A&T Finansal Kiralama A. Ş.

Financial Statements
As at and the Year Ended
31 December 2016
With Independent Auditors' Report

24 February 2017

This report contains the "Independent Auditors' Report on Review of Financial Statements" comprising 3 pages and; the "Condensed financial statements and their explanatory notes" comprising 30 pages.

Akis Bağımsız Denetim ve
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Independent Auditors' Report

To the Board of Directors of A&T Finansal Kiralama Anonim Şirketi,

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of A&T Finansal Kiralama A.Ş ("the Company") which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

KPMG

Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner

24 February 2017

İstanbul,Turkey

A&T FİNANSAL KİRALAMA A.Ş.

CONTENTS OF THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2016

(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Assets:			
Cash and cash equivalents	9	45,741,351	41,294,611
Finance lease receivables	10	279,956,587	247,660,590
Tangible assets, net	12	4,182,555	3,944,014
Intangible assets, net	13	268,380	337,900
Deferred tax assets	8	26,869	109,880
Other assets	11	4,087,042	3,433,422
Total assets		**334,262,784**	**296,780,417**
Liabilities:			
Borrowings	14	234,810,119	207,211,630
Trade payables	15	5,564,117	3,754,399
Other liabilities	16	901,651	643,635
Income tax payable	8	699,310	1,891,356
Employee benefits	17	1,731,838	1,342,894
Total liabilities		**243,707,035**	**214,843,914**
Equity:			
Share capital	18	78,043,499	71,043,499
Legal reserves	18	2,669,333	2,300,055
Actuarial loses		(147,635)	(136,672)
Retained earnings		9,990,552	8,729,621
Total shareholders' equity		**90,555,749**	**81,936,503**
Total liabilities and shareholders' equity		**334,262,784**	**296,780,417**

The notes on pages 5 to 30 are an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENT OF COMREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Interest income on finance lease		20,603,036	19,817,151
Interest income on bank deposits		3,037,084	2,051,014
Income from leasing operations		**23,640,120**	**21,868,165**
Interest expense on borrowings		(5,649,445)	(5,266,789)
Net interest income		**17,990,675**	**16,601,376**
Trading income		7,553	51,700
Foreign exchange gain, net		439,140	45,503
Other operating income	6	1,014,682	482,857
Operating income		**1,461,375**	**580,060**
Marketing, general and administrative expenses	4	(1,445,010)	(1,279,260)
Salaries and employee benefits	5	(5,410,474)	(4,789,656)
Provision expenses for finance lease receivables		(142,510)	(809,098)
Depreciation and amortization	12, 13	(268,699)	(219,684)
Other operating expenses	7	(1,380,549)	(893,985)
Profit before income tax		**10,804,808**	**9,189,753**
Tax expense	8	(2,174,599)	(1,804,194)
Net profit for the year		**8,630,209**	**7,385,559**
Other comprehensive income		**(10,963)**	**(5,788)**
Other comprehensive income for the year, net of income tax		(10,963)	(5,788)
Total comprehensive income for the year		**8,619,246**	**7,379,771**

The notes on pages 5 to 30 are an integral part of these financial statements.

A&T FİNANSAL KİRALAMA A.Ş.

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

(Currency: Turkish Lira (TL), unless otherwise stated)

	Share capital	Legal reserves	Actuarial losses, net of tax	Retained earnings	Total
Balances at 1 January 2015	**66,043,499**	**2,003,066**	**(130,884)**	**6,641,051**	**74,556,732**
Total comprehensive income for the year:					
Net profit for the year	-	-	-	7,385,559	7,385,559
Other comprehensive income	-	-	(5,788)	-	(5,788)
Total comprehensive income for the year	**-**	**-**	**(5,788)**	**7,385,559**	**7,379,771**
Transactions with owners, recorded directly in equity:					
Share capital increase	5,000,000	-	-	(5,000,000)	-
Transfer to legal reserves	-	296,989	-	(296,989)	-
Total transactions with owners	**5,000,000**	**296,989**	**-**	**(5,296,989)**	**-**
Balances at 31 December 2015	**71,043,499**	**2,300,055**	**(136,672)**	**8,729,621**	**81,936,503**
Balances at 1 January 2016	**71,043,499**	**2,300,055**	**(136,672)**	**8,729,621**	**81,936,503**
Total comprehensive income for the year:					
Net profit for the year	-	-	-	8,630,209	8,630,209
Other comprehensive income	-	-	(10,963)	-	(10,963)
Total comprehensive income for the year	**-**	**-**	**(10,963)**	**8,630,209**	**8,619,246**
Transactions with owners, recorded directly in equity:					
Share capital increase	7,000,000	-	-	(7,000,000)	-
Transfer to legal reserves	-	369,278	-	(369,278)	-
Total transactions with owners	**7,000,000**	**369,278**	**-**	**(7,369,278)**	**-**
Balances at 31 December 2016	**78,043,499**	**2,669,333**	**(147,635)**	**9,990,552**	**90,555,749**

The notes on pages 5 to 30 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Cash flows from operating activities			
Profit for the year		8,630,209	7,385,559
Adjustments for:			
Current and deferred tax expense	8	2,174,599	1,804,194
Depreciation and amortization	12, 13	274,979	219,684
Change in provision for employee severance indemnity	17	127,018	37,075
Change in provision for vacation pay liability	17	104,808	92,082
Change in provision for employee severance indemnity for expatriates	17	157,118	(88,915)
Provision expenses/(reversal) for doubtful finance lease receivables		636,431	(809,098)
Net interest income		(17,627,980)	(14,258,973)
Other		142,509	-
Change in operating activities:			
Net increase in finance lease receivables		(33,115,613)	(29,731,062)
Net increase in other asset		(653,620)	(197,127)
Net increase in trade payables		1,809,718	640,227
Net decrease in other liabilities		(115,507)	(375,940)
Employee severance indemnity paid	17	-	(65,433)
Net cash used in operating activities		**(37,455,331)**	**(35,347,727)**
Cash flows from operating activities:			
Interest received		21,223,192	19,677,009
Interest paid		(6,733,422)	(4,184,691)
Cash flows from investing activities:			
Acquisition of property and equipment	12	(425,143)	(65,160)
Acquisition of intangible assets	13	(37,347)	(206,670)
Proceeds from sale of tangible and intangible assets		64,284	40,540
Net cash generated from investing activities		**14,091,564**	**15,261,028**
Cash flows from financing activities:			
Proceeds/(payments) of borrowings		27,598,489	31,893,350
Net cash provided from financing activities		**27,598,489**	**31,893,350**
Net increase in cash and cash equivalents		**4,234,722**	**11,806,651**
Effect of net foreign exchange difference on cash and cash equivalents		161,350	529,603
Cash and cash equivalents at beginning of the year	**9**	**41,270,016**	**28,933,762**
Cash and cash equivalents at 31 December	**9**	**45,666,088**	**41,270,016**

The notes on pages 5 to 30 are an integral part of these financial statements

NOTE 1 - ORGANIZATION AND THE NATURE OF OPERATIONS

A&T Finansal Kiralama Anonim Şirketi ("the Company") was established on 4 July 1997, pursuant to the license obtained from the Under secretariat of Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226. The main shareholder of the Company is Arap Türk Bankası A.Ş with 99% of the shares.

The Company's leasing operations principally focused on machinery and equipment, medical tools, construction, and office equipment.

The number of personnel working for the Company as of 31 December 2016 is 21 (31 December 2015: 21).

Registered address of the company is as follows:
Örnek Mahallesi
Finans Çıkmaz Sokağı
No:4 Ataşehir - İstanbul

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Standards

The principal accounting policies adopted in the preparation of the financial statements at 31 December 2016 are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

The Company maintains its books of account and prepares them in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the Banking Regulation and Supervision Agency ("BRSA"). The financial statements have been prepared in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the BRSA on 13 December 2012 in the Official Gazette numbered 28496 and Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") and the interpretations and with the Communiqué: "The Procedures Regarding The Provisions to be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013.; and in accordance with Turkish Accounting / Financial Reporting Standards ("IAS/IFRS") and their additions and comments issued by the Turkish Accounting Standard's Board ("IASB").

These financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

The Company has prepared the financial statements according to the going concern assumption.

The financial statements of the Company were authorized for issuance by the management on 26 January 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation that ended at 31 December 2005, except for the derivative financial instruments at fair value through profit or loss which are measured at their respective fair values.

The methods used to measure fair values are discussed further in *Note 3*.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Functional and presentation currency

These financial statements are presented in TL, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- *Note 8* - Taxation (utilisation of investment incentives)
- *Note 17* - Measurement of reserve for employee severance payments
- *Note 10* - Impairment in finance lease receivables

(e) Accounting for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Company no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in this financial information.

(f) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the statement of comprehensive income as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in profit or loss as realised during the course of the year.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency transactions (Continued)

Foreign exchange rates used by the Company as at 31 December 2016 and 2015 are as follows:

	2016	2015
USD	3.5192	2.9076
EUR	3.7099	3.1776
GBP	4.3189	4.3007

(g) New standards and amendments

Standards issued but not yet effective and not early adopted

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) New standards and amendments (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) New standards and amendments (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)

IAS 28 "Investments in Associates and Joint Ventures"
The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

(h) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise minimum finance lease receivables and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus at any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments including minimum finance lease receivables and time deposits at banks are measured at amortized cost using the effective interest method, less any impairment losses. Borrowings, trade and other payables are measured at amortized cost.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand and time deposits with a maturity period of three months or less.

Time deposits are measured at amortized cost using the effective interest method, less any impairment losses.

Minimum finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as minimum finance lease receivables. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned interest income and is recognized over the term of the lease using the effective interest rate method.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments

(i) Non-derivative financial instruments

Loans and borrowings

Loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings.

(ii) Derivative financial instruments (continued)

The Company may hold derivative financial instruments to manage its foreign currency risk exposure.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss as part of foreign currency gains and losses.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Share capital increased pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

(i) Property and equipment

(i) Recognition and measurement

Items of tangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units’ current at 31 December 2005 pursuant to International Accounting Standard (“IAS 29”) “Financial Reporting in Hyper Inflationary Economies” less accumulated depreciation and impairment losses. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation, and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of tangible assets have different useful lives, they are accounted for as separate items (major components) of tangible assets.

(ii) Subsequent costs

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the statement of comprehensive income as incurred.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (continued)

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets.

The estimated useful lives are as follows:

	Years
Buildings	50
Office equipment	5
Furniture, fixture and vehicles	5

Leasehold improvements are amortized over the periods of the respective leases on a straight-line basis.

(j) Intangible assets

Intangible assets represent computer software licenses. Intangible assets are measured at cost, less accumulated amortization, and impairment losses. Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

(k) Leased assets

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments for operating leasing are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(l) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. All impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

Reserve for employee severance payments

Provision for employment termination benefits represents the present value of the future probable obligation of the Company. According to the labour laws and regulations in Turkey, the Company is required to provide compensation payments to employees who retires, leaves or is dismissed due to any inappropriate act defined in Turkish Labour Law. In this context, provision for employment termination benefits that represents the present value of the future probable obligation of the Company, is calculated with defined actuarial estimations and accrued to the financial statements.

	31 December 2016	31 December 2015
Discount rate	3.27%	3.12%
Expected rate of salary / limit increase	7.00%	7.56%
Employee turnover rate	5.56%	5.30%

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Offsetting

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

(p) Related Parties

For the purpose of this report, the shareholders of the Company and the companies controlled by/associated with them are referred to as related parties. Related parties also include individual that are principal owners, management and members of the Board of Directors and their families.

(q) Revenue and Cost recognition

(i) Interest income from direct finance leases

The Company's finance leases consist of leases of vehicles and various equipments, including industrial machinery and office equipment. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitutes the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease.

Fee and commission income is recognized when the corresponding service is provided.

(ii) Interest income and expense

Interest income and expense is recognized in profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax expense comprises current and deferred tax. In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Current taxes

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings. In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred taxes

Deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (continued)

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

NOTE 3 - DETERMINATION OF FAIR VALUES

As at 31 December 2016 and 2015, the carrying amounts and fair values of financial instruments are as follows:

	31 December 2016		31 December 2015		
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**	**Level**
Financial assets					
Minimum finance lease receivables	255,010,031	279,956,587	254,341,791	247,660,590	3
Financial liabilities					
Borrowings	216,507,898	234,810,119	187,115,363	207,211,630	3

Fair value hierarchy overview

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement).

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

Level 1 inputs are unadjusted quoted prices in active markets for items identical to the asset or liability being measured. As with current IFRS, if there is a quoted price in an active market, an entity uses that price without adjustment when measuring fair value. An example of this would be prices quoted on a stock exchange. The entity needs to be able to access the market at the measurement date. Active markets are ones where transactions take place with sufficient frequency and volume for pricing information to be provided. An alternative method may be used where it is expedient. The standard sets out certain criteria where this may be applicable. For example where the price quoted in an active market does not represent fair value at the measurement date. An example of this may be where a significant event takes place after the close of the market such as a business reorganization or combination.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 3 - DETERMINATION OF FAIR VALUES (Continued)

The determination of whether a fair value measurement is based on level 2 or level 3 inputs depends on (i) whether the inputs are observable inputs or unobservable and (ii) their significance.

Level 2 inputs are inputs other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability. They are likely to be quoted assets or liabilities for similar items in active markets or supported by market data. For example interest rates, credit spreads or yields curves. Adjustments may be needed to level 2 inputs and, if this adjustment is significant, then it may require the fair value to be classified as level 3.

Level 3 inputs are unobservable inputs. These inputs should be used only when it is not possible to use Level 1 or 2 inputs. The entity should maximise the use of relevant observable inputs and minimise the use of unobservable inputs. However, situations may occur where relevant inputs are not observable and therefore these inputs must be developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability. The general principle of using an exit price remains and IFRS 13 does not preclude an entity from using its own data. For example cash flow forecasts may be used to value an entity that is not listed. Each fair value measurement is categorised based on the lowest level input that is significant to it.

NOTE 4 - MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2016 and 2015, marketing, general and administrative expenses comprised the following:

	31 December 2016	**31 December 2015**
Service from third parties	390,528	290,394
Office expenses	326,571	266,479
Insurance expenses	212,715	179,614
Taxes and duties	191,168	188,033
Rent expense	187,431	202,202
Other expenses	136,597	152,538
Total	**1,445,010**	**1,279,260**

NOTE 5 - SALARIES AND EMPLOYEE BENEFITS

For the years ended 31 December 2016 and 2015, salaries and employee benefits comprised the following:

	31 December 2016	**31 December 2015**
Wages and salaries	4,269,010	4,024,075
Other fringe benefits	364,203	330,240
Social security premiums	402,020	319,207
Change in employee termination and unused vacation provisions	375,241	116,134
Total	**5,410,474**	**4,789,656**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 6 - OTHER OPERATING INCOME

For the years ended 31 December 2016 and 2015, other operating income comprised the following:

	31 December 2016	31 December 2015
Reversal of provisions	636,430	88,915
Income from costs charged to customers	292,099	293,809
Other income	86,153	100,133
Total	**1,014,682**	**482,857**

NOTE 7 - OTHER OPERATING EXPENSE

For the years ended 31 December 2016 and 2015, other operating expense comprised the following:

	31 December 2016	31 December 2015
Insurance expenses related to lease contracts	597,794	397,136
Notary expenses	96,257	145,324
Fees and commission expense	153,390	41,219
Other expenses related to lease contracts	533,108	310,306
Total	**1,380,549**	**893,985**

NOTE 8 - TAXATION

Income tax expense comprised the following for the years ended 31 December 2016 and 2015:

	31 December 2016	31 December 2015
Corporate tax expense	2,088,847	1,891,356
Prepaid taxes	(1,389,537)	(3,646)
Tax expense	**699,310**	**1,887,710**
Current year corporate tax expense	(2,088,847)	(1,891,356)
Deferred tax income / (expense)	(85,752)	87,162
Total	**(2,174,599)**	**(1,804,194)**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 8 – TAXATION (Continued)

The breakdown of deductible and taxable temporary differences for which either deferred tax asset or deferred tax liability have been provided at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Deferred tax liabilities		
Difference between carrying values and tax base of property and equipment	125,966	125,752
Leasing income accruals	502,752	439,547
	628,718	**565,299**
Deferred tax asset		
Bad debt allowance	201,091	328,377
Employment termination benefits	346,367	268,579
Other temporary differences	108,129	78,223
	655,587	**675,179**
Net deferred tax asset	**26,869**	**109,880**

The reported tax expense for the years ended 31 December 2016 and 2015 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	31 December 2016	31 December 2015
Reported profit before income taxes	10,804,808	9,189,753
Taxes on reported profit per statutory tax rate	(2,160,962)	(1,837,951)
Non-deductible expenses	(49,462)	(39,944)
Effect of unused investment incentive	-	125,420
Other	35,825	(51,719)
Income tax expense	**(2,174,599)**	**(1,804,194)**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 9 - CASH AND CASH EQUIVALENTS

At 31 December, cash and cash equivalents comprised the following:

	31 December 2016	31 December 2015
Cash at banks - demand	17,951,394	15,764,849
Cash at banks - time	27,789,348	25,528,375
Cash on hand	609	1,387
Cash and cash equivalents at the statement of financial position	45,741,351	41,294,611
Less: Accrued interest income	75,263	24,595
Cash and cash equivalences at the statement of cash flows	**45,666,088**	**41,270,016**

At 31 December 2016, maturities of time deposits are less than three months (31 December 2015: less than three months). As of 31 December 2016, weighted average interest rates applied to these time deposits are 0.11% and 11.28% for Euro and Turkish Lira deposits respectively (31 December 2015: 0.22%, 0.13% and 13.48% for Euro, USD and Turkish Lira deposits respectively).

NOTE 10 - MINIMUM FINANCE LEASE RECEIVABLE

At 31 December 2016 and 2015, minimum finance lease receivable comprised of the following:

	31 December 2016	31 December 2015
Finance lease receivable	278,155,173	268,675,476
Invoiced lease receivables	10,550,018	5,868,989
Total lease receivables	**288,705,191**	**274,544,465**
Impaired finance lease receivables	1,658,888	2,640,032
Advances and investments related to financial leases	21,371,759	1,896,902
Gross finance lease receivables	**311,735,838**	**279,081,399**
Provision for impaired finance lease receivables	(1,005,454)	(1,641,885)
Unearned interest income	(30,773,797)	(29,778,924)
Minimum finance lease receivable, net	**279,956,587**	**247,660,590**

Minimum finance lease receivable consists of rentals receivable over the terms of leases. Per the lease agreements made with lessees, there is an insignificant residual value guaranteed to the lessor and the ownership of the items leased is transferred to the lessees at the end of the lease term.

(Currency: Turkish Lira (“TL”) unless otherwise stated)

NOTE 10 - MINIMUM FINANCE LEASE RECEIVABLE (Continued)

The maturity profile of the minimum finance lease receivable is as follows:

	31 December 2016	31 December 2015
2016	-	104,289,221
2017	135,418,573	70,329,279
2018	71,225,099	43,700,398
2019	45,093,469	22,024,810
2020	21,831,756	7,316,882
2021 and above	6,387,690	-
Total payments	**279,956,587**	**247,660,590**

The Company provides specific loss provision for its minimum finance lease receivables. Specific bad debt provision includes individually identified finance lease receivable balances of customers which may ultimately be uncollectible due to customers’ inability to repay and/or shortfall in the realizable value of collaterals. The movements of reserve for impaired finance lease receivables during the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Opening balance	1,641,885	832,787
Provision for the year	234,272	909,218
Collections	(870,703)	(100,120)
Ending balance	**1,005,454**	**1,641,885**

NOTE 11 - OTHER ASSETS

At 31 December 2016 and 2015, other assets comprised the following:

	31 December 2016	31 December 2015
Financial leasing insurance receivables	2,003,847	2,021,863
Prepaid expenses	1,698,653	1,166,851
Personnel advances	114,176	114,998
Prepaid taxes	-	3,645
Other assets	270,366	126,065
Total	**4,087,042**	**3,433,422**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 12 - PROPERTY AND EQUIPMENT, NET

For the year ended 31 December 2016, the movement in property and equipment assets is as follows:

	Building	Furniture and Equipment	Motor Vehicles	Total
Cost				
At 1 January 2016	4,144,270	343,500	83,799	4,571,569
Additions	1,204	16,939	407,000	425,143
Disposals	-	(64,284)	-	(64,284)
At 31 December 2016	**4,145,474**	**296,155**	**490,799**	**4,932,428**
Accumulated Depreciations				
At 1 January 2016	(338,097)	(252,049)	(37,409)	(627,555)
Depreciation for the year	(82,888)	(37,968)	(40,976)	(161,832)
Disposals	-	39,514	-	39,514
At 31 December 2016	**(420,985)**	**(250,503)**	**(78,385)**	**(749,873)**
Net carrying value				
At 31 December 2016	**3,724,489**	**45,652**	**412,414**	**4,182,555**

For the year ended 31 December 2015, the movement in property and equipment is as follows:

	Building	Furniture and Equipment	Motor Vehicles	Total
Cost				
At 1 January 2015	4,144,270	322,630	80,049	4,546,949
Additions	-	26,660	38,500	65,160
Disposals	-	(5,790)	(34,750)	(40,540)
At 31 December 2015	**4,144,270**	**343,500**	**83,799**	**4,571,569**
Accumulated Depreciations				
At 1 January 2015	(255,212)	(200,263)	(61,175)	(516,650)
Depreciation for the year	(82,885)	(55,337)	(10,984)	(149,206)
Disposals	-	3,551	34,750	38,301
At 31 December 2015	**(338,097)**	**(252,049)**	**(37,409)**	**(627,555)**
Net carrying value				
At 31 December 2015	**3,806,173**	**91,451**	**46,390**	**3,944,014**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 13 - INTANGIBLE ASSETS, NET

For the year ended 31 December 2016, the movement of intangible assets is as follows:

	Software
Cost:	
At 1 January 2016	582,649
Additions	37,347
Disposals	-
At 31 December 2016	619,996
Accumulated amortization:	
At 1 January 2016	(244,749)
Amortization for the year	(106,867)
Disposals	-
At 31 December 2016	(351,616)
Net carrying value as 31 December 2016	**268,380**

For the year ended 31 December 2015, the movement of intangible assets is as follows:

	Software
Cost:	
At 1 January 2015	375,979
Additions	206,670
Disposals	-
At 31 December 2015	582,649
Accumulated amortization:	
At 1 January 2015	(174,271)
Amortization for the year	(70,478)
Disposals	-
At 31 December 2015	(244,749)
Net carrying value as 31 December 2015	**337,900**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 14 - BORROWINGS

At 31 December 2016, bank borrowings comprised the following:

	Interest rates range	Balance in original	Balance in TL
Fixed rate borrowings:			
USD	3.70% - 5.00%	15,231,090	53,601,253
EUR	3.50% - 3.50%	6,213,864	23,052,814
Floating rate borrowings:			
USD	2.88% - 3.42%	1,317,246	4,635,651
EUR	1.50% - 3.00%	41,381,277	153,520,401
Total Borrowings			**234,810,119**

At 31 December 2015, bank borrowings comprised the following:

	Interest rates range	Balance in original	Balance in TL
Fixed rate borrowings:			
USD	2.60% - 4.50%	16,634,333	48,365,988
EUR	2.30% - 5.00%	11,510,605	36,576,097
Floating rate borrowings:			
USD	1.82% - 3.10%	5,495,202	15,977,850
EUR	1.50% - 2.50%	33,450,307	106,291,695
Total Borrowings			**207,211,630**

As of 31 December 2016, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2015: no guarantees were given to lending institutions as collateral against loans obtained).

NOTE 15 - TRADE PAYABLES

At 31 December 2016 and 2015, trade payables comprised of the following:

	31 December 2016	31 December 2015
Payables to suppliers	3,664,040	2,863,966
Advances received	1,817,372	817,793
Other payables	82,705	72,640
Total	**5,564,117**	**3,754,399**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 16 - OTHER LIABILITIES

At 31 December 2016 other liabilities comprised of TL 901,651 (31 December 2015: TL 643,635) taxes and funds payable other than income.

There are no lawsuits filed against the Company as of 31 December 2016 (31 December 2015: None). Provision for lawsuits filed by the Company is TL 142,509 as of 31 December 2016 (31 December 2015: None).

NOTE 17 - EMPLOYEE BENEFITS

Provision for Termination Indemnities:

Under Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provision.

The liability has no legal funding requirement.

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

International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year service will be increased in line with inflation. Accordingly, the discount rate used represents a level apart from inflation. The maximum amount of TL 4,297.21 has been taken into consideration in calculating the provision for employment termination benefits of the Company at 31 December 2016 (31 December 2015: TL 3,828.37) employee benefits comprised of the following:

Movement of the provision for employment termination benefits is as follows:

	31 December 2016	**31 December 2015**
Vacation pay liability	795,212	690,404
Reserve for employee severance indemnity	624,014	496,996
Reserve for employee severance indemnity for expatriates	312,612	155,494
Total	**1,731,838**	**1,342,894**

Movements in the reserve for employee severance indemnity are as follows:

	31 December 2016	**31 December 2015**
Opening balance	496,996	459,921
Service cost	58,976	58,504
Interest cost	54,338	36,769
Paid during the year	-	(65,433)
Actuarial losses	13,704	7,235
Ending balance	**624,014**	**496,996**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 18 - SHAREHOLDERS' EQUITY

Share capital

At 31 December 2016, the Company's statutory nominal value of authorized and paid-in share capital is TL 77,000,000 comprising of 77,000,000 registered shares having par value of TL 1 nominal each. Adjustment to share capital represents the restatement effect of the contributions to share capital due to the inflation accounting (IAS 29).

The shareholders of the Company and their ownership percentages at 31 December 2016 and 2015 are as follows:

	31 December 2016		**31 December 2015**	
	Shares (%)	**Nominal amount**	**Shares (%)**	**Nominal amount**
Arap Türk Bankası A.Ş.	99.98	76,984,600	99.98	69,986,000
Salih Hatipoğlu	0.005	3,850	0.005	3,500
Erdem Özenci	0.005	3,850	0.005	3,500
Feyzullah Küpeli	0.005	3,850	0.005	3,500
Aziz Aydoğduoğlu	0.005	3,850	0.005	3,500
Total paid-in share capital	**100**	**77,000,000**	**100**	**70,000,000**

Legal reserves

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital. As of 31 December 2016, the Company's statutory legal reserves amounted to TL 2,669,333 (31 December 2015: TL 2,300,055).

NOTE 19 - FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks during the course of its operations:

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Company management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 19 - FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

The Company is subject to credit risk through its leasing operations. The Credit Analysis Department of the Company is responsible for the management of the credit risk. The limits are being allocated to the customers at an amount of the asset subject to the finance lease contract. In new lease transactions the credibility of the customers are reevaluated and the limits revised accordingly. Sectoral analysis and follow ups are being made periodically and the customers in the risky sectors are being monitored on an ongoing basis. The analysis of customers' creditworthiness is made in accordance with the qualitative and quantitative factors such as the firm's operations, shareholder structure, financial structure, the relations of the firm with other financial institutions.

The collaterals other than the assets subject to finance lease contracts obtained for the finance lease receivables as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Warranty	1,720,581,480	3,437,143,079
Promissory notes	615,284,960	508,558,888
Pledges	177,426,378	131,651,479
Pledges on vehicles	20,557,568	10,563,138
Letters of guarantees received	1,835,250	1,254,167
Guaranty cheques	921,507	1,563,095
Total	**2,536,607,143**	**4,090,733,847**

As at 31 December 2016 and 2015, sectoral distribution for the performing finance lease receivables is as follows:

	31 December 2016	%	31 December 2015	%
Production	130,336,113	45	130,722,760	48
Agriculture	52,070,654	18	47,134,889	17
Construction	51,543,069	18	46,784,887	17
Real Estate	21,062,759	7	20,358,489	7
Health and Social Services	10,533,291	4	4,995,365	2
Transportation	8,848,376	3	6,852,262	3
Mining	3,720,688	1	8,824,285	3
Textile	3,181,769	1	830,339	-
Education	2,493,431	1	393,294	-
Other	4,915,041	2	7,579,830	3
Total	**288,705,191**	**100**	**274,476,400**	**100**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 19 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk:

The Company is exposed to currency risk through transactions (such as leasing operations and borrowings) in foreign currencies. The main measurement currencies of its foreign exchange operations are EUR and USD. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

As at 31 December 2016, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	USD	EUR	Other	Total
Assets				
Cash and cash equivalents	16,457,906	3,551,088	6	20,009,000
Finance lease receivable	42,456,337	168,968,376	7,475,146	218,899,861
Other assets	847,198	2,201,447	-	3,048,644
Total assets	**59,761,441**	**174,720,911**	**7,475,152**	**241,957,505**
Liabilities				
Bank borrowings	58,236,905	176,573,214	-	234,810,119
Trade payables	1,069,797	3,307,399	-	4,377,196
Total liabilities	**59,306,702**	**179,880,613**	**-**	**239,187,315**
Net balance sheet position	**454,739**	**(5,159,702)**	**7,475,152**	**2,770,190**

As at 31 December 2015, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	USD	EUR	Other	Total
Assets				
Cash and cash equivalents	17,302,891	1,800,265	-	19,103,156
Finance lease receivable	47,587,552	142,746,649	-	190,334,201
Other assets	897,082	2,033,025	-	2,930,107
Total assets	**65,787,525**	**146,579,939**	**-**	**212,367,464**
Liabilities				
Bank borrowings	64,343,837	142,867,793	-	207,211,630
Trade payables	872,333	2,280,093	325	3,152,751
Total liabilities	**65,216,170**	**145,147,886**	**325**	**210,364,381**
Net balance sheet position	**571,355**	**1,432,053**	**(325)**	**2,003,083**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 19 - FINANCIAL RISK MANAGEMENT (Continued)

Currency risk sensitivity analysis

A 10 percent devaluation of the TL against the following currencies as at 31 December 2016 and 2015 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2016 **Profit or loss**	**2015** **Profit or loss**
USD	45,474	57,136
EUR	(515,970)	143,205
CNY	747,515	-
Total	**277,019**	**200,341**

Interest rate risk:

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

As of 31 December 2016, the interest rate maturity analysis of the monetary items is as follows:

	Up to 3 months	**3 months to 1 year**	**1 to 5 years**	**5 years and above**	**Non-Interest Bearing**	**Total**
Assets:						
Cash and cash equivalents	27,789,348	-	-	-	17,952,003	45,741,351
Finance lease receivables	63,962,151	72,691,036	143,303,400	-	-	279,956,587
Other assets	3,973,068	-	-	-	113,974	4,087,042
Total Assets	**95,724,567**	**72,691,036**	**143,303,400**	**-**	**18,065,977**	**329,784,980**
Liabilities:						
Bank borrowings	164,730,651	25,665,238	44,414,230	-	-	234,810,119
Trade payables	-	-	-	-	5,564,117	5,564,117
Other liabilities	759,142	-	-	-	-	759,142
Total Liabilities	**165,489,793**	**25,665,238**	**44,414,230**	**-**	**5,564,117**	**241,133,378**
Net interest position	**(69,765,226)**	**47,025,798**	**98,889,170**	**-**	**12,501,860**	**88,651,602**

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 19 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2015, the interest rate maturity analysis of the monetary items is as follows:

	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and above	Non-Interest Bearing	Total
Assets:						
Cash and cash equivalents	25,528,374	-	-	-	15,766,237	41,294,611
Finance lease receivables	37,956,090	69,178,078	140,526,422	-	-	247,660,590
Other assets	3,319,448	-	-	-	113,974	3,433,422
Total Assets	**66,803,912**	**69,178,078**	**140,526,422**	**-**	**15,880,211**	**292,388,623**
Liabilities:						
Bank borrowings	133,119,709	56,330,422	17,761,499	-	-	207,211,630
Trade payables	-	-	-	-	3,754,399	3,754,399
Other liabilities	643,635	-	-	-	-	643,635
Total Liabilities	**133,763,344**	**56,330,422**	**17,761,499**	**-**	**3,754,399**	**211,609,664**
Net interest position	**(66,959,432)**	**12,847,656**	**122,764,923**	**-**	**12,129,105**	**80,782,252**

The table below shows the effects of changes in interest rates on the financial statements of the Company. The sensitivity of the profit or loss is the effect of possible changes in the interest rates on the net interest income of floating rate financial assets and liabilities as of 31 December 2016. The other variables, especially exchanges rates, are assumed to be fixed in this analysis. The same method is applied for 31 December 2015.

	31 December 2016		31 December 2015	
Increase / (decrease) in net profit	**0.5 bp increase**	**0.5 bp decrease**	**0.5 bp increase**	**0.5 bp decrease**
Floating rate financial liabilities	(694,271)	694,271	(608,625)	608,625
Total, net	**(694,271)**	**694,271**	**(608,625)**	**608,625**

Liquidity risk:

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company has access to funding sources from banks, its suppliers and its shareholders. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy. In addition, a portfolio of liquid assets is held as a part of the Company's liquidity risk management strategy.

(Currency: Turkish Lira ("TL") unless otherwise stated)

NOTE 19 - FINANCIAL RISK MANAGEMENT (Continued)

The table below represents the book values and the gross amount of un-discounted cash flows of financial liabilities to the nearest contract maturities.

Presentation of contractual liabilities based on their outstanding maturities:

31 December 2016	Gross Nominal Outflow	Book Value	Demand	1-3 Months	3-12 Months	Above 1 year
Borrowings	234,810,119	233,323,763	-	25,835,115	28,854,233	178,634,415
Trade payables	5,564,117	5,564,117	5,564,117	-	-	-
Total	**240,374,236**	**238,887,880**	**5,564,117**	**25,835,115**	**28,854,233**	**178,634,415**

31 December 2015	Gross Nominal Outflow	Book Value	Demand	1-3 Months	3-12 Months	Above 1 year
Borrowings	207,211,630	206,147,526	-	16,718,288	81,152,946	108,276,292
Trade payables	3,754,399	3,754,399	-	-	3,754,399	-
Total	**210,966,029**	**209,901,925**	**-**	**16,718,288**	**84,907,345**	**108,276,292**

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Legal proceedings:

Due to the nature of its business the Company is involved in a number of claims and legal proceedings arising in the ordinary course of business. It is the opinion of the management and its professional advisors that such claims are either without merit can be successfully defended or will not have a material adverse effect on the Company's financial position.

Letters of credit:

At 31 December 2016 and 2015, contingent liabilities arising from letters of credit comprised of the following:

	2016	2015
EURO	5,401,243	1,938,336
USD	2,023,540	1,482,876
GBP	104,701	-

Letters of guarantee:

At 31 December 2016, letters of guarantee amounting to TL 1,002,022 (31 December 2015: TL 568,893) were given mainly to customs authorities and insurance companies.

(Currency: Turkish Lira (“TL”) unless otherwise stated)

NOTE 21 - RELATED PARTIES

For the purpose of this report, the shareholders of the Company, Arap Türk Bankası A.Ş, the ultimate shareholder of the Company and the shareholders of Arap Türk Bankası A.Ş, Libyan Arab Foreign Bank, Türkiye İş Bankası A.Ş, and T.C Ziraat Bankası A.Ş are referred to as related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis.

At 31 December 2016 and 2015, bank deposits at related parties were as follows:

	31 December 2016	**31 December 2015**
T. İş Bankası AŞ	1,675,079	872,037
Arap Türk Bankası AŞ	1,097,039	84,171
TC Ziraat Bankası AŞ	16,168,982	85,877
Total	**18,941,100**	**1,042,085**

At 31 December 2016 and 2015, related party balances other than bank deposits are as follows:

	31 December 2016	**31 December 2015**
Borrowings	161,032,763	112,192,255
Finance lease receivable	3,426,863	4,612,808

As of 31 December 2016 maturity of the loans obtained from related banks vary between 9 January 2014 and 16 December 2019 (31 December 2015: 8 January 2013 and 10 March 2019). The interest rates of the loans vary between 1.50% and 5.00% (31 December 2015: between 1.58% and 3.25%).

For the year ended 31 December 2016 and 2015, related party transactions were as follows:

	31 December 2016	**31 December 2015**
Income		
Interest income on time deposits	2,101	5,696
Finance lease interest income	218,885	298,068
Expense		
Interest expense on borrowings	3,452,999	3,102,326
Off-balance sheet		
Letter of guarantee	1,002,022	568,893

For the year ended 31 December 2016, the Company paid to executive members and key management personnel amounting to TL 1,868,846 (31 December 2015: TL 1,592,603) as fringe benefit.

NOTE 22 – SUBSEQUENT EVENTS

None.