

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH		-	-	-	-	-	-
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	6.664	511	7.175	5.853	4.536	10.389
2.1 Financial Assets Held for Trading		6.664	-	6.664	4.670	-	4.670
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	511	511	1.183	4.536	5.719
III. BANKS	5	88.620	287.867	376.487	1.578	224.146	225.724
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	25.176	-	25.176	22.919	-	22.919
VI. FACTORING RECEIVABLES	7	2.542.131	442.584	2.984.715	1.612.297	333.480	1.945.777
6.1 Discounted Factoring Receivables		614.378	797	615.175	433.174	-	433.174
6.1.1 Domestic		625.606	797	626.403	444.050	-	444.050
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		(11.228)	-	(11.228)	(10.876)	-	(10.876)
6.2 Other Factoring Receivables		1.927.753	441.787	2.369.540	1.179.123	333.480	1.512.603
6.2.1 Domestic		1.927.564	-	1.927.564	1.179.123	-	1.179.123
6.2.2 Foreign		189	441.787	441.976	-	333.480	333.480
VII. FINANCING LOANS		-	-	-	-	-	-
7.1 Retail Loans		-	-	-	-	-	-
7.2 Credit Loans		-	-	-	-	-	-
7.3 Instalment Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES	8	1.434.997	2.486.156	3.921.153	1.152.834	2.096.392	3.249.226
8.1 Lease Receivables		1.371.791	2.350.691	3.722.482	1.130.833	2.049.314	3.180.147
8.1.1 Finance Lease Receivables		1.663.719	2.597.146	4.260.865	1.368.549	2.298.104	3.666.653
8.1.2 Operational Lease Receivables		-	5	5	-	-	-
8.1.3 Unearned Income (-)		(291.928)	(246.460)	(538.388)	(237.716)	(248.790)	(486.506)
8.2 Leasing Contracts in Progress		55.208	41.231	96.439	17.869	19.649	37.518
8.3 Advances Given for Lease Transactions		7.998	94.234	102.232	4.132	27.429	31.561
IX. OTHER RECEIVABLES	15	4.648	2.884	7.532	3.303	2.297	5.600
X. NON-PERFORMING RECEIVABLES	7, 8	43.174	37.419	80.593	40.699	2.673	43.372
10.1 Non-Performing Factoring Receivables		39.388	-	39.388	36.640	-	36.640
10.2 Non-Performing Financing Loans		-	-	-	-	-	-
10.3 Non-Performing Lease Receivables		146.710	44.726	191.436	138.479	8.003	146.482
10.4 Specific Provisions (-)		(142.924)	(7.307)	(150.231)	(134.420)	(5.330)	(139.750)
XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Net Foreign Investment Hedges		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. ASSOCIATES (Net)		-	-	-	-	-	-
XV. JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	10	17.429	-	17.429	17.135	-	17.135
XVII. INTANGIBLE ASSETS (Net)	11, 12	2.590	-	2.590	1.752	-	1.752
17.1 Goodwill		166	-	166	166	-	166
17.2 Other Intangibles		2.424	-	2.424	1.586	-	1.586
XVIII. PREPAID EXPENSES	15	21.236	-	21.236	21.455	-	21.455
IXX. CURRENT PERIOD TAX ASSETS	23	567	-	567	18	-	18
XX. DEFERRED TAX ASSETS	13	32.193	-	32.193	33.418	-	33.418
XXI. OTHER ASSETS	15	2.067	174	2.241	1.903	93	1.996
SUBTOTAL		4.221.492	3.257.595	7.479.087	2.915.164	2.663.617	5.578.781
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	899	-	899	2.057	-	2.057
22.1 Assets Held For Sale		899	-	899	2.057	-	2.057
22.2 Assets of Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		4.222.391	3.257.595	7.479.986	2.917.221	2.663.617	5.580.838

The accompanying notes are an integral part of these consolidated financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	-	63.777	63.777	-	68.471	68.471
II. FUNDS BORROWED	16	2.775.681	2.386.005	5.161.686	1.752.054	1.967.404	3.719.458
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASE OBLIGATIONS	18	-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
V. DEBT SECURITIES ISSUED (Net)	19	1.232.536	-	1.232.536	941.201	-	941.201
5.1 Bills		1.110.391	-	1.110.391	686.567	-	686.567
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		122.145	-	122.145	254.634	-	254.634
VI. MISCELLANEOUS PAYABLES	17	28.460	52.265	80.725	9.536	40.246	49.782
VII. OTHER LIABILITIES	17	18.620	46.666	65.286	11.158	25.596	36.754
VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Net Foreign Investment Hedges		-	-	-	-	-	-
IX. TAXES AND DUTIES PAYABLE	20	6.546	-	6.546	2.861	-	2.861
X. PROVISIONS	21	8.213	2.587	10.800	6.665	2.723	9.388
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits	22	7.415	-	7.415	5.993	-	5.993
10.3 Other Provisions		798	2.587	3.385	672	2.723	3.395
XI. DEFERRED INCOME		56	-	56	9	-	9
XII. CURRENT PERIOD TAX LIABILITY	23	28.371	-	28.371	14.506	-	14.506
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUBTOTAL		4.098.483	2.551.300	6.649.783	2.737.990	2.104.440	4.842.430
XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		830.203	-	830.203	738.408	-	738.408
16.1 Paid-in Capital	25	600.303	-	600.303	530.303	-	530.303
16.2 Capital Reserves	25	1.938	-	1.938	1.938	-	1.938
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.938	-	1.938	1.938	-	1.938
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	25	15	-	15	217	-	217
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	25	3.766	-	3.766	1.746	-	1.746
16.5 Profit Reserves	26	92.487	-	92.487	100.484	-	100.484
16.5.1 Legal Reserves		33.296	-	33.296	28.133	-	28.133
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		59.191	-	59.191	72.351	-	72.351
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		103.657	-	103.657	82.003	-	82.003
16.6.1 Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		103.657	-	103.657	82.003	-	82.003
16.7 Non-Controlling Interests	24	28.037	-	28.037	21.717	-	21.717
TOTAL LIABILITIES AND EQUITY		4.928.686	2.551.300	7.479.986	3.476.398	2.104.440	5.580.838

The accompanying notes are an integral part of these consolidated financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OFF BALANCE SHEET ITEMS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

OFF-BALANCE SHEET ITEMS		Notes	Audited Current Period 31 December 2016			Audited Prior Period 31 December 2015		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		62.084	19.745	81.829	50.022	14.269	64.291
II.	REVOCABLE FACTORING TRANSACTIONS		177.982	35.966	213.948	224.007	10.827	234.834
III.	COLLATERALS RECEIVED	40	19.712.954	31.235.335	50.948.289	16.058.766	23.019.647	39.078.413
IV.	COLLATERALS GIVEN	28	525.878	-	525.878	12.076	-	12.076
V.	COMMITMENTS		91.520	298.621	390.141	51.193	115.364	166.557
5.1	Irrevocable Commitments		-	72.386	72.386	14.131	38.963	53.094
5.2	Revocable Commitments		91.520	226.235	317.755	37.062	76.401	113.463
5.2.1	Lease Commitments		91.520	226.235	317.755	37.062	76.401	113.463
5.2.1.1	Finance Lease Commitments		91.520	226.235	317.755	37.062	76.401	113.463
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		1.067.139	1.181.362	2.248.501	679.444	729.623	1.409.067
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		1.067.139	1.181.362	2.248.501	679.444	729.623	1.409.067
6.2.1	Forward Foreign Currency Purchases/Sales	28	-	-	-	5.829	5.815	11.644
6.2.2	Swap Purchases/Sales	28	1.067.139	1.181.362	2.248.501	673.615	723.808	1.397.423
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		315.510	73.415	388.925	279.600	33.644	313.244
TOTAL OFF-BALANCE SHEET ITEMS			21.953.067	32.844.444	54.797.511	17.355.108	23.923.374	41.278.482

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INCOME STATEMENT	Notes	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
I. OPERATING INCOME	31	459.186	399.331
 FACTORING INCOME		173.420	134.492
1.1 Factoring Interest Income		160.625	124.856
1.1.1 Discounted		39.953	46.447
1.1.2 Other		120.672	78.409
1.2 Factoring Commission Income		12.795	9.636
1.2.1 Discounted		2.783	2.950
1.2.2 Other		10.012	6.686
 LEASE INCOME		285.766	264.839
1.3 Finance Lease Income		285.688	264.839
1.4 Operational Lease Income		78	-
1.5 Fees and Commission Income on Lease Operations		-	-
II. FINANCING EXPENSES (-)	34	(320.589)	(284.800)
2.1 Interest Expense on Funds Borrowed		(190.966)	(204.585)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Interest Expense of Finance Leasing Expenses		-	-
2.4 Interest Expense on Securities Issued		(116.417)	(71.895)
2.5 Other Interest Expenses		-	-
2.6 Fees and Commissions Paid		(13.206)	(8.320)
III. GROSS PROFIT/LOSS (I+II)		138.597	114.531
IV. OPERATING EXPENSES (-)	32	(55.300)	(46.916)
4.1 Personal Expenses		(32.945)	(28.110)
4.2 Employee Severance Indemnity Expense		(729)	(558)
4.3 Research and Development Expenses		-	-
4.4 General Administration Expenses		(19.767)	(18.126)
4.5 Other		(1.859)	(122)
V. GROSS OPERATING PROFIT/LOSS (III+IV)		83.297	67.615
VI. OTHER OPERATING INCOME	33	409.225	315.365
6.1 Interest Income on Bank Deposits		7.112	6.489
6.2 Interest Income on Reverse Repurchase Agreements		-	-
6.3 Interest Income on Securities Portfolio		144	129
6.3.1 Interest Income on Financial Assets Held for Trading		144	129
6.3.2 Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3 Interest Income on Financial Assets Available For Sale		-	-
6.3.4 Interest Income on Financial Assets Held to Maturity		-	-
6.4 Dividend Income		2.611	3.800
6.5 Trading Account Income		228.197	138.069
6.5.1 Income From Derivative Financial Instruments		228.197	138.069
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		152.799	151.062
6.7 Others		18.352	15.816
VII. PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	35	(22.651)	(48.482)

The accompanying notes are an integral part of these consolidated financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INCOME STATEMENT	Notes	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
VIII. OTHER OPERATING EXPENSES (-)	36	(323.914)	(224.720)
8.1 Impairment Losses on Securities Portfolio		(400)	-
8.1.1 Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		(400)	-
8.1.2 Impairment Losses on Financial Assets Available For Sale		-	-
8.1.3 Impairment Losses on Financial Assets Held to Maturity		-	-
8.2 Impairment Losses on Non-Current Assets		-	(602)
8.2.1 Impairment Losses on Tangible Assets		-	(602)
8.2.2 Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment Losses on Goodwill		-	-
8.2.4 Impairment Losses on Other Intangible Assets		-	-
8.2.5 Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses From Derivative Financial Instruments		(318.029)	(220.598)
8.4 Foreign Exchange Losses		-	-
8.5 Other		(5.485)	(3.520)
IX. NET OPERATING PROFIT/LOSS (V+.....+VIII)		145.957	109.778
X. INCOME RESULTED FROM MERGER		-	-
XI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XII. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		145.957	109.778
XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	37	(35.130)	(22.514)
13.1 Current Tax Charge		(33.854)	(19.913)
13.2 Deferred Tax Charge (-)		(1.276)	(2.601)
13.3 Deferred Tax Benefit (+)		-	-
XIV. NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)		110.827	87.264
XV. INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1 Income from Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3 Other Income from Discontinued Operations		-	-
XVI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1 Expense on Assets Held for Sale		-	-
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3 Other Expenses from Discontinued Operations		-	-
XVII. PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XV-XVII)		-	-
XVIII. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (-)		-	-
18.3 Deferred Tax Benefit (+)		-	-
XIX. NET PROFIT FROM DISCONTINUED OPERATIONS (XVII+XVIII)		-	-
XX. NET PROFIT FOR THE PERIOD		110.827	87.264
20.1 NON-CONTROLLING INTERESTS		(7.170)	(5.261)
20.2 EQUITY HOLDERS OF THE COMPANY		103.657	82.003
EARNINGS PER SHARE	38	0,17	0,14
Earnings Per Share from Continued Operations		0,17	0,14
Earnings Per Share from Discontinued Operations		-	-
DILUTED EARNINGS PER SHARE	38	0,17	0,14
Earnings Per Share from Continued Operations		0,17	0,14
Earnings Per Share from Discontinued Operations		-	-

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Notes	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
I.	CURRENT PERIOD PROFIT/LOSS		110.827	87.264
II.	OTHER COMPREHENSIVE INCOME		2.057	(675)
2.1	Items that will not be Reclassified to Profit or Loss		(202)	(66)
2.1.1	Tangible Assets Revaluation Increases/Decreases		-	-
2.1.2	Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3	Employee Benefits Re-Measuring Loss/Income	22	(253)	(82)
2.1.4	Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-
2.1.5	Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		51	16
2.1.5.1	Current Tax Income/Expense		-	-
2.1.5.2	Deferred Tax Income/Expense		-	-
2.2	Items that may be Reclassified subsequently to Profit or Loss		2.259	(609)
2.2.1	Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2	Value Increases or Decreases on Assets Held for Sales		2.259	(609)
2.2.3	Cash Flow Hedge Income/Losses		-	-
2.2.4	Net Investment Hedge Income/Losses		-	-
2.2.5	Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-
2.2.6	Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-
2.2.6.1	Current Tax Income/Expense		-	-
2.2.6.2	Deferred Tax Income/Expense		-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)		112.884	86.589

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CHANGES IN EQUITY	Note	Paid-in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss		
							1	2	3
Prior Period (01.01 – 31.12.2015) (Reviewed)									
I. Balance at the Beginning of the Period (31.12.2014)		461.503	-	-	-	1.938	-	283	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-
III. New Balance (I+II)	25	461.503	-	-	-	1.938	-	283	-
IV. Total Comprehensive Income		-	-	-	-	-	-	(66)	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves		68.800	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2015)		530.303	-	-	-	1.938	-	217	-
Current Period (01.01. –31.12.2016) (Reviewed)									
I. Balance at the Beginning of the Period (31.12.2015)		530.303	-	-	-	1.938	-	217	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-
III. New Balance (I+II)	25	530.303	-	-	-	1.938	-	217	-
IV. Total Comprehensive Income		-	-	-	-	-	-	(202)	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from internal reserves	25	70.000	-	-	-	-	-	-	-
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases/Decreases due to other changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2016)		600.303	-	-	-	1.938	-	15	-

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/(losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

Other Accumulated Comprehensive
Income that may be reclassified
subsequently to Profit/Loss

4	5	6	Profit Reserves	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Net Current Period Profit/Loss	Non-Controlling Interest	Total Equity
-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819
-	(497)	-	-	-	-	-	-	-	-	-	(112)	(675)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(68.800)	-	-	-	(68.800)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	82.003	-	82.003	5.261	87.264
-	-	-	63.632	3.931	-	(9.099)	68.800	(78.632)	(146)	(78.486)	-	(15.000)
-	-	-	(15.000)	-	-	(15.000)	-	-	-	-	-	(15.000)
-	-	-	78.632	3.931	-	5.901	68.800	(78.632)	(146)	(78.486)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408
-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408
-	2.020	-	-	-	-	-	-	-	-	-	239	2.057
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(70.000)	-	-	-	(70.000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	62.003	5.163	-	(13.160)	70.000	(82.003)	-	(82.003)	(1.089)	(21.089)
-	-	-	(18.000)	-	-	(18.000)	-	(2.000)	-	(2.000)	(1.089)	(21.089)
-	-	-	80.003	5.163	-	4.840	70.000	(80.003)	-	(80.003)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	3.766	-	92.487	33.296	-	59.191	-	103.657	-	103.657	28.037	830.203



İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes in Operating Assets And Liabilities		172.705	169.512
1.1.1 Interests Received/Lease Income		447.548	398.790
1.1.2 Interest Paid/Lease Expenses		(328.735)	(264.265)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		2.611	2.636
1.1.5 Fees and Commissions Received		12.795	9.636
1.1.6 Other Income		(83.506)	151.138
1.1.7 Collections from Non-performing Receivables	33	12.170	2.876
1.1.8 Payments to Personnel and Service Suppliers		(30.115)	(26.091)
1.1.9 Taxes Paid		(19.355)	(7.093)
1.1.10 Others		159.292	(98.115)
1.2 Changes in Operating Assets and Liabilities		(276.304)	(629.168)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(1.049.182)	(516.967)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(343.959)	(144.989)
1.2.4 Net (Increase) Decrease in Other Assets		1.810	7.151
1.2.5 Net Increase (Decrease) in Factoring Payables		-	-
1.2.6 Net Increase (Decrease) in Lease Payables		-	-
1.2.7 Net Increase (Decrease) in Funds Borrowed		1.062.623	29.173
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		52.404	(3.536)
I. Net Cash Used in Operating Activities		(103.599)	(459.656)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures		-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	10, 11	(7.159)	(1.886)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10	4.669	5
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Other		-	-
II. Net cash used in investing activities		(2.490)	(1.881)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		1.987.131	1.154.518
3.2 Cash used for repayment of funds borrowed and securities issued		(1.709.638)	(631.830)
3.3 Equity instruments issued		-	-
3.4 Dividends paid	25	(21.089)	(15.000)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash From Financing Activities		256.404	507.688
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		388	(569)
V. Net Increase in Cash and Cash Equivalents		150.703	45.582
VI. Cash and Cash Equivalents at the Beginning of the Period	5	225.718	180.136
VII. Cash and Cash Equivalents at the End of the Period	5	376.421	225.718

The accompanying notes are an integral part of these consolidated financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**)	Current Period 31 December 2016	Prior Period 31 December 2015
I. DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1 CURRENT PERIOD PROFIT	138.787	104.517
1.2 TAXES AND DUES PAYABLE (-)	(35.130)	(22.514)
1.2.1 Corporate Tax (Income Tax)	(33.854)	(19.913)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(1.276)	(2.601)
A. NET PERIOD PROFIT (1.1 - 1.2)	103.657	82.003
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	(4.074)
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) (*)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]	-	77.929
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	72.000
1.6.1 To Owners of Ordinary Shares (***)	-	72.000
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit/loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit/loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	5.929
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	18.000
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the profit/loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF STOCKS (TL)	0,1727	0,1546
3.2 TO OWNERS OF STOCKS (%)	17,27%	15,46%
3.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS (TL)	-	0,1697
4.2 TO OWNERS OF STOCKS (%)	-	16,97%
4.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) Comprises of donations made by the Company that shall be added to distributable net period profit.

(**) The Board of Directors has not made any decision regarding profit distribution for the year 2016.

(***) The dividend amounting to TL 20.000 has been distributed in cash, the dividend amounting to TL 70.000 has been distributed in the form of bonus shares for the year 2015.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. ("the Company") was incorporated on 9 March 1988 to operate in Turkey in accordance with Finance Lease, Factoring and Financing Companies Law No: 6361. The core business of the Company is leasing operations, both domestic and abroad, and it started its leasing operations in July 1988. The head office of the Company is located at İş Kuleleri Kule: 1 Kat: 6 34330 Levent-İstanbul/Turkey.

The Company has purchased nominal shares of İş Faktoring A.Ş. ("İş Faktoring") amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of the İş Faktoring A.Ş. and it has been consolidated in the accompanying financial statements.

The Company and its subsidiary run their operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with 28,56% participation. The Company's 42,67% of shares are publicly traded and listed on the Borsa İstanbul.

As at 31 December 2016, the Company and its subsidiary ("the Group") have 246 employees (31 December 2015: 234 employees).

Dividend Payable

As at 31 December 2016, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 31 December 2016 have been approved by the Board of Directors of the Company and authorized for issue as at 27 January 2017. The General Assembly and/or legal authorities have power to amend the consolidated financial statements after its issue.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

The Group prepared accompanying consolidated financial statements due to the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" the published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency (all together refer to as "BRSA Accounting and Reporting Legislation") in respect of accounting and financial reporting.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Accounting Standards Applied (Continued)

The financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value. Determination of historical cost is generally based on the fair value amount paid for the assets.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Functional and Reporting Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

The consolidated financial statements of the Group have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA and by a decision taken on 17 March 2005, Capital Markets Board of Turkey (“CMB”) declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2016 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

Comparative Information and Restatement of the Prior Periods’ Consolidated Financial Statements

The Group’s consolidated financial statements are prepared comparatively with the prior period in order to provide information on the financial position and performance of the Group. When the presentation or classification of financial statements is changed, prior period’s financial statements are also reclassified in line with the related changes in order to sustain consistency and all significant changes are explained.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Accounting estimates

The preparation of consolidated financial statements in accordance with BRSA Accounting and Reporting Legislation requires management to make judgements, 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. In particular, information about significant accounting estimates used are described in the following notes:

Note 4 – Financial assets and liabilities at fair value through profit or loss

Note 7 – Factoring receivables

Note 8 – Lease receivables

Note 21 – Provisions

Note 22 – Employee benefits

Note 28 – Provisions, contingent assets and liabilities

Basis of Consolidation

The details of the Group’s subsidiary as at 31 December 2016 and 31 December 2015 are as follows:

<u>Subsidiary</u>	<u>Establishment and operation location</u>	<u>Shareholding rate %</u>	<u>Voting right rate %</u>	<u>Core business</u>
İş Faktoring A.Ş.	Istanbul	78,23	78,23	Factoring operations

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in “Subsidiaries” section below. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2016 and 31 December 2015, the Company owns 78,23% of İş Faktoring A.Ş.. As the Company has the power to control the operations of the İş Faktoring A.Ş., the financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying consolidated financial statements.

(ii) Transactions eliminated on consolidation

Financial statements of İş Faktoring A.Ş. have been fully consolidated in the accompanying financial statements and the investment balance in the Company’s statement of financial position have been eliminated against the paid-in capital of İş Faktoring A.Ş.. Intra-group balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest in equity since the date of the combination.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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 realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

The accounting policies applied for the period ended 31 December 2015 have been applied consistently for the year ended 31 December 2016 in preparing these financial statements.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current period.

Material accounting errors are adjusted retrospectively and prior periods' consolidated financial statements are restated.

2.4 Changes in Standards and Interpretations

The Group applied all of the relevant and required TAS as at 31 December 2016.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

IFRS 9 – Financial instruments

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 Group is in the process of assessing the impact of the standard on financial position or performance of the Group

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

Finance lease income: Initial value of leased assets at the beginning of the leasing period under the Finance Lease, factoring and Financing Companies Law No: 6361 is recognized as finance lease receivables in the consolidated statement of financial position. Interest income resulting from the difference between the total finance lease receivables and the investment value of the leased assets are recognized in the period in which the relevant receivable portion for each accounting period is distributed over the related period using the fixed interest rate through the leasing period. The interest income not accrued yet is followed up under the account of unearned interest income.

Factoring revenue: Consists of factoring interest and commission income collected or accrued on advances given to the customers.

Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset.

Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

Commissions collected or paid on any transactions are recorded on accrual basis.

b. Tangible Assets

Tangible assets, acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting period and corrected if necessary.

Leasehold improvements are depreciated over their respective lease periods.

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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

The estimated useful lives for the current and comparative periods are as follows:

Definition	Years
Furniture and fixtures	5 years
Other tangible assets	5 years
Vehicles	5 years
Operational Leasing Assets	3 years

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Tangible Assets (Continued)

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the consolidated income statement.

The Group has changed the valuation method for tangible fixed assets and in accordance with Standards on Tangible assets (TAS 16) it has adopted the revaluation method in 2015. Appraisal value has been reflected in the financial statements.

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

The estimated useful life and amortization method of intangible assets are reviewed at each reporting period and corrected if necessary.

d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization, but tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

e. Borrowing Costs

All borrowing costs are recorded in the income statement on accrual basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Assets Held For Sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

g. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: "financial assets as at fair value through profit or loss ("FVTPL")", "held-to-maturity investments ("HTM")", "available-for-sale ("AFS")" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Finance lease receivables, factoring receivables and other receivables

Finance lease receivables, factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Provision for doubtful finance lease receivables, factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease and factoring receivables. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated 20 July 2007 and numbered 26588 by BRSA, the Group's specific provision rate allocated for the below finance lease receivables considering their collaterals as at 1 January 2008 are as follows: 20%, at a minimum, for finance lease receivables overdue more than 150 days not exceeding 240 days, 50%, at a minimum, for finance lease receivables overdue more than 240 days not exceeding 360 days; and 100%, at a minimum, for finance lease receivables overdue more than 1 year.

The Group classifies its overdue finance lease receivables not exceeding 360 days as under the "Non-Performing Receivables" and classifies its finance lease receivables overdue more than 1 year under "Non-Performing Receivables".

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

In accordance with the above-mentioned Communiqué, specific provision rate allocated for the factoring receivables considering their collaterals are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

While the Group provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Group provides provision for its other doubtful receivables having possibility of recovery based on the time intervals mentioned above.

When the Group annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TL using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Group also ceases its income accrual calculation starting from the annulment date.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, except for finance lease receivables and factoring receivables stated above, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of finance lease receivables and factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to net present value of financial liabilities

Derivative financial instruments and hedge accounting

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Group classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Business Combinations

The acquisitions of subsidiaries are accounted for by using the purchase method. The cost of the acquisition is measured at the aggregate of fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under TFRS 3 “Business Combinations” are recognized at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, excess amount is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling party’s proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

i. Effects of Changes in Exchange Rates

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

The foreign currency exchange rates used by the Group as at 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
USD	3,5192	2,9076
EUR	3,7099	3,1776
GBP	4,3189	4,3007
CHF	3,4454	2,9278
100 JPY	3,0025	2,4078
AUD	2,5366	2,1154

In preparation of the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year.

In Turkey, companies can increase their share capitals by issue of "Bonus Shares" to their shareholders from their retained earnings. In computing earnings per share, such issues of "Bonus Shares" are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

k. Events After the Reporting Period

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 "Events After Reporting Period Date"; post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

l. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. 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 if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Leases

• Group as Lessor

The Group’s accounting policies over finance leases are disclosed in note (g).

• Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss in accordance with the Group’s general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received or to be received to enter into an operating lease are also recognized in the profit or loss on a straight-line basis over the lease term.

n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 29).

o. Taxes on Income

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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 realized.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to Other Comprehensive Income and subsequently recognized in profit or loss together with the deferred gains that are realized.

p. Employee Benefits/Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying consolidated financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 "Employee Benefits", the Group calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the consolidated financial statements. The main estimates used are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Discount rate	3,43%	3,51%
Expected rate of salary/limit increase	7,80%	7,00%
Probability of retirement	100%	100%

r. Statement of Cash Flows

The Group presents statement of cash flows as an integral part of its financial statements to inform the users of financial statements about its ability to manage changes in its net assets, its financial structure and the amount and timing of its cash flows under changing conditions.

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of the cash flows arising from core operations of the Company. Cash flows related with investment activities compose of cash flows that the Group generates from or uses in investment activities (tangible and financial investments). Cash flows related with financing activities represent resources that the Group uses for financing activities and the reimbursements of such resources.

s. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Related Parties

In accordance with TAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge. For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/ associated with them, key management and the Board members of the Company are referred to as related parties (Note 9).

4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets held for trading:

As at 31 December 2016 and 31 December 2015, details of financial assets held for trading are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Debt securities issued by private sector (*)	400	-	402	-
Impairment Provision of Private Sector Securities Common Stocks and Bond (*)	(400)	-	-	-
Mutual funds	6.664	-	4.268	-
	6.664	-	4.670	-

(*) In its meeting held on 11 February 2016, Borsa İstanbul A.Ş. (Istanbul Stock Exchange) Board of Directors has decided to delist the debt instruments coded TRSAYNS51619, TRSAYNSK1619 and TRSAYNS21711 ISIN of Aynes Gıda Sanayi ve Ticaret A.Ş., the debt instruments of which are listed in BIST Debt Instruments Market Definite Trading Market, due to failure of the named Company in its coupon payment of 2 February 2016 relating to its debt instrument coded TRSAYNS51619 ISIN. The coupon payments and the principal payment of the debt instrument coded TRSAYNSK1619 ISIN included in the assets of the Company have not been made by Aynes Gıda Sanayi ve Ticaret A.Ş., the Company has recognized allowance for impairment losses on the debt instrument amounting to its total carrying amount.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 785 (31 December 2015: TL 443).

Derivative Financial Assets and Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
<u>Derivative Financial Assets Held For Trading</u>				
Forwards	-	-	5	-
Currency swaps	-	511	1.178	4.536
	-	511	1.183	4.536
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
<u>Derivative Financial Liabilities Held For Trading</u>				
Forwards	-	-	-	-
Currency swaps	-	63.777	-	68.471
	-	63.777	-	68.471

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5. BANKS

As at 31 December 2016 and 31 December 2015, the details of the banks are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Demand Deposits	4.578	18.244	1.578	14.610
Time Deposits	84.042	269.623	-	209.536
	88.620	287.867	1.578	224.146

The details of the time deposits as at 31 December 2016 are as follows:

Currency	Interest Rate %	Maturity	31 December 2016
TL	10,85%	02.01.2017	84.042
USD	2,00%	02.01.2017	107.271
Euro	1,00%-2,10%	02.01.2017-23.01.2017	162.352
			353.665

The details of the time deposits as at 31 December 2015 are as follows:

Currency	Interest Rate (%)	Maturity	31 December 2015
USD	0,20%-1,90%	01.01.2016-04.01.2016	99.745
Euro	1,00%-1,50%	04.01.2016-01.02.2016	109.791
			209.536

As at 31 December 2016, TL 262.368 portion of total foreign currency deposits (31 December 2015: TL 192.022) and TL 88.418 portion of total TL deposits (31 December 2015: TL 1.164) consist of accounts at the Company's main shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying consolidated statement of financial position and the statement of cash flow is as follows:

	31 December 2016	31 December 2015
Demand deposits	22.822	16.188
Time deposits (1-3 months) (excluding accrual)	353.599	209.530
Cash and cash equivalents	376.421	225.718

As at 31 December 2016 and 31 December 2015, there is no blockage on cash and cash equivalents.

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6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2016 and 31 December 2015, details of financial assets available for sale are as follows:

Name of the investment	Core business	Incorporation and location	Voting right (%)	Ownership Rate (%)		Carrying Amount	
				31 December 2016	31 December 2015	31 December 2016	31 December 2015
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	21.795	19.464
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	955	1.069
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net)	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	347	347
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	2.000	2.000
TOTAL						25.176	22.919

7. FACTORING RECEIVABLES

As at 31 December 2016 and 31 December 2015, details of factoring receivables are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Short-term factoring receivables (*)</u>		
Domestic factoring receivables	2.548.649	1.614.627
Export and import factoring receivables	436.237	329.783
Factoring interest income accrual	11.057	12.243
Unearned interest income	(11.228)	(10.876)
	<u>2.984.715</u>	<u>1.945.777</u>
<u>Non-performing factoring receivables (**)</u>	39.388	36.640
Provision for non-performing factoring receivables (**)	(38.547)	(31.143)
	<u>2.985.556</u>	<u>1.951.274</u>

(*) Consists of factoring receivables of the subsidiary, İş Faktoring A.Ş., which is owned by the Company with the ownership percentage of 78,23%.

(**) Presented under the non-performing receivables in the accompanying consolidated statement of financial position.

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7. FACTORING RECEIVABLES (Continued)

As at 31 December 2016, the average interest rates applicable for the factoring receivables are 13,67% for TL, 4,33% for USD, 4,27% for EUR and 5,94% for GBP (31 December 2015: 14,93% for TL, 4,58% for USD and 5,60% for EUR and 6,63% for GBP).

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Domestic irrevocable	1.652.065	978.528
Foreign irrevocable	27.282	24.736
Domestic revocable	891.704	639.266
Foreign revocable	414.505	308.744
	<u>2.985.556</u>	<u>1.951.274</u>

Except for its non-performing receivables for which provision provided, the Group has TL 20.895 amount of overdue factoring receivables as at the reporting date (31 December 2015: TL 220). There is a balance of TL 205 in the restructured factoring receivables account, which would become overdue or doubtful had it not been restructured (31 December 2015: None). As a security for these receivables, the Group holds a contractual guarantee.

The Group's collaterals for factoring receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

<u>Collateral type</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Cheques	533.007	505.195
Mortgages	8.809	2.919
Letters of guarantee	5.282	3.301
	<u>547.098</u>	<u>511.415</u>

Except for its collaterals, the Group has TL 2.438.458 amount of leasing contract sureties as at the reporting date (31 December 2015: TL 1.439.860).

The aging of non-performing factoring receivables is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Up to 90 days	535	3.047
Between 90 – 180 days	326	1.050
Between 180 – 360 days	1.687	5.058
Over 360 days	36.840	27.485
	<u>39.388</u>	<u>36.640</u>

The Group has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of provision for non-performing factoring receivables is as follows:

	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Provision at the beginning of the period	(31.143)	(24.348)
Provision set during the period	(9.058)	(6.971)
Collections	1.654	176
Provision at the end of the period	<u>(38.547)</u>	<u>(31.143)</u>

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8. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 31 December 2016 and 31 December 2015, details of finance lease receivables are as follows:

<u>31 December 2016</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	51.894	-	51.894
Finance lease income accruals	20.839	-	20.839
Non-performing finance lease receivables (*)	165.958	25.478	191.436
Uninvoiced finance lease receivables	1.612.944	2.575.188	4.188.132
Less: Unearned interest income	(249.994)	(288.394)	(538.388)
Leasing contracts in progress (**)	-	96.439	96.439
Advances given for lease transactions	-	102.232	102.232
Specific provisions (*)	(96.820)	(14.864)	(111.684)
Net finance lease receivables	1.504.821	2.496.079	4.000.900

<u>31 December 2015</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	36.195	-	36.195
Finance lease income accruals	13.921	-	13.921
Non-performing finance lease receivables (*)	144.565	1.917	146.482
Uninvoiced finance lease receivables	1.272.992	2.343.545	3.616.537
Less: Unearned interest income	(218.824)	(267.682)	(486.506)
Leasing contracts in progress (**)	-	37.518	37.518
Advances given for lease transactions	-	31.561	31.561
Specific provisions (*)	(107.186)	(1.421)	(108.607)
Net finance lease receivables	1.141.663	2.145.438	3.287.101

(*) Presented as non-performing receivables in the accompanying consolidated statement of financial position.

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2016 and 31 December 2015, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

As at 31 December 2016, analysis of finance lease receivables according to their maturities is as follows:

	<u>2017 (**)</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 and after</u>	<u>Total</u>
Finance lease receivables (gross) (*)	1.765.429	1.168.087	743.990	351.657	168.953	142.501	4.340.617
Unearned interest	(249.994)	(152.819)	(76.360)	(32.807)	(14.247)	(12.161)	(538.388)
Finance lease receivables (net)	1.515.435	1.015.268	667.630	318.850	154.706	130.340	3.802.229

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

(**) Non-performing finance lease receivables amounting to TL 79.752 are presented in 2017 column since their collection dates are not certain.

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8. LEASE RECEIVABLES (Continued)

As at 31 December 2015, analysis of finance lease receivables according to their maturities is as follows:

	2015 (**)	2016	2017	2018	2019	2020 and after	Total
Finance lease receivables (gross)(*)	1.360.983	994.498	681.045	388.303	145.375	134.324	3.704.528
Unearned interest	(218.823)	(136.227)	(71.721)	(32.042)	(13.278)	(14.415)	(486.506)
Finance lease receivables (net)	1.142.160	858.271	609.324	356.261	132.097	119.909	3.218.022

(*) Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled by the payment plans yet.

(**) Non-performing finance lease receivables amounting to TL 37.875 are presented in 2015 column since their collection dates are not certain.

As at 31 December 2016, the average compound interest rates applicable for the finance lease receivables are 14,42% for TL, 5,88% for USD, and 5,64% for EUR (31 December 2015: 14,06% for TL, 5,82% for USD, and 6,01% for EUR).

As at 31 December 2016, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest
USD	257.515.810	906.250	22.276.337	78.120
EUR	396.878.165	1.472.378	45.120.754	167.393
CHF	2.750.638	9.477	274.766	947
TL	-	1.414.124	-	291.928
Total		3.802.229		538.388

(*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.

As at 31 December 2015, details of finance lease receivables in terms of currency types are as follows:

Currency	Principal in foreign currency	Principal (*) (Net)	Unearned interest in foreign currency	Unearned interest
USD	345.328.000	1.004.076	38.746.347	112.332
EUR	329.780.890	1.047.911	42.943.620	136.458
TL		1.166.035		237.716
Total		3.218.022		486.506

(*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.

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8. LEASE RECEIVABLES (Continued)

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table):

<u>Collateral type:</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Mortgages	163.184	182.734
Pledged equity	44.680	44.646
Pledged commercial	37.803	21.326
Letters of guarantee	16.987	20.538
Cash blockages	3.331	8.833
Equity security	2.950	2.450
Pledged account	909	762
Guarantors	445	583
	<u>270.289</u>	<u>281.872</u>

In addition to collaterals above, the Group also has sureties amounting to TL 3.355.111, pledged vehicles amounting to TL 46.238, pledged machines amounting to TL 30.000. (31 December 2015: sureties amounting to TL 2.812.903, pledged vehicles amounting to TL 41.405, pledged machines amounting to TL 30.046).

As at the end of the reporting date, the Group did not recognize provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TL 51.894 (31 December 2015: TL 36.194) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Up to 30 days	40.003	12.994
Between 30 – 60 days	5.717	4.760
Between 60 – 90 days	3.115	17.342
Between 90 – 150 days	3.059	1.098
Total overdue	<u>51.894</u>	<u>36.194</u>
Not due amount	<u>286.823</u>	<u>210.022</u>
	<u>338.717</u>	<u>246.216</u>

Details of the collaterals obtained by Group for overdue lease receivables mentioned above are as follows:

<u>Collateral type</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Mortgages	58.969	25.214
Pledged shares	26.780	27.508
Letters of guarantee	1.690	1.787
Pledged account	909	762
Guarantor	101	-
Cash blockages	1	50
	<u>88.450</u>	<u>55.321</u>

In addition to above guarantees, the Group also has sureties amounting to TL 246.541, pledged vehicles amounting to TL 3.728. (31 December 2015: sureties amounting to TL 183.137, pledged vehicles amounting to TL 7.712 and pledged machines amounting to TL 46).

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8. LEASE RECEIVABLES (Continued)

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 40.

Starting from 24 December 2013, the Group measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued by BRSA.

As at 31 December 2016 and 31 December 2015, the aging of non-performing finance lease receivables is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Between 150 – 240 days	5.091	3.831
Between 240 – 360 days	8.499	2.706
Over 360 days	48.090	48.696
Uninvoiced non-performing finance lease receivables	130.224	91.926
Unearned interest of non-performing finance lease receivables	(468)	(677)
	<u>191.436</u>	<u>146.482</u>

Collaterals obtained for non-performing finance lease receivables as at 31 December 2016 and 31 December 2015 are as follows:

<u>Guarantee type:</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Mortgages	9.687	4.557
	<u>9.687</u>	<u>4.557</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 123.552, leased equipments amounting to TL 57.077 and pledged vehicles amounting to TL 1.120 (31 December 2015: sureties amounting to TL 114.569, pledged vehicles amounting to TL 783, pledged machines amounting to TL 5, leased equipments amounting to TL 26.568).

The movement of provision for non-performing finance lease receivables is as follows:

<u>Movement of specific provisions:</u>	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Provision at the beginning of the period	(108.607)	(80.142)
Provision set during the period	(13.593)	(41.034)
Write off (*)	-	9.870
Collections	10.516	2.699
Provision at the end of the period	<u>(111.684)</u>	<u>(108.607)</u>

(*) Consists of the non-performing finance lease receivables written off through sales to Efes Varlık Yönetimi A.Ş. in 2015.

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8. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables

	<u>31 December 2016</u>	<u>31 December 2015</u>
Operating Lease Receivables (Note 8)	5	-
	<u>5</u>	<u>-</u>

As at 31 December 2016 and 31 December 2015 analysis of operating lease receivables according to their maturities is as follows :

	<u>31 December 2016</u>	<u>31 December 2015</u>
2017 Year	247	-
2018 Year	247	-
2019 Year	242	-
	<u>736</u>	<u>-</u>

9. RELATED PARTIES

As at 31 December 2016 and 31 December 2015, details of related party balances are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Finance lease receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	25.328	26.819
KKB Kredi Kayıt Bürosu A.Ş.	21.971	6.834
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	11.659	21.580
Tukaş Gıda San. ve Tic. A.Ş.	6.650	32.026
Bankalararası Kart Merkezi A.Ş.	899	457
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	702	919
Numnum Yiyecek ve İçecek A.Ş.	699	923
Radore Veri Merkezleri Hizm. A.Ş.	201	723
Toksöz Spor Malzemeleri Ticaret A.Ş.	84	-
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	-	230
Total	<u>68.193</u>	<u>90.511</u>
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	5	-
TSKB Gayrimenkul Değerleme	-	-
	<u>5</u>	<u>-</u>
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	19.900	29.600
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	13.606	10.135
Nevotek Inc.	-	-
Nevotek Bilişim Ses Ve İletişim Sist. San. Ve Tic. A.Ş.	-	1.112
Total	<u>33.506</u>	<u>40.847</u>

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9. RELATED PARTIES (Continued)

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	16.263	14.204
İş Merkezleri Yönetim ve İşletim A.Ş.	98	82
KKB Kredi Kayıt Bürosu A.Ş.	4	3
İş Net Elekt. Bilgi Ür. Dağ.Tic.ve İlet. Hiz. A.Ş	3	3
Türkiye İş Bankası A.Ş.	-	184
Total	<u>16.368</u>	<u>14.476</u>
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. (Time Deposits)	328.246	177.987
Türkiye İş Bankası A.Ş. (Demand Deposits)	22.540	14.658
Türkiye Sınai Kalkınma Bankası A.Ş. (Demand Deposits)	9	7
İş AG (Demand Deposits)	-	541
Total	<u>350.795</u>	<u>193.193</u>
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	13.336	5.213
Türkiye Sınai Kalkınma Bankası A.Ş.	5.294	188
Total	<u>18.630</u>	<u>5.401</u>
<u>Derivative financial assets held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	278	777
Total	<u>278</u>	<u>777</u>

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9. RELATED PARTIES (Continued)

As at 31 December 2016 and 31 December 2015, details of borrowings from related parties are as follows:

Borrowings from related parties

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
TL	12,68%	15.06.2018	4.500
USD			-
EUR			-
			4.500

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
TL	11,74%-15,04%	11.03.2016-15.06.2018	219.679
USD	3,02%-4,14%	22.07.2016-30.09.2016	100.141
EUR	4,01%	26.12.2016	31.786
			351.606

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
TL	11,07%	02.01.2017	100.028
USD	2,35%-3,88%	15.06.2017-15.09.2018	30.532
EUR	0,90%-2,50%	15.06.2017-30.06.2022	165.530
			296.090

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
TL	12,70%-13,15%	05.01.2016-14.01.2016	144.169
USD	1,79%-3,29%	01.08.2016-17.06.2017	115.154
EUR	1,29%-2,53%	15.03.2017-30.06.2022	81.979
			341.302

İş Bank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2016</u>
EUR	1,80%	Overdraft	6.337
			6.337

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9. RELATED PARTIES (Continued)

For the years ended 31 December 2016 and 30 December 2015, finance income and expenses from related parties are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Finance lease interest income from related parties</u>		
TuKaş Gıda San. ve Tic. A.Ş.	3.386	3.197
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	2.140	2.043
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.598	1.651
KKB Kredi Kayıt Bürosu	405	-
Bankalararası Kart Merkezi A.Ş.	150	81
Numnum Yiyecek ve İçecek A.Ş.	121	148
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	45	58
Radore Veri Merkezleri Hizm. A.Ş.	28	61
Toksöz Spor Malzemeleri Tic. A.Ş.	11	-
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	10	71
Anadolu Cam Sanayii A.Ş.	-	3
Total	<u>7.894</u>	<u>7.313</u>
<u>Operating Lease Receivables from related parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	67	-
TSKB Gayrimenkul Değerleme	10	-
TSKB Sürdürülebilirlik Danışmanlık A.Ş.	1	-
Total	<u>78</u>	<u>-</u>
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	3.266	737
Total	<u>3.266</u>	<u>737</u>
<u>Dividend income from related parties</u>		
İş Yatırım Menkul Değerler A.Ş.	1.751	3.405
Efes Varlık Yönetim A.Ş.	760	200
İş Net Elektr. Bilgi Ür. Dağ. Tic.ve İlet. Hiz. A.Ş.	100	105
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	90
Total	<u>2.611</u>	<u>3.800</u>
<u>Finance expense</u>		
Türkiye İş Bankası A.Ş.	26.356	52.696
Türkiye Sınai Kalkınma Bankası A.Ş.	11.034	5.264
İş Yatırım Menkul Değerler A.Ş.	3.374	1.490
İşbank AG	47	236
İşbank GmbH Frankfurt	13	-
Total	<u>40.824</u>	<u>59.686</u>
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	4.305	3.617
Total	<u>4.305</u>	<u>3.617</u>

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9. RELATED PARTIES (Continued)

	31 December 2016	31 December 2015
<u>Commission income</u>		
Anadolu Anonim Türk Sigorta Şirketi	4.157	3.899
Total	4.157	3.899
<u>Factoring commission income</u>		
Şişe Cam Dış Tic. A.Ş.	128	79
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	88	75
Total	216	154
<u>Factoring interest income from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	3.226	2.296
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	800	914
Nevotek Inc.	52	-
Nevotek Bil. Ses ve İlet. Sist. San.ve Tic. A.Ş.	35	10
Kültür Yayınları İş Türk A.Ş.	-	-
Total	4.113	3.220
<u>Mutual fund income</u>		
Türkiye İş Bankası A.Ş.	472	150
Total	472	150

As at 31 December 2016 and 31 December 2015, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	31 December 2016		31 December 2015	
	Purchase	Sale	Purchase	Sale
Forward Transactions	-	-	5.815	5.829
Swap Transactions	269.304	252.284	160.865	153.902
Total	269.304	252.284	166.680	159.731

As at 31 December 2016 and 31 December 2015, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	31 December 2016		31 December 2015	
	Purchase	Sale	Purchase	Sale
Swap Transactions	208.525	211.152	48.874	48.848
Total	208.525	211.152	48.874	48.848

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9. RELATED PARTIES (Continued)

As at 31 December 2016 and 31 December 2015, the amount of the Company's issued debt securities in related parties' securities portfolio are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
İş Yatırım Ortaklığı A.Ş.	8.928	11.618
Anadolu Anonim Türk Sigorta Şirketi	5.084	10.756
İş Yatırım Menkul Değerler A.Ş.	4.444	637
Türkiye İş Bankası A.Ş.	2.108	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	15.669
Millî Reasürans T.A.Ş.	-	3.135
İş Portföy Yönetimi A.Ş.	-	2.256
Türkiye Sınai Kalkınma Bankası A.Ş.	-	5.131
Total	<u>20.564</u>	<u>49.202</u>

Remuneration of key management (*)

For the period ended 31 December 2016 and 31 December 2015, the remuneration of the key management during year comprised the following:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Salaries and other short-term benefits (**)	6.392	5.360
	<u>6.392</u>	<u>5.360</u>

(*) Key management consists of members of the board of directors, general manager and assistant general managers.

(**) Consists of monetary benefits such as; salaries, bonuses and premiums along with vehicle rentals and other associated expenses.

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10. TANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, movements in tangible assets are as follows:

	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2016	4.333	-	1.867	15.130	3.604	24.934
Additions	665	627	-	4.500	21	5.813
Disposals	(262)	-	(388)	(4.500)	-	(5.150)
Closing balance at 31 December 2016	4.736	627	1.479	15.130	3.625	25.597
Accumulated depreciation						
Opening balance at 1 January 2016	(2.969)	-	(1.867)	(123)	(2.840)	(7.799)
Depreciation for the period	(439)	(62)	-	(41)	(308)	(850)
Disposals	93	-	388	-	-	481
Closing balance at 31 December 2016	(3.315)	(62)	(1.479)	(164)	(3.148)	(8.168)
Carrying amounts at 31 December 2016	1.421	565	-	14.966	477	17.429
Carrying amounts at 1 January 2016	1.364	-	-	15.007	764	17.135
Cost						
Opening balance at 1 January 2015	3.725	-	1.867	15.732	3.546	24.870
Additions	676	-	-	-	58	734
Disposals	(68)	-	-	-	-	(68)
Impairment provision on tangible assets	-	-	-	(602)	-	(602)
Closing balance at 31 December 2015	4.333	-	1.867	15.130	3.604	24.934
Accumulated depreciation						
Opening balance at 1 January 2015	(2.558)	-	(1.867)	(52)	(2.538)	(7.015)
Depreciation for the period	(474)	-	-	(71)	(302)	(847)
Disposals	63	-	-	-	-	63
Closing balance at 31 December 2015	(2.969)	-	(1.867)	(123)	(2.840)	(7.799)
Carrying amounts at 31 December 2015	1.364	-	-	15.007	764	17.135
Carrying amounts at 1 January 2015	1.167	-	-	15.680	1.008	17.855

As at 31 December 2016 and 31 December 2015, there is no restriction and mortgage on the tangible assets of the Group.

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11. INTANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, movements in intangible assets are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Cost</u>		
Opening balance at 1 January	3.696	2.544
Additions	1.346	1.152
Disposals	-	-
Closing balance at the end of the period	<u>5.042</u>	<u>3.696</u>
<u>Amortization</u>		
Opening balance at 1 January	(2.110)	(1.687)
Amortization for the period	(508)	(423)
Disposals	-	-
Closing balance at the end of the period	<u>(2.618)</u>	<u>(2.110)</u>
Carrying amounts	<u>2.424</u>	<u>1.586</u>

(*) The Group's intangible assets consist of software.

12. GOODWILL

The Company has purchased nominal shares of İş Faktoring A.Ş. amounting to TL 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TL 166 on purchased equity of TL 16.603. As at 31 December 2016, net amount of goodwill is TL 166 (31 December 2015: TL 166). Based on TFRS 3, for the annual periods beginning on or after 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

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13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2016 and 31 December 2015, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<u>Temporary differences subject to deferred tax</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Allowance for doubtful finance lease receivables	102.022	102.200
Valuation differences on financial instruments	63.266	62.752
Investment incentive – with withholding tax	33.364	132.895
Unearned factoring income	11.228	10.876
Reserve for employee benefits	3.573	2.711
Provision for lawsuit	3.169	429
Employee bonus accrual	2.713	2.270
Prepaid expenses	1.535	1.123
Unused vacation	1.128	1.012
BRSA share	215	215
Expense accruals	-	-
Tax base differences in tangible and intangible assets	(1.855)	(978)
Finance lease adjustment	(5.441)	(3.018)
Finance lease income accruals	(21.036)	(13.946)
Other	114	115
	<u>193.995</u>	<u>298.656</u>
<u>Deferred tax assets/(liabilities)</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Allowance for doubtful finance lease receivables	20.404	20.440
Valuation differences on financial instruments	12.653	12.550
Investment incentive – with withholding tax	67	266
Unearned factoring income	2.246	2.175
Reserve for employee benefits	715	542
Provision for lawsuit	634	86
Employee bonus accrual	543	454
Prepaid expenses	307	225
Unused vacation	226	202
BRSA share	43	43
Tax base differences in tangible and intangible assets	(371)	(196)
Finance lease adjustment	(1.088)	(604)
Finance lease income accruals	(4.208)	(2.789)
Other	22	24
Deferred tax asset	<u>32.193</u>	<u>33.418</u>

Tax rate used in computation of deferred tax assets and liabilities is 0.2% for “Investment incentives with withholding tax” and 20% for the other items (31 December 2015: 0.2% and 20%).

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13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

The statement "limited to 2006, 2007 and 2008 only" in the 69th Article of the Income Tax Law No. 193, which was cancelled by the Constitutional Court decision No. 2009/144 and published in the Official Gazette on 8 January 2010, was re-regulated by the Law No. 6009 Article 5, published in the Official Gazette No. 27659, dated 1 August 2010. This new legislation enabled without any year limitation the continued utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%. The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No:193 with the 5th article of Law No:6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decision of the Constitutional Court dated 9 February 2012 no. 2012/9. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account. The Group may utilise TL 33.364 (31 December 2015: TL 132.895) of its unused investment allowances as offset against its future profits. The Group has TL 67 (31 December 2015: TL 266) of deferred tax assets comprising of unused investment allowances, which may be offset against future profits. Partial or whole recoverable amounts of deferred tax assets are estimated based on the current conditions.

Movements in deferred tax assets are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Opening balance at 1 January	33.418	36.002
Deferred tax expense	(1.276)	(2.601)
Recognized in other comprehensive income	51	17
Closing balance	<u>32.193</u>	<u>33.418</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2016 and 31 December 2015, details of assets held for sale and discontinued operations are as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Assets held for sale ^(*)	899	-	2.057	-
	<u>899</u>	<u>-</u>	<u>2.057</u>	<u>-</u>

^(*) Consist of properties acquired as a result of the legal proceedings in relation to its non-performing receivables.

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15. OTHER RECEIVABLES, OTHER ASSETS AND PREPAID EXPENSES

As at 31 December 2016 and 31 December 2015, details of other receivables are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Insurance receivables	2.966	2.861	2.459	2.232
Others	1.682	23	844	65
	4.648	2.884	3.303	2.297

As at 31 December 2016 and 31 December 2015, prepaid expenses are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	19.030	-	20.322	-
Others	2.206	-	1.133	-
	21.236	-	21.455	-

As at 31 December 2016 and 31 December 2015, details of other assets are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Amounts to be invoiced	682	-	676	-
Advanced given	33	-	41	1
Deposits given	21	29	19	24
Others	1.331	145	1.167	68
	2.067	174	1.903	93

16. FUNDS BORROWED

As at 31 December 2016 and 31 December 2015, details of funds borrowed are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term borrowings	2.629.149	887.135	1.660.153	1.038.835
Short-term portion of long-term borrowings	12.090	209.393	24.950	130.849
Total short-term borrowings	2.641.239	1.096.528	1.685.103	1.169.684
Long-term borrowings	134.442	1.289.477	66.951	797.720
Total long-term borrowings	134.442	1.289.477	66.951	797.720
Total borrowings	2.775.681	2.386.005	1.752.054	1.967.404

As at 31 December 2016 and 31 December 2015, borrowings has no collateral.

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16. FUNDS BORROWED (Continued)

As at 31 December 2016 and 31 December 2015, maturity analysis of borrowings is as follows:

<u>Maturity analysis of borrowings</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Within 1 year	3.737.767	2.854.787
Within 1-2 years	811.860	281.289
Within 2-3 years	351.257	274.498
Within 3-4 years	136.638	168.905
Within 4-5 years	59.287	51.857
5 years and over	64.877	88.122
TOTAL	5.161.686	3.719.458

As at 31 December 2016 and 31 December 2015, details of short term borrowings based on types of currency are as follows:

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2016</u>
TL	9,50% - 17,5%	2.604.300.000	2.604.300
USD	1,90% - 3,88%	104.929.673	369.269
Euro	0,75 - 4,04%	135.054.056	501.037
GBP	4,50%	1.253.255	5.413
AUD	5,00%	371.688	943
Interest accruals			35.322
			3.516.284

<u>Currency (*)</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2015</u>
TL	11,48% - 16,25%	-	1.605.077
USD	1,20% - 4,14%	243.460.232	707.885
Euro	1,45% - 4,01%	99.035.433	314.695
GBP	4,50%	189.548	815
Interest accruals			70.516
TOTAL			2.698.988

(*) Foreign currency indexed borrowings have been presented in TL column in the accompanying consolidated statement of financial position.

As at 31 December 2016 and 31 December 2015, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2016</u>
TL	13,38%-13,69%	84.475.000	84.475
USD	1,51% - 4,28%	134.556.320	473.531
Euro	0,90% - 3,85%	293.106.574	1.087.396
TOTAL			1.645.402

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16. FUNDS BORROWED (Continued)

Currency	Interest rate %	Original Currency Amount	31 December 2015
TL	15,04%	-	7.459
USD	1,51% - 4,26%	63.323.808	184.120
Euro	0,90% - 4,08%	260.854.351	828.891
TOTAL			1.020.470

As at 31 December 2016 and 31 December 2015, compounded interest rates have been presented.

As 31 December 2016 and 31 December 2015, details of borrowings based on types of interest rate are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Fixed rate	2.697.920	1.164.337	1.660.042	948.509
Variable rate	77.761	1.221.668	92.012	1.018.895
	2.775.681	2.386.005	1.752.054	1.967.404

Fair values of the funds borrowed are presented in Note 40.

As at 31 December 2016, the Group has available TL 7.870.915 of unused credit lines (31 December 2015: TL 5.171.569).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2016 and 31 December 2015, details of miscellaneous payables are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Payables to suppliers for lease transactions	20.077	41.074	1.935	32.117
Other payables (*)	8.383	11.191	7.601	8.129
	28.460	52.265	9.536	40.246

(*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in instalments. Other payables consist of the Group's insurance premium payables and payables to suppliers resulting from intercorporate daily operations of the Group.

The Group purchases generally in cash from the suppliers. The Group has a financial risk management policy that enables the Group to pay all its payables at their maturities.

As at 31 December 2016 and 31 December 2015, details of other liabilities are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Advances received (*)	13.104	46.005	8.521	24.395
Others	5.516	661	2.637	1.201
	18.620	46.666	11.158	25.596

(*) Advances received consist of advances received from lessees in accordance with the leasing agreements for machinery and equipments that are not readily in use of the customers.

18. FINANCE LEASE OBLIGATIONS

None.

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19. DEBT SECURITIES ISSUED

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bills bonds	1.075.685	-	668.192	-
Bonds issued	120.000	-	250.000	-
Interest accruals	36.851	-	23.009	-
	1.232.536	-	941.201	-

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 120.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 29 April 2016. The floating rate quarterly coupon bond have a maturity of 1 November 2017 and the third coupon annual compound interest rate of 2,77% (1st coupon interest rate is 2,77%, 2nd coupon interest rate is 2,77%).

Date of first coupon payment (*)	3 August 2016
Date of second coupon payment (*)	2 November 2016
Date of third coupon payment	1 February 2017
Date of fourth coupon payment	3 May 2017
Date of fifth coupon payment	2 August 2017
Date of sixth coupon payment	1 November 2017

(*) The first coupon payment of the bonds was held on 3 August 2016, second coupon payment of the bonds was held on 2 November 2016.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 328.016 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 12 July 2016. Ordinary interest of bond was determined 10,85%.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 150.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 22 August 2016. Ordinary interest of bond was determined 10,80%

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 250.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 30 September 2016. Ordinary interest of bond was determined 10,40%

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 120.391 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 1 November 2016. Ordinary interest of bond was determined 10,09%

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 96.574 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 12/391 dated 14 April 2016). Issuance of bond was held on 13 December 2016. Ordinary interest of bond was determined 10,70%

Bond issued by İş Faktoring A.Ş. having nominal value of TL 186.204 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 18/602 dated 01 June 2016). Issuance of bond was held on 27 September 2016. Ordinary interest of bond was determined 10,30%.

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20. TAXES AND DUTIES PAYABLE

As at 31 December 2016 and 31 December 2015, details of taxes and duties payable are as follows:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banking and Insurance Transaction Tax	2.377	-	1.096	-
Income Tax	516	-	441	-
Social Security Premium	640	-	409	-
Value Added Tax	2.915	-	892	-
Other Tax and Liabilities	98	-	23	-
	6.546	-	2.861	-

21. PROVISIONS

As at 31 December 2016 and 31 December 2015, other provisions are as follows:

	31 December 2016	31 December 2015
General provision for financial lease receivables	-	2.752
Provision for lawsuits	3.170	429
Provision for general administrative expenses	215	214
	3.385	3.395

Movements in provisions for the years ended 31 December 2016 and 31 December 2015 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for administrative expenses
31 December 2016			
At the beginning of the year	2.752	429	214
Additions	-	2.741	215
Payments	-	-	(214)
Cancellations	(2.752)	-	-
At the end of the period	-	3.170	215
31 December 2015			
At the beginning of the year	(2.275)	(510)	(233)
Additions	(477)	(20)	(656)
Payments	-	-	675
Cancellations	-	101	-
At the end of the period	(2.752)	(429)	(214)

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22. EMPLOYEE BENEFITS

As at 31 December 2016 and 31 December 2015, reserve for employee benefits are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Reserve for employee severance indemnity	3.573	2.711
Provision for employee bonus	2.713	2.270
Vacation pay liability	1.129	1.012
	<u>7.415</u>	<u>5.993</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002.

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. As at 31 December 2016 and 31 December 2015, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Discount rate	3,43%	3,51%
Inflation	7,80%	7,00%
Probability of retirement	100%	100%

For the years ended 31 December 2016 and 31 December 2015, movements in reserve for employee severance indemnity are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the year	2.711	2.191
Cost of interest	293	216
Cost of services	387	318
Amounts paid	(120)	(122)
Cancellations	49	26
Actuarial loss	253	82
Balance at the end of the year	<u>3.573</u>	<u>2.711</u>

The movement of the vacation pay liability for the years ended 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the year	1.012	843
Increase	117	169
Balance at the end of the year	<u>1.129</u>	<u>1.012</u>

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22. EMPLOYEE BENEFITS (Continued)

The movement of the provision for employee bonus for the years ended 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the year	2.270	2.407
Increase	2.713	2.270
Reversals	-	(171)
Payment made during the year	(2.270)	(2.236)
Balance at the end of the year	<u>2.713</u>	<u>2.270</u>

23. CURRENT PERIOD TAX ASSET AND PAYABLE

As at 31 December 2016 and 31 December 2015, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Current period corporate tax provision (Note: 37)	12.611	6.364
Current period investment incentive provision	21.243	13.549
Corporation taxes paid in advance during the year	(5.483)	(5.407)
Corporate tax payable	<u>28.371</u>	<u>14.506</u>

For the years ended 31 December 2016 and 31 December 2015, movements of corporate tax payable are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Corporate tax payable at the beginning of the year	14.506	1.686
Total income tax expense (Note: 37)	33.854	19.913
Prior period correction of withholding tax on investment incentives	(634)	-
Corporate taxes paid during the year	(19.355)	(7.093)
Corporate tax payable	<u>28.371</u>	<u>14.506</u>

The current years tax asset as at 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Income taxes withheld	567	18
Total	<u>567</u>	<u>18</u>

24. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Faktoring A.Ş. As at 31 December 2016, the non-controlling interests amounting to TL 28.037 (31 December 2015: TL 21.717) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 7.170 (31 December 2015: TL 5.261) have been calculated on the net profit of the subsidiary.

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24. NON-CONTROLLING INTERESTS (Continued)

The movements of non-controlling interests for the year ended 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Balance at the beginning of the year	21.717	16.568
Fair value changes of marketable securities	239	(112)
Cash Dividend to non-controlling interests	(1.089)	-
Profit for the year	7.170	5.261
Balance at the end of the year	<u>28.037</u>	<u>21.717</u>

25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2016 nominal capital of the Company is TL 600.303, the share capital of the Company consists of 60.030.264.500 shares Kurus 1 price.

As at 31 December 2016 and 31 December 2015, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2016</u>	<u>(%)</u>	<u>31 December 2015</u>
Türkiye Sınai Kalkınma Bankası A.Ş.	28,56	171.446	28,56	151.454
Türkiye İş Bankası A.Ş.	27,79	166.849	27,79	147.393
Camiş Yatırım Holding A.Ş.	0,83	5.004	0,83	4.421
Türkiye Şişe ve Cam Fab. A.Ş.	0,08	458	0,08	405
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,07	398	0,07	352
Publicly traded	42,67	256.148	42,67	226.278
TOTAL	<u>100,00</u>	<u>600.303</u>	<u>100,00</u>	<u>530.303</u>

Pursuant to General Assembly held on 25 March 2016, the Company increased its share capital, from its distributed bonus shares from 2015 year profit, amounting to TL 70.000 to TL 600.303. Capital increase has been registered on 20 June 2016. Cash dividends have been distributed, comprising of TL 2.000 from the profit of the year, and TL 18.000 from the extraordinary reserves of the Company.

Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

<u>Shareholders</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	255.000.000	255.000.000
Türkiye Şişe ve Cam Fab. A.Ş.	22.500.000	22.500.000
Nemtaş Nemrut Liman İşletmeleri A.Ş.	22.500.000	22.500.000
Total	<u>600.000.000</u>	<u>600.000.000</u>

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

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25. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Capital Reserves

	<u>31 December 2016</u>	<u>31 December 2015</u>
Other Capital Reserves (*)	1.938	1.938
Accumulated Other Comprehensive Income/Expenditure Not Reclassified in Profit/Loss		
<i>Employee benefits re-measuring income/loss,</i>	15	217
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss		
<i>Net change in fair value of available-for-sale financial assets (**)</i>	3.766	1.746
Total	<u>3.781</u>	<u>1.963</u>

(*) Comprised of bonus shares obtained from associates, subsidiaries and jointly controlled entities

(**) Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

26. PROFIT RESERVES

As at 31 December 2016 and 31 December 2015, details of profit reserves are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Legal reserves	33.296	28.133
Extraordinary reserves	59.191	72.351
Total	<u>92.487</u>	<u>100.484</u>

(*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TL 33.575 classified in extraordinary tax income reserves which will not be distributed as at 31 December 2016 (31 December 2015: TL 36.152).

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses. TL 5.163 calculated on legal profit has been transferred to legal reserves by a decision of the Company's Board of Directors.

27. PRIOR YEARS' PROFIT/LOSS

The Group has no retained earnings as at 31 December 2016 (31 December 2015: None).

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28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2016, TL 525.878 of letters of guarantee are given to customs, authorities and banks (31 December 2015: TL 12.076).

As at 31 December 2016, the total risk of litigations filed and currently pending against the Group amounting to approximately TL 6.294 (31 December 2015: TL 1.813). The Group has provided a provision amounting to TL 3.170 for litigations (31 December 2015: TL 429) in the accompanying consolidated financial statements (Note 21). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2016, the Group has letter of credit commitments of USD 907.314, EUR 18.356.134 and CHF 317.490 (TL 72.386) (31 December 2015: USD 1.840.000 and EUR 10.578.265 (TL 38.963)).

As at 31 December 2016, the Group has factoring commitments of TL 28.735 (31 December 2015: TL 14.131).

As at 31 December 2016, the Group has lease commitments of USD 9.444.623, EUR 52.022.205 TL 91.519.721 (TL 317.755) (31 December 2015 USD 3.178.803, EUR 21.134.882, TL 37.062.039 (TL 113.463)).

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

As at 31 December 2016 details of derivatives are as follows:

	31 December 2016	
	Amount as Original Currency	TL
Currency Swap Purchases:		
EUR	12.051.213	44.709
TL	1.067.139.465	1.067.139
		1.111.848
Currency Swap Sales:		
USD	214.180.000	753.742
EUR	100.680.217	373.514
GBP	2.727.450	9.397
		1.136.653

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28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As at 31 December 2016, analysis of derivatives according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	998.535	113.313	1.111.848
Currency Swap Sales	1.038.027	98.626	1.136.653
Forward Purchase Transactions	-	-	-
Forward Sales Transactions	-	-	-

As at 31 December 2015, analysis of derivatives according to their maturities is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Currency Swap Purchases	667.075	7.458	674.533
Currency Swap Sales	710.775	12.115	722.890
Forward Purchase Transactions	5.815	-	5.815
Forward Sales Transactions	5.829	-	5.829

29. SEGMENT REPORTING

Information regarding the Group's operating business segments is based on the Group's management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

Business segments

The Group comprises the following main business segments:

- Leasing Includes the Group's finance lease activities
- Factoring operations Includes the Group's factoring activities

<u>31 December 2016</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	4.508.327	3.025.425	(53.766)	7.479.986
Total liabilities	3.753.180	2.896.603	-	6.649.783
Net profit for the year	81.800	32.939	(11.082)	103.657
<u>31 December 2015</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	3.655.849	1.978.755	(53.766)	5.580.838
Total liabilities	2.963.506	1.878.924	-	4.842.430
Net profit for the year	81.481	24.167	(23.645)	82.003

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29. SEGMENT REPORTING (Continued)

	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
31 December 2016				
Operating Income	285.766	173.420	-	459.186
Financial Expenses (-)	(184.405)	(136.184)	-	(320.589)
Gross Profit/Loss	101.361	37.236	-	138.597
Operating Expense (-)	(36.822)	(18.478)	-	(55.300)
Gross Operating Profit/Loss	64.539	18.758	-	83.297
Other Operating Income	187.068	226.069	(3.912)	409.225
Provision for Losses on Non-Performing Receivables (-)	(13.593)	(9.058)	-	(22.651)
Other operating Expenses (-)	(128.858)	(195.056)	-	(323.914)
Net Operating Profit/Loss	109.156	40.713	(3.912)	145.957
Profit or Loss from Continuing Operations	109.156	40.713	(3.912)	145.957
Provision for Taxes from Continuing Operations (±)	(27.356)	(7.774)	-	(35.130)
Net Profit or Loss from Continuing Operations	81.800	32.939	(3.912)	110.827
Non-controlling Interests	-	-	(7.170)	(7.170)
Net Profit or Loss for the Period	81.800	32.939	(11.082)	103.657
Fixed Asset Additions	6.364	795	-	7.159
Depreciation and Amortisation	(1.001)	(357)	-	(1.358)
31 December 2015				
Operating Income	264.839	134.492	-	399.331
Financial Expenses (-)	(186.615)	(98.185)	-	(284.800)
Gross Profit/Loss	78.224	36.307	-	114.531
Operating Expense (-)	(30.877)	(16.039)	-	(46.916)
Gross Operating Profit/Loss	47.347	20.268	-	67.615
Other Operating Income	232.805	100.944	(18.384)	315.365
Provision for Losses on Non-Performing Receivables (-)	(41.511)	(6.971)	-	(48.482)
Other operating Expenses (-)	(141.123)	(83.597)	-	(224.720)
Net Operating Profit/Loss	97.518	30.644	(18.384)	109.778
Profit or Loss from Continuing Operations	97.518	30.644	(18.384)	109.778
Provision for Taxes from Continuing Operations (±)	(16.037)	(6.477)	-	(22.514)
Net Profit or Loss from Continuing Operations	81.481	24.167	(18.384)	87.264
Non-controlling Interests	-	-	(5.261)	(5.261)
Net Profit or Loss for the Period	81.481	24.167	(23.645)	82.003
Fixed Asset Additions	1.395	491	-	1.886
Depreciation and Amortisation	(910)	(360)	-	(1.270)

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30. EVENTS AFTER THE REPORTING PERIOD

The Company's bonds, which are sold to qualified investors outside the stock exchange on 6 January 2017, with a nominal value of TL 330.000, 178 days maturity and 3 July 2017 redemption dated, started to be traded in the Debt Securities Market Outright Purchases and Sales Market, in accordance with Borsa İstanbul Board of Directors decision dated 15 April 2016.

31. OPERATING INCOME

For the years ended 31 December 2016 and 31 December 2015, details of operating income are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Finance lease interest income	285.688	264.839
Operating Lease income	78	-
Factoring income	173.420	134.492
	<u>459.186</u>	<u>399.331</u>

32. OPERATING EXPENSES

For the years ended 31 December 2016 and 31 December 2015, operating expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Personnel expenses	(32.945)	(28.110)
Office rent expenses	(5.567)	(5.239)
Board of Directors attendance fee	(2.077)	(1.889)
Information technology expenses	(2.081)	(1.745)
Write-off expense	(1.859)	(122)
Travel and car expenses	(1.763)	(1.330)
Tax and duties	(1.588)	(1.373)
Depreciation and amortisation expense	(1.358)	(1.270)
BRSA fee	(767)	(620)
Provision for employee severance indemnity	(729)	(558)
Consultancy expenses	(669)	(1.500)
Advertising expense	(491)	(506)
Communication expense	(421)	(288)
Capital increase expense	(346)	(385)
Representation expense	(243)	(464)
Insurance expense	(132)	(72)
Other general administrative expenses	(2.264)	(1.445)
	<u>(55.300)</u>	<u>(46.916)</u>

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33. OTHER OPERATING INCOME

For the years ended 31 December 2016 and 31 December 2015, details of other operating income are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Income from derivative financial transactions	228.197	138.069
Foreign exchange gains	152.799	151.062
Collections from non-performing receivables	12.170	2.875
Interest income	7.266	6.618
Commission income	4.157	3.899
Dividend income	2.611	3.800
Others	2.025	9.042
	<u>409.225</u>	<u>315.365</u>

34. FINANCE EXPENSES

For the years ended 31 December 2016 and 31 December 2015, details of finance expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Interest expense on funds borrowed	(190.966)	(204.585)
Interest expense on debt securities issued	(116.417)	(71.895)
Fees and commissions expense	(13.206)	(8.320)
	<u>(320.589)</u>	<u>(284.800)</u>

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2016 and 31 December 2015, details of provision for non-performing receivables are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Specific provision expenses	(22.651)	(48.005)
General provision expenses (*)	-	(477)
	<u>(22.651)</u>	<u>(48.482)</u>

(*) The Group recognized general provision in addition to allowance for doubtful receivables for its some doubtful lease receivables that overdue under legal time limits.

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36. OTHER OPERATING EXPENSES

For the years ended 31 December 2016 and 31 December 2015, details of other operating expenses are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Losses from derivative financial transactions	(318.029)	(220.598)
Impairment and sales losses on securities portfolio	(400)	-
Impairment losses on tangible assets (Note 10)	-	(602)
Other	(5.485)	(3.520)
	<u>(323.914)</u>	<u>(224.720)</u>

Derivative financial instruments with a view to direct the Group's financial risks (forward and currency swap contracts) consist of combination of more than one sub-transaction as time or spot. Entire such transactions are not trading and are preferred due to economic worth occurred at the maturity. Although, entire such transactions do not cover all conditions for hedge accounting, buy-sell spot transactions at the transaction date are recorded at initial amounts, buy-sell transactions that held to maturity date are recorded in fair values.

Measurement differences of such sub-transactions which are integrated and fixed by the initial date economic worth at the maturity date on initial measurement of buy-sell transactions and measurement at the maturity date of buy-sell transactions cause the differences on income/expense components in the inperiods.

The difference as foreign currency gain difference between income/loss is at amounting TL 1.244 from measurement difference of such transactions in the Group's financial statements as at 31 December 2016 (31 December 2015: TL 6.199 foreign exchange losses). The difference is expected to be substantially expired at the maturity of transactions.

37. TAXATION

For the years ended 31 December 2016 and 31 December 2015, details of income tax expense are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Current tax charge	(33.854)	(19.913)
Deferred tax benefit	(1.276)	(2.601)
	<u>(35.130)</u>	<u>(22.514)</u>

The reported income tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

	%	<u>1 January- 31 December 2016</u>	%	<u>1 January- 31 December 2015</u>
Net profit for the period		110.827		87.264
Total tax income		35.130		22.514
Profit before tax		145.957		109.778
Income tax using the Company's tax rate	19,85	28.973	19,82	21.761
Non-deductible expenses	4,37	6.384	3,88	4.256
Tax exempt income	(0,35)	(512)	(0,73)	(798)
Investment incentives	0,14	199	(1,53)	(1.678)
Other	0,06	86	(0,94)	(1.027)
Total income tax expense	24,07	<u>35.130</u>	20,50	<u>22.514</u>

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37. TAXATION (Continued)

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2016, corporate income tax rate is 20% (31 December 2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% (31 December 2015: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. After this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the companies. There is no withholding tax on the investments incentives utilized without investment incentive certificates.

Investment Incentives

Temporary Article 69 added to the Income Tax Law numbered 193 with Law no 5479, which became effective starting from 1 January 2006, upon being promulgated in Official Gazette no 26133 dated 8 April 2006, stating that taxpayers can deduct the investment allowance exemption amounts which were present according to legislative provisions effective on 31 December 2005 (and by taking into account the corporate tax legislation in that date) only from the corporate profits of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006.

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37. TAXATION (Continued)

At this perspective, an investment allowance which cannot be deducted partially or totally in three years was not allowed to be transferred to following years and became unavailable as of 31 December 2008. On the other side, Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of Article 2 and Article 15 of the Law no 5479 and the right of investment allowance became unavailable during the period of 1 January 2006 and 8 April 2006.

However, on 15 October 2009, Turkish Constitutional Court decided to cancel the clause numbered (2) of the Article 15 of the Law 5479 and expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as at 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, time limitations for carried forward investment allowance gained in the previous period of mentioned date and limitations related to investments commenced between the dates of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation of investment allowance become effective with promulgation of decision on the official gazette and the decision of Turkish Constitutional Court was promulgated in Official Gazette no 27456 dated 8 January 2010.

According to the decision mentioned above, investment allowances transferred to 2006 due to lack of profit and investment allowances gained by the investments that are commenced before 1 January 2006 and continued after that date constituting economic and technical integrity will not be only used in 2006, 2007 and 2008, but also in the following years. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year according to amendments to the Income Tax Law promulgated in Official Gazette no 27659 dated 1 August 2010. With this amendment, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%.

The statement "the amount of investment allowance to be utilized may not exceed 25% of earnings for the year" was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

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 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.

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38. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

The weighted average number of shares of the Group and earnings per share for the years ended 31 December 2016 and 31 December 2015 are as follows:

	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Weighted average number of outstanding shares (*)	60.030.264.500	53.030.264.500
Net profit for the year (TL)	103.657	82.003
Basic earnings per share (full Kurus) (**)	0,17	0,14

(*) As at 31 December 2016, the share capital of the Company consists of 60.030.264.500 shares having Kurus 1 nominal price.

(**) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share figure.

	<u>31 December 2016</u>	<u>31 December 2015</u>
Number of shares at beginning of the year	53.030.264.500	46.150.300.000
Capital increase (**)	7.000.000.000	6.879.964.500
Number of shares at end of the year	<u>60.030.264.500</u>	<u>53.030.264.500</u>

39. Other Issues that Significantly Affect the Financial Statements or Other Issues Required for Understanding of the Financial Statements

None.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2016, the debt/equity ratio is 13% (31 December 2015: 16%). As at 31 December 2016 and 31 December 2015, the leverage ratios are as follows:

	31 December 2016	31 December 2015
Funds borrowed	5.161.686	3.719.458
Debt securities issued	1.232.536	941.201
Miscellaneous payables	80.725	49.782
Other liabilities	65.286	36.754
Total liabilities	6.540.233	4.747.195
Banks (-)	(376.487)	(225.724)
Net liabilities	6.163.746	4.521.471
Total shareholders' equity	830.203	738.408
Shareholders' equity/liabilities	13%	%16

According to the credit rating reports of Fitch issued at 17 January 2017, credit ratings of the Company are as follows:

Foreign Currency

Long term	BBB-
Short term	F3
Outlook	Negative

TL

Long term	BBB-
Short term	F3
Outlook	Negative

National

Long term	AA+ (tur)
Outlook	Negative
Support	2

(b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 "Significant accounting policies".

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

	<u>31 December 2016</u>	<u>31 December 2015</u>
Financial Assets:		
Banks	376.487	225.724
Financial assets at fair value through profit or loss:		
- Financial assets held for trading	6.664	4.670
- Derivative financial assets held for trading	511	5.719
Finance lease receivables and non-performing receivables, net	4.000.905	3.287.101
Factoring receivables and non-performing factoring receivables, net	2.985.556	1.951.274
Insurance receivables (*)	5.827	4.691
Other receivables (*)	1.705	909
Financial assets available for sale	25.176	22.919
Financial Liabilities:		
Derivative financial liabilities held for trading	(63.777)	(68.471)
Miscellaneous payables and other liabilities	(146.011)	(86.536)
Funds borrowed	(5.161.686)	(3.719.458)
Debt securities issued	(1.232.536)	(941.201)

(*) Included in other receivables.

(d) Financial risk management objectives

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Group does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

In order to minimize potential risks, the Group reports monthly to the risk management committee which is in charge of monitoring risks and the policies applied.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group's income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- "Forward foreign exchange contracts" to hedge the exchange rate risk arising from operations.
- "Currency swaps" to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.

There has been no change in the Group's exposure to market risks or the method it uses to manage and measure such risks.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

As at 31 December 2016 and 31 December 2015, details of foreign currency denominated assets and liabilities are as follows:

	USD 000	EUR 000	CHF 000	GBP 000	JPY 000	AUD 000	TL Equivalent
31 December 2016 (*)							
Banks	33.561	45.267	-	422	26	-	287.867
Finance lease receivables	257.517	396.878	2.751	-	-	-	2.388.110
Factoring receivables	163.853	71.476	-	1.257	-	384	848.203
Advances given for lease transactions	9.990	15.843	88	-	-	-	94.234
Leasing contracts in progress	5.079	6.296	-	-	-	-	41.231
Other receivables	236	553	-	-	-	-	2.883
Other assets	42	7	-	-	-	-	174
Total assets (**)	470.278	536.320	2.839	1.679	26	384	3.662.702
Funds borrowed	(241.942)	(431.674)	-	(1.253)	-	(372)	(2.459.266)
Miscellaneous payables and other liabilities	(9.539)	(17.600)	(1)	(16)	-	(1)	(98.939)
Other provisions	-	(697)	-	-	-	-	(2.586)
Total liabilities (**)	(251.481)	(449.971)	(1)	(1.269)	-	(373)	(2.560.791)
Balance sheet position	218.797	86.349	2.838	410	26	11	1.101.911
Off balance sheet position	(214.180)	(88.629)	(2.727)	-	-	-	(1.091.943)
Net foreign currency position	4.617	(2.280)	111	410	26	11	9.968

(*) As at 31 December 2016, foreign currency indexed borrowings amounting to USD 2.254 and EUR 17.610 (Total: TL 73.261), foreign currency indexed factoring receivables amounting to USD 96.492 and EUR 17.727 (Total: TL 405.619) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2016, accruals of derivative assets amounting to TL 511 and derivative liabilities amounting to TL 63.777 are not included.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

	USD 000	EUR 000	GBP 000	JPY 000	AUD 000	TL Equivalent
31 December 2015 ^(*)						
Banks	35.830	37.698	41	26	-	224.146
Finance lease receivables	345.328	329.781	-	-	-	2.051.987
Factoring receivables	82.999	57.801	3.649	-	2	440.693
Advances given for lease transactions	4.929	4.122	-	-	-	27.429
Leasing contracts in progress	2.424	3.966	-	-	-	19.649
Other receivables	221	521	-	-	-	2.297
Other assets	6	24	-	-	-	93
Total assets ^(**)	471.737	433.913	3.690	26	2	2.766.294
Funds borrowed	(308.720)	(362.997)	(190)	-	-	(2.051.909)
Miscellaneous payables and other liabilities	(7.565)	(13.732)	(29)	(3.464)	(1)	(65.842)
Other provisions	(937)	-	-	-	-	(2.723)
Total liabilities ^(**)	(317.222)	(376.729)	(219)	(3.464)	(1)	(2.120.474)
Balance sheet position	154.515	57.184	3.471	(3.438)	1	645.821
Off balance sheet position	(153.110)	(63.851)	(235)	-	-	(649.086)
Net foreign currency position	1.405	(6.667)	3.236	(3.438)	1	(3.265)

(*) As at 31 December 2015, foreign currency indexed borrowings amounting to USD 6.760 and EUR 20.409 (Total: TL 84.507), foreign currency indexed factoring receivables amounting to USD 21.140 and EUR 14.397 (Total: TL 107.213) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2015, accruals of derivative assets amounting to TL 4.536 and derivative liabilities amounting to TL 68.471 are not included.

Foreign currency sensitivity

The Group is mainly exposed to USD and EUR exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15% of change in such exchange rates. The Group uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management's expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Group's exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2016				
15% change of the USD against TL				
1- Net USD asset/liability	115.498	(115.498)	115.498	(115.498)
2- Hedged portion of TL against USD risk (-)	(113.061)	113.061	(113.061)	113.061
3- Net effect of USD (1+ 2)	2.437	(2.437)	2.437	(2.437)
15% change of the Euro against TL				
4- Net Euro asset/liability	48.052	(48.052)	48.052	(48.052)
5- Hedged portion of TL against Euro risk (-)	(49.321)	49.321	(49.321)	49.321
6- Net effect of Euro (4+5)	(1.269)	1.269	(1.269)	1.269
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	284	(284)	284	(284)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	284	(284)	284	(284)
TOTAL (3+6+9)	1.452	(1.452)	1.452	(1.452)

(*) Includes profit/loss effect.

	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2015				
15% change of the USD against TL				
1- Net USD asset/liability	67.390	(67.390)	67.390	(67.390)
2- Hedged portion of TL against USD risk (-)	(66.777)	66.777	(66.777)	66.777
3- Net effect of USD (1+ 2)	613	(613)	613	(613)
15% change of the Euro against TL				
4- Net Euro asset/liability	27.256	(27.256)	27.256	(27.256)
5- Hedged portion of TL against Euro risk (-)	(30.434)	30.434	(30.434)	30.434
6- Net effect of Euro (4+5)	(3.178)	3.178	(3.178)	3.178
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	1.409	(1.409)	1.409	(1.409)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	1.409	(1.409)	1.409	(1.409)
TOTAL (3+6+9)	(1.156)	1.156	(1.156)	1.156

(*) Includes profit/loss effect.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward foreign exchange contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group's exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 31 December 2016 and 31 December 2015, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Banks	353.665	209.536
Finance lease receivables (*)	3.656.123	3.031.848
Factoring receivables	2.277.149	1.579.110
Financial liabilities:		
Funds borrowed	3.862.257	2.608.551
Debt securities issued	1.232.536	686.567
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	146.106	186.174
Factoring receivables	708.407	372.164
Financial liabilities:		
Borrowings	1.299.430	1.110.907
Debt securities issued	-	254.634

(*) Leasing contracts in progress and advances given are not included in the balances above.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from finance leases with variable interest rates would be higher at an amount of TL 1.537 (31 December 2015: TL 1.836).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 6.987 (31 December 2015: TL 3.671).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 12.005 (31 December 2015: TL 12.868).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher/lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Borsa İstanbul (Istanbul Stock Exchange) held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 660 (31 December 2015: TL 896).

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Finance lease receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Sectoral allocation of finance lease receivables is as follows:

	<u>31 December 2016 (%)</u>	<u>31 December 2015 (%)</u>
Construction	24,32	21,90
Metal industry	14,52	16,16
Transportation	7,76	9,13
Textile	7,00	6,92
Chemical and plastic	4,86	4,42
Retail and wholesale	4,50	3,45
Finance	4,46	4,09
Food and beverage	3,40	5,51
Mining	3,40	3,44
Tourism	2,92	3,82
Forestry products and paper	2,91	3,23
Machinery and equipment	2,68	1,68
Healthcare	2,37	2,75
Agriculture and forestry	2,35	3,11
Other	12,55	10,39
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

	<u>31 December 2016 (%)</u>	<u>31 December 2015 (%)</u>
Real estate	35,76	36,03
Machinery and equipment	23,52	26,23
Building and construction machinery	19,06	14,75
Textile machinery	4,59	4,43
Electronic and optical equipment	3,60	3,77
Tourism equipment	2,16	2,41
Sea transport vessels	1,95	2,41
Air transportation equipments	1,82	2,84
Medical equipment	1,55	1,82
Office equipments	1,39	1,20
Road transportation equipments	1,03	0,85
Printing machinery	0,95	1,17
Other	2,62	2,09
	<u>100,00</u>	<u>100,00</u>

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2016, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale (***)	Insurance receivables	Other Receivables
	Finance Lease Receivables		Factoring Receivables						
31 December 2016	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	68.193	3.932.707	33.506	2.952.050	376.487	7.175	-	5.827	1.705
- The portion of maximum risk covered by guarantee	-	279.976	-	547.098	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	68.193	3.514.237	33.506	2.937.252	376.487	7.175	-	5.827	1.705
- The portion covered by guarantee	-	181.839	-	537.418	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	205	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	338.718	-	13.752	-	-	-	-	-
- The portion covered by guarantee	-	88.450	-	9.680	-	-	-	-	-
D. Net carrying value of impaired assets	-	79.752	-	841	-	-	-	-	-
- Overdue (gross book value)	-	188.579	-	39.388	-	-	-	-	-
- Impairment (-)	-	(107.287)	-	(38.547)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	9.687	-	-	-	-	-	-	-
- Not past due (gross book value)	-	2.857	-	-	-	-	-	-	-
- Impairment (-)	-	(4.397)	-	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

(*) Guarantees received are not taken into account in the calculation

(**) Includes collaterals for the assets impaired but not overdue.

(***) Equity securities are not included in the table as they have not been market risk.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2015, exposure to credit risk based on categories of financial instruments is as follows:

	Receivables				Deposits	Fair value through profit/loss financial assets	Financial Assets Available For Sale (***)	Insurance receivables	Other Receivables
	Finance Lease Receivables		Factoring Receivables						
31 December 2015	Related party	Third party	Related party	Third party					
Exposure to maximum credit risk as at reporting date (*)	91.678	3.195.423	40.847	1.910.427	225.724	10.389	-	4.691	909
- The portion of maximum risk covered by guarantee	-	286.429	-	511.415	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	91.678	2.911.332	40.847	1.903.631	225.724	10.389	-	4.691	909
- The portion covered by guarantee	-	226.551	-	511.415	-	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	1.299	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	246.216	-	-	-	-	-	-	-
- The portion covered by guarantee	-	55.321	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	37.875	-	5.497	-	-	-	-	-
- Overdue (gross book value)	-	142.353	-	36.640	-	-	-	-	-
- Impairment (-)	-	(107.910)	-	(31.143)	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	4.557	-	-	-	-	-	-	-
- Not past due (gross book value)	-	4.129	-	-	-	-	-	-	-
- Impairment (-)	-	(697)	-	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks									

(*) Guarantees received are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

(***) Equity securities are not included in the table as they have not been market risk.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2016 and 31 December 2015, details of finance lease receivables rating in terms of internal rating information:

	<u>31 December 2016 (%)</u>	<u>31 December 2015 (%)</u>
Internal rating results:		
A+ (Perfect)	0,38	0,84
A (Very good)	0,06	0,11
A- (Good)	5,34	6,26
B+ (Satisfactory)	24,63	27,16
B (Close Monitoring)	23,49	22,48
B- (Insufficient)	24,42	24,45
C+ (Doubtful)	17,44	15,92
C (Loss)	4,22	2,78
Total	<u>100,00</u>	<u>100,00</u>

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 11,69% as at 31 December 2016 (31 December 2015: 15,05%).

As at 31 December 2016, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>31 December 2016 (%)</u>
High	31,02
Medium	55,35
Low	13,63
Total	<u>100,00</u>

As at 31 December 2015, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>31 December 2015 (%)</u>
High	33,83
Medium	56,25
Low	9,92
Total	<u>100,00</u>

The aging analysis of overdue finance lease receivables is disclosed in Note 8. The Group does not have overdue financial assets other than finance lease receivables.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	31 December 2016		31 December 2015	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	45.698.632	5.917.121	35.244.533	4.367.332
Collaterals of factoring transaction	3.982.480	533.007	3.043.421	505.195
Other mortgages	798.181	181.680	637.027	190.210
Pledged commercial	204.164	-	-	-
Guaranties of factoring transaction	115.000	37.803	15.000	21.326
Pledged shares	82.347	44.680	74.111	44.646
Letters of guarantee	41.827	22.269	37.504	23.839
Ship mortgage	8.798	-	7.269	-
Cash blockages	6.611	3.331	11.109	8.833
Collaterals of vendors	3.187	-	3.405	-
Equity securities	2.950	2.950	2.450	2.450
Guarantors	2.117	445	1.797	583
Collaterals of financial lease transaction	1.086	-	25	-
Pledged account	909	909	762	762
	50.948.289	6.744.195	39.078.413	5.165.176

(*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

(j) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

Liquidity risk table

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group's assets and liabilities have also been included in the table below.

31 December 2016

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	376.487	376.539	376.539	-	-	-
Financial Assets Held For Trading	6.664	6.664	6.664	-	-	-
Lease Receivables (*)	3.802.234	4.319.586	523.128	1.195.793	2.458.164	142.501
Factoring Receivables	2.985.556	3.059.865	2.032.237	975.336	52.291	-
Insurance Receivables	5.828	5.828	5.828	-	-	-
Other Receivables	1.705	1.705	1.705	-	-	-
Total Assets	7.178.474	7.770.186	2.946.101	1.651.959	2.179.998	142.501
Non-derivative Financial Liabilities:						
Funds Borrowed	5.161.686	5.305.545	2.835.332	1.077.795	1.326.231	66.187
Debt Securities Issued	1.232.536	1.264.481	917.544	346.937	-	-
Miscellaneous Payables and Other Liabilities	146.011	146.011	138.043	1.614	5.454	-
Total Liabilities	6.540.233	6.716.038	3.891.819	1.426.346	1.331.685	66.187

(*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

31 December 2015

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative Financial Assets:						
Banks	225.724	225.749	225.749	-	-	-
Financial Assets Held For Trading	4.670	4.668	4.268	400	-	-
Lease Receivables (*)	3.218.022	3.690.581	411.994	933.126	2.211.138	134.323
Factoring Receivables	1.951.274	1.986.623	1.402.148	560.255	24.220	-
Insurance Receivables	4.691	4.691	4.691	-	-	-
Other Receivables	909	909	909	-	-	-
Total Assets	5.405.290	5.913.221	2.049.759	1.493.781	2.235.358	134.323
Non-derivative Financial Liabilities:						
Funds Borrowed	3.719.458	3.829.173	1.701.094	1.194.146	877.230	56.703
Debt Securities Issued	941.201	969.498	382.672	586.826	-	-
Miscellaneous Payables and Other Liabilities	86.537	86.537	79.984	2.071	4.482	-
Total Liabilities	4.747.196	4.885.208	2.163.750	1.783.043	881.712	56.703

(*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not been scheduled yet.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2016 and 31 December 2015.

31 December 2016	Carrying	Contractual Cash	Less than	3-12	1-5	More than
<u>Contractual Maturities</u>	<u>Amount</u>	<u>Flows (I+II+III+IV)</u>	<u>3 Months (I)</u>	<u>Months (II)</u>	<u>Years (III)</u>	<u>5 Years (IV)</u>
Cash inflows from derivatives	-	1.111.847	801.047	197.487	113.313	-
Cash outflows from derivatives	(24.805)	1.136.654	839.782	198.246	98.626	-
31 December 2015	Carrying	Contractual Cash	Less than	3-12	1-5	More than
<u>Contractual Maturities</u>	<u>Amount</u>	<u>Flows (I+II+III+IV)</u>	<u>3 Months (I)</u>	<u>Months (II)</u>	<u>Years (III)</u>	<u>5 Years (IV)</u>
Cash inflows from derivatives	-	680.348	458.463	214.426	7.458	-
Cash outflows from derivatives	(48.371)	(728.719)	(509.396)	(207.208)	(12.115)	-

(k) Fair value of financial instruments

Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments:

31 December 2016	Financial assets Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Banks	-	376.487	-	-	-	376.487	376.487	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	6.664	-	-	-	-	6.664	6.664	4
- Derivative financial assets held for trading	511	-	-	-	-	511	511	4
Finance lease receivables and non-performing lease receivables	-	-	4.000.900	-	-	4.000.900	4.007.738	8
Factoring receivables and non-performing factoring receivables	-	-	2.985.556	-	-	2.985.556	2.985.556	7
Insurance receivables	-	-	5.827	-	-	5.827	5.827	15
Other Receivables	-	-	1.705	-	-	1.705	1.705	15
Available for sale financial assets	-	-	-	25.176	-	25.176	25.176	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	63.777	-	-	-	-	63.777	63.777	4
Miscellaneous payables and other liabilities	-	-	-	-	146.011	146.011	146.011	17
Funds borrowed	-	-	-	-	5.161.686	5.161.686	5.162.515	16
Debt securities issued	-	-	-	-	1.232.536	1.232.536	1.232.536	19

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

31 December 2015	Financial assets Held for trading	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying amount	Fair value	Notes
<u>Financial Assets</u>								
Banks	-	225.724	-	-	-	225.724	225.724	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	4.670	-	-	-	-	4.670	4.670	4
- Derivative financial assets held for trading	5.719	-	-	-	-	5.719	5.719	4
Finance lease receivables and non- performing lease receivables	-	-	3.287.101	-	-	3.287.101	3.286.934	8
Factoring receivables and non- performing factoring receivables	-	-	1.951.274	-	-	1.951.274	1.951.274	7
Insurance receivables	-	-	4.691	-	-	4.691	4.691	15
Other Receivables	-	-	909	-	-	909	909	15
Available for sale financial assets	-	-	-	22.919	-	22.919	22.919	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	68.471	-	-	-	-	68.471	68.471	4
Miscellaneous payables and other liabilities	-	-	-	-	86.536	86.536	86.536	17
Funds borrowed	-	-	-	-	3.719.458	3.719.458	3.430.272	16
Debt securities issued	-	-	-	-	941.201	941.201	941.201	19

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(I) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	6.664	-	6.664
Derivative financial assets held for trading	-	511	-	511
Available-for-sale financial assets ^(*)	22.790	-	-	22.790
Total financial assets carried at fair value	22.790	7.175	-	29.965
Derivative financial liabilities held for trading	-	63.777	-	63.777
Total financial liabilities carried at fair value	-	63.777	-	63.777

(*) As at 31 December 2016, securities that are not publicly traded amounting to TL 2.386 have been measured at cost.

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	402	4.268	-	4.670
Derivative financial assets held for trading	-	5.719	-	5.719
Available-for-sale financial assets ^(*)	20.533	-	-	20.533
Total financial assets carried at fair value	20.935	9.987	-	30.922
Derivative financial liabilities held for trading	-	68.471	-	68.471
Total financial liabilities carried at fair value	-	68.471	-	68.471

(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 2.386 have been measured at cost.