilities
<i>Derivatives used for fair value hedging purposes:</i>			
Currency swap contracts	29,570	-	(15,789)
Interest rate swap contracts	40,943	-	(158)
Total	70,513	-	(15,947)

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

Derivative financial liabilities held for hedging:

	30 June 2021		31 December 2020	
	TL	Foreign Currency	TL	Foreign Currency
Fair value hedges	-	7,651	-	15,947
	-	7,651	-	15,947

Information regarding to hedge accounting as of 30 June 2021 and 31 December 2020 are summarized below;

Information regarding fair value hedge accounting:

Information regarding fair value hedge accounting as at 30 June 2021 and 31 December 2020 are summarized below:

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 US Dollar purchase part of cross currency swap transaction against fair value risk which shall arise due to changes in US Dollar/TL exchange rate changes in US Dollar 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 borrowed, which are hedged items, is TL 1,362 (31 December 2020: TL 1,262).

Fixed rate financial leasing transaction of the Company is entreated to hedge accounting with interest swap transaction against fair value changes related to changes in market interest rates. Fair value change of fixed rate financial leasing transaction which is the hedged item is TL 96 following the beginning of accounting hedge (31 December 2020: TL 171).

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

All fair value hedged transactions have been found to be effective as of 30 June 2021.

Information regarding cash flow hedge:

None (31 December 2020: None).

NOTE 9 - 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 2021	31 December 2020
Due from banks		
<i>Shareholders</i>		
Akbank T.A.Ş.	737,361	548,385
	737,361	548,385
Net finance lease receivables		
<i>Other group companies (*)</i>		
Sabancı Dijital Tek. Hizm. A.Ş.	2,356	3,325
	2,356	3,325
Borrowings		
<i>Shareholders</i>		
Akbank T.A.Ş.	1,221,805	902,236
<i>Other group companies (*)</i>		
Akbank A.G.	198,641	90,265
	1,420,446	992,501
Trade payables		
	30 June 2021	31 December 2020
<i>Other group companies (*)</i>		
Aksigorta A.Ş.	23,651	26,370
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
	23,668	26,387

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

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**b) Transactions with related parties****Interest income from finance leases**

	1 January - 30 June 2021	1 January - 30 June 2020
<i>Other group companies</i> (*)		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	1	491
Sabancı Dijital Tek. Hizm. A.Ş.	391	634
	392	1,125

Interest income on bank deposits

<i>Shareholders</i>		
Akbank T.A.Ş.	15,511	8,716
	15,511	8,716

Interest expense on borrowings

<i>Shareholders</i>		
Akbank T.A.Ş.	57,986	36,355
<i>Other group companies</i> (*)		
Akbank A.G.	2,261	2,190
	60,247	38,545

Commission income

<i>Other group companies</i> (*)		
Aksigorta A.Ş.	1,283	2,454
	1,283	2,454

Commission expense

<i>Shareholders</i>		
Akbank T.A.Ş. (Shareholder)	100	73
<i>Other group companies</i> (*)		
Ak Yatırım Menkul Değerler A.Ş.	-	31
	100	104

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

AK FİNANSAL KİRALAMA A.Ş.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2021	1 January - 30 June 2020
Personnel expense		
<i>Shareholders</i>		
Akbank T.A.Ş.	-	34
	-	34
Gains on derivative instruments		
<i>Shareholders</i>		
Akbank T.A.Ş.	35,894	103,398
	35,894	103,398
Losses on derivative instruments		
<i>Shareholders</i>		
Akbank T.A.Ş.	18,071	79,117
	18,071	79,117
Remuneration of top management	30 June 2021	31 December 2020
Remuneration of top management	2,430	2,126
	2,430	2,126
Off-balance sheet items		
	30 June 2021	31 December 2020
Guarantee obtained from		
<i>Shareholders - Akbank T.A.Ş.</i>		
Obtained for the purpose of using for borrowings from other banks	1,010,112	973,759
Obtained for the purpose of using for law courts	1,333	1,433
	1,011,445	975,192
Finance lease commitments		
<i>Shareholders</i>		
Akbank T.A.Ş.	-	6,756
	-	6,756

AK FİNANSAL KİRALAMA A.Ş.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

30 June 2021	Contract/notional amount	Fair values	
		Assets	Liabilities
<i>Derivative financial instruments held for trading:</i>			
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	126,450	-	2,053
Cross currency swap transactions			
Akbank T.A.Ş. (Shareholder)	89,545	-	(2,468)
<i>Derivative financial instruments held for fair value hedges:</i>			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	12,937	-	(7,592)
Total	228,932	-	(8,007)

31 December 2020	Contract/notional amount	Fair values	
		Assets	Liabilities
<i>Derivative financial instruments held for trading:</i>			
Forward transactions			
Akbank T.A.Ş. (Shareholder)	70,470	-	(1,624)
Currency swap transaction			
Akbank T.A.Ş. (Shareholder)	251,962	-	(8,080)
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	118,027	-	(12,734)
<i>Derivative financial instruments held for fair value hedges:</i>			
Cross currency swap transaction			
Akbank T.A.Ş. (Shareholder)	29,570	-	(15,789)
Total	470,029	-	(38,227)

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 10 - 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 2021 and 31 December 2020:

Commitments under derivative instruments

	30 June 2021		31 December 2020	
	Nominal Original amount	Nominal TL	Nominal Original Amount	Nominal TL
Forward and Swap Purchase Transactions				
US Dollar	52,837	459,959	67,917	498,547
Euro	1,713	17,756	3,284	29,584
TL	483,908	483,908	220,555	220,555
Total Purchase	538,458	961,623	291,756	748,686
Forward and Swap Sale Transactions				
US Dollar	2,363	20,574	8,611	63,208
Euro	87,180	903,574	59,904	539,610
TL	-	-	229,683	229,683
Total Sales	89,543	924,148	298,198	832,501
Grand Total		1,885,771		1,581,187

Guarantees given

The Company has collateral and given letters of guarantees amounting to TL 214,420 (31 December 2020: TL 237,966) 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 2021, the Company has given the letters of guarantee amounting to TL 197,738 (31 December 2020: TL 202,771) which had been obtained from Akbank and the aircrafts mortgaged amounting to TL 6,288 (31 December 2020: TL 21,740) 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 812,374 (31 December 2020: TL 770,988). The Company has letters of credit for import of the equipment subject to finance leases in the amount of TL 197,740 (31 December 2020: TL 114,961) and finance lease commitments in the amount of TL 966,539 (31 December 2020: TL 763,110) for the leased asset imports.

AK FİNANSAL KİRALAMA A.Ş.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

NOTE 11 - 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 2021	30 June 2020
Net income for the period	94,108	60,711
Weighted average number of ordinary shares with a nominal value of Kr 1	37,340,000,000	37,340,000,000
Earnings per share (full TL)	0.0025	0.0016

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 12 - SUBSEQUENT EVENTS

None.

.....