

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)

**İş Finansal Kiralama
Anonim Şirketi and Its Subsidiary**

Consolidated Financial Statements
As at and for the period ended
30 September 2016

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2016

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

	ASSETS	Notes	Unaudited Current Period 30 September 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	1.314	274	1.588	5.853	4.536	10.389
2.1	Financial Assets Held for Trading		1.174	-	1.174	4.670	-	4.670
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
			140	274	414	1.183	4.536	5.719
2.3	Derivative Financial Assets Held for Trading		-	-	-	-	-	-
III.	BANKS	5	5.040	360.045	365.085	1.578	224.146	225.724
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	21.244	-	21.244	22.919	-	22.919
VI.	FACTORING RECEIVABLES	7	2.041.154	378.960	2.420.114	1.612.297	333.480	1.945.777
6.1	Discounted Factoring Receivables		280.371	-	280.371	433.174	-	433.174
6.1.1	Domestic		288.270	-	288.270	444.050	-	444.050
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(7.899)	-	(7.899)	(10.876)	-	(10.876)
6.2	Other Factoring Receivables		1.760.783	378.960	2.139.743	1.179.123	333.480	1.512.603
6.2.1	Domestic		1.760.783	-	1.760.783	1.179.123	-	1.179.123
6.2.2	Foreign		-	378.960	378.960	-	333.480	333.480
VII.	FINANCING LOANS		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
VIII.	LEASE RECEIVABLES	8	1.268.521	2.196.245	3.464.766	1.152.834	2.096.392	3.249.226
8.1	Lease Receivables		1.247.480	2.038.394	3.285.874	1.130.833	2.049.314	3.180.147
8.1.1	Finance Lease Receivables		1.499.385	2.254.351	3.753.736	1.368.549	2.298.104	3.666.653
8.1.2	Operational Lease Receivables		-	5	5	-	-	-
8.1.3	Unearned Income (-)		(251.905)	(215.962)	(467.867)	(237.716)	(248.790)	(486.506)
8.2	Leasing Contracts in Progress		16.102	39.218	55.320	17.869	19.649	37.518
8.3	Advances Given for Lease Transactions		4.939	118.633	123.572	4.132	27.429	31.561
IX.	OTHER RECEIVABLES	15	3.772	2.648	6.420	3.303	2.297	5.600
X.	NON-PERFORMING RECEIVABLES	7, 8	38.079	2.757	40.836	40.699	2.673	43.372
10.1	Non-Performing Factoring Receivables		40.023	-	40.023	36.640	-	36.640
10.2	Non-Performing Financing Loans		-	-	-	-	-	-
10.3	Non-Performing Lease Receivables		143.796	7.072	150.868	138.479	8.003	146.482
10.4	Specific Provisions (-)		(145.740)	(4.315)	(150.055)	(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	21.674	-	21.674	17.135	-	17.135
XVII.	INTANGIBLE ASSETS (Net)	11, 12	1.753	-	1.753	1.752	-	1.752
17.1	Goodwill		166	-	166	166	-	166
17.2	Other Intangibles		1.587	-	1.587	1.586	-	1.586
XVIII.	PREPAID EXPENSES	15	22.749	-	22.749	21.455	-	21.455
IXX.	CURRENT PERIOD TAX ASSETS	23	437	-	437	18	-	18
XX.	DEFERRED TAX ASSETS	13	22.036	-	22.036	33.418	-	33.418
XXI.	OTHER ASSETS	15	1.950	7.805	9.755	1.903	93	1.996
	SUBTOTAL		3.449.723	2.948.734	6.398.457	2.915.164	2.663.617	5.578.781
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	14	770	-	770	2.057	-	2.057
22.1	Assets Held For Sale		770	-	770	2.057	-	2.057
22.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		3.450.493	2.948.734	6.399.227	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 INTERIM STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 30 SEPTEMBER 2016

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

	LIABILITIES	Notes	Unaudited Current Period 30 September 2016			Audited Prior Period 31 December 2015		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	3	8.255	8.258	-	68.471	68.471
II.	FUNDS BORROWED	16	1.897.428	2.267.531	4.164.959	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	1.299.716	-	1.299.716	941.201	-	941.201
5.1	Bills		1.126.766	-	1.126.766	686.567	-	686.567
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		172.950	-	172.950	254.634	-	254.634
VI.	MISCELLANEOUS PAYABLES	17	9.571	31.000	40.571	9.536	40.246	49.782
VII.	OTHER LIABILITIES	17	14.855	46.179	61.034	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	7.721	-	7.721	2.861	-	2.861
X.	PROVISIONS	21, 22	7.595	3.933	11.528	6.665	2.723	9.388
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits		6.369	-	6.369	5.993	-	5.993
10.3	Other Provisions		1.226	3.933	5.159	672	2.723	3.395
XI.	DEFERRED INCOME		33	-	33	9	-	9
XII.	CURRENT PERIOD TAX LIABILITY	23	7.839	-	7.839	14.506	-	14.506
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	SUBTOTAL		3.244.761	2.356.898	5.601.659	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		797.568	-	797.568	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	217	-	217	217	-	217
16.4	Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	25	273	-	273	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		76.607	-	76.607	82.003	-	82.003
16.6.1	Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period Profit/Loss		76.607	-	76.607	82.003	-	82.003
16.7	Non-Controlling Interests	24	25.743	-	25.743	21.717	-	21.717
	TOTAL LIABILITIES AND EQUITY		4.042.329	2.356.898	6.399.227	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 INTERIM STATEMENT OFF BALANCE SHEET ITEMS AS AT 30 SEPTEMBER 2016

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

	OFF-BALANCE SHEET ITEMS	Notes	Unaudited Current Period 30 September 2016			Audited Prior Period 31 December 2015		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		210.339	16.398	226.737	50.022	14.269	64.291
II.	REVOCABLE FACTORING TRANSACTIONS		140.161	21.630	161.791	224.007	10.827	234.834
III.	COLLATERALS RECEIVED	40	19.689.374	28.162.130	47.851.504	16.058.766	23.019.647	39.078.413
IV.	COLLATERALS GIVEN	28	196.336	-	196.336	12.076	-	12.076
V.	COMMITMENTS		93.190	283.812	377.002	51.193	115.364	166.557
5.1	Irrevocable Commitments		33.303	43.571	76.874	14.131	38.963	53.094
5.2	Revocable Commitments		59.887	240.241	300.128	37.062	76.401	113.463
5.2.1	Lease Commitments		59.887	240.241	300.128	37.062	76.401	113.463
5.2.1.1	Finance Lease Commitments		59.887	240.241	300.128	37.062	76.401	113.463
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		811.661	822.323	1.633.984	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	28	811.661	822.323	1.633.984	679.444	729.623	1.409.067
6.2.1	Forward Foreign Currency Purchases/Sales	28	2.078	2.066	4.144	5.829	5.815	11.644
6.2.2	Swap Purchases/Sales	28	809.583	820.257	1.629.840	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		279.953	36.891	316.844	279.600	33.644	313.244
	TOTAL OFF-BALANCE SHEET ITEMS		21.421.014	29.343.184	50.764.198	17.355.108	23.923.374	41.278.482

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

	INCOME STATEMENT	Notes	Unaudited Current Period 01.01-30.09.2016	Unaudited Current Period 01.07-30.09.2016	Unaudited Prior Period 01.01-30.09.2015	Unaudited Prior Period 01.07-30.09.2015
I.	OPERATING INCOME	31	328.720	112.304	289.412	106.273
	FACTORING INCOME		121.696	41.263	93.078	34.428
1.1	Factoring Interest Income		113.343	38.817	86.689	32.004
1.1.1	Discounted		30.098	10.729	34.354	10.142
1.1.2	Other		83.245	28.088	52.335	21.862
1.2	Factoring Commission Income		8.353	2.446	6.389	2.424
1.2.1	Discounted		1.888	637	1.783	831
1.2.2	Other		6.465	1.809	4.606	1.593
	LEASE INCOME		207.024	71.041	196.334	71.845
1.3	Finance Lease Income		206.999	71.020	196.334	71.845
1.4	Operational Lease Income		25	21	-	-
1.5	Fees and Commission Income on Lease Operations		-	-	-	-
II.	FINANCING EXPENSES (-)	34	(226.068)	(82.143)	(211.078)	(74.403)
2.1	Interest Expense on Funds Borrowed		(135.498)	(48.706)	(159.469)	(51.064)
2.2	Interest Expense on Factoring Payables		-	-	-	-
2.3	Interest Expense of Finance Leasing Expenses		-	-	-	-
2.4	Interest Expense on Securities Issued		(81.705)	(29.996)	(45.508)	(21.103)
2.5	Other Interest Expenses		-	-	-	-
2.6	Fees and Commissions Paid		(8.865)	(3.441)	(6.101)	(2.236)
III.	GROSS PROFIT / LOSS (I+II)		102.652	30.161	78.334	31.870
IV.	OPERATING EXPENSES (-)	32	(41.345)	(14.284)	(33.621)	(10.710)
4.1	Personal Expenses		(24.388)	(7.939)	(20.768)	(6.640)
4.2	Employee Severance Indemnity Expense		(691)	(270)	(567)	(300)
4.3	Research and Development Expenses		-	-	-	-
4.4	General Administration Expenses		(14.418)	(4.227)	(12.164)	(3.648)
4.5	Other		(1.848)	(1.848)	(122)	(122)
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		61.307	15.877	44.713	21.160
VI.	OTHER OPERATING INCOME	33	237.749	63.743	320.831	171.317
6.1	Interest Income on Bank Deposits		5.266	2.293	5.163	1.234
6.2	Interest Income on Reverse Repurchase Agreements		-	-	-	-
6.3	Interest Income on Securities Portfolio		67	14	83	29
6.3.1	Interest Income on Financial Assets Held for Trading		67	14	83	29
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		190.028	31.962	115.453	69.018
6.5.1	Income From Derivative Financial Instruments		190.028	31.962	115.453	69.018
6.5.2	Other		-	-	-	-
6.6	Foreign Exchange Gains		28.939	26.880	185.404	97.871
6.7	Others		10.838	2.594	10.928	3.165
VII.	PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	35	(12.805)	(459)	(38.961)	(9.854)
VIII.	OTHER OPERATING EXPENSES (-)	36	(181.394)	(46.692)	(259.993)	(159.859)
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)	(602)
8.2.1	Impairment Losses on Tangible Assets		-	-	(602)	(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		(177.250)	(46.829)	(256.991)	(158.569)
8.4	Foreign Exchange Losses		-	-	-	-
8.5	Other		(3.744)	137	(2.400)	(688)
IX.	NET OPERATING PROFIT / LOSS (V+.....+VIII)		104.857	32.469	66.590	22.764
X.	INCOME RESULTED FROM MERGER		-	-	-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XII.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)		104.857	32.469	66.590	22.764
XIII.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	37	(22.934)	(7.343)	(14.345)	(6.284)
13.1	Current Tax Charge		(11.552)	(7.843)	(21.126)	(19.083)
13.2	Deferred Tax Charge (-)		(11.382)	500	-	-
13.3	Deferred Tax Benefit (+)		-	-	6.781	12.799
XIV.	NET PROFIT FROM CONTINUING OPERATIONS (XII±XIII)		81.923	25.126	52.245	16.480
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		81.923	25.126	52.245	16.480
20.1	NON-CONTROLLING INTERESTS		(5.316)	(1.396)	(4.403)	(1.832)
20.2	EQUITY HOLDERS OF THE COMPANY		76.607	23.730	47.842	14.648
	EARNINGS PER SHARE	38	0,13	0,04	0,09	0,03
	Earnings Per Share from Continued Operations		0,13	0,04	0,09	0,03
	Earnings Per Share from Discontinued Operations		-	-	-	-
	DILUTED EARNINGS PER SHARE		0,13	0,04	0,09	0,03
	Earnings Per Share from Continued Operations		0,13	0,04	0,09	0,03
	Earnings Per Share from Discontinued Operations		-	-	-	-

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	Unaudited	Unaudited	Unaudited	Unaudited
	Current Period	Current Period	Prior Period	Prior Period
	01.01-30.09.2016	01.07-30.09.2016	01.01-30.09.2015	01.07-30.09.2015
I. CURRENT PERIOD PROFIT/LOSS	81.923	25.126	52.245	16.480
II. OTHER COMPREHENSIVE INCOME	(1.674)	1.022	(2.436)	(1.461)
2.1 Items that will not be Reclassified to Profit or Loss	-	-	-	-
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	-	-	-	-
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	-	-	-	-
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	(1.674)	1.022	(2.436)	(1.461)
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	(1.674)	1.022	(2.436)	(1.461)
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)	80.249	26.148	49.809	15.019

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

	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			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			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
							1	2	3	4	5	6										
CHANGES IN EQUITY																						
I.																						
Prior Period (01.01 – 30.09.2015) (Reviewed)																						
II.		461.503	-	-	-	1.938	-	283	-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819	
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	25	461.503	-	-	-	1.938	-	283	-	2.243	-	105.652	24.202	-	81.450	-	78.632	146	78.486	16.568	666.819	
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.		-	-	-	-	-	-	-	-	(2.128)	-	-	-	-	-	-	-	-	-	-	-	
VI.		68.800	-	-	-	-	-	-	-	-	-	(68.800)	-	-	-	(68.800)	-	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47.842	-	47.842	4.403	52.245
XII.		-	-	-	-	-	-	-	-	-	-	63.632	3.931	-	(9.099)	68.800	(78.632)	(146)	(78.486)	-	(15.000)	
12.1		-	-	-	-	-	-	-	-	-	-	(15.000)	-	-	(15.000)	-	-	-	-	-	(15.000)	
12.2		-	-	-	-	-	-	-	-	-	-	78.632	3.931	-	5.901	68.800	(78.632)	(146)	(78.486)	-	-	
12.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (30.09.2015)		530.303	-	-	-	1.938	-	283	-	115	-	100.484	28.133	-	72.351	-	47.842	-	47.842	20.663	701.628	
Current Period (01.01. –30.09.2016) (Reviewed)																						
II.		530.303	-	-	-	1.938	-	217	-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408	
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	25	530.303	-	-	-	1.938	-	217	-	1.746	-	100.484	28.133	-	72.351	-	82.003	-	82.003	21.717	738.408	
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.		-	-	-	-	-	-	-	-	(1.473)	-	-	-	-	-	-	-	-	-	(201)	(1.674)	
VI.	25	70.000	-	-	-	-	-	-	-	-	-	(70.000)	-	-	-	(70.000)	-	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76.607	-	76.607	5.316	81.923
XII.		-	-	-	-	-	-	-	-	-	-	62.003	5.163	-	(13.160)	70.000	(82.003)	-	(82.003)	(1.089)	(21.089)	
12.1		-	-	-	-	-	-	-	-	-	-	(18.000)	-	-	(18.000)	-	(2.000)	-	(2.000)	(1.089)	(21.089)	
12.2		-	-	-	-	-	-	-	-	-	-	80.003	5.163	-	4.840	70.000	(80.003)	-	(80.003)	-	-	
12.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (30.09.2016)		600.303	-	-	-	1.938	-	217	-	273	-	92.487	33.296	-	59.191	-	76.607	-	76.607	25.743	797.568	

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)

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD AS AT 30 SEPTEMBER 2016**

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

		Unaudited Current Period	Unaudited Prior Period
	Notes	01.01-30.09.2016	01.01-30.09.2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes In Operating Assets And Liabilities		75.249	168.954
1.1.1 Interests Received/Lease Income		324.563	288.792
1.1.2 Interest Paid / Lease Expenses		(263.869)	(201.940)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		2.611	2.636
1.1.5 Fees and Commissions Received		8.353	6.389
1.1.6 Other Income		21.183	125.418
1.1.7 Collections from Non-performing Receivables	33	2.500	2.115
1.1.8 Payments to Personnel and Service Suppliers		(22.326)	(18.966)
1.1.9 Taxes Paid		(17.585)	(3.723)
1.1.10 Others		19.819	(31.767)
1.2 Changes in Operating Assets and Liabilities		(270.633)	(466.287)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(482.121)	(27.502)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		(185.576)	(139.482)
1.2.4 Net (Increase) Decrease in Other Assets		(208)	6.103
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		386.095	(318.956)
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		11.177	13.550
I. Net Cash Provided from / (Used in) Operating Activities		(195.384)	(297.333)
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	(5.717)	(1.618)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10	133	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		(5.584)	(1.613)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		1.780.599	747.690
3.2 Cash used for repayment of funds borrowed and securities issued		(1.418.831)	(286.022)
3.3 Equity instruments issued		-	-
3.4 Dividends paid	25	(21.088)	(15.000)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		340.680	446.668
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(356)	2.013
V. Net Increase / (Decrease) in Cash and Cash Equivalents		139.356	149.735
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	365.074	329.871

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

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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 this subsidiary 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 30 September 2016, the Company and its subsidiary (“the Group”) have 244 employees (31 December 2015: 234 employees).

Dividend Payable

As at 30 September 2016, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated interim financial statements as at 30 September 2016 have been approved by the Board of Directors of the Company and authorized for issue as at 26 October 2016. The General Assembly and / or legal authorities have power to amend the consolidated interim 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 interim 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 Legislation”) in respect of accounting and financial reporting, and Turkish Accounting Standard 34 “Interim Financial Reporting”.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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 consolidated 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 30 September 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 30 SEPTEMBER 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 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 13 – Deferred tax assets and liabilities

Note 21 – Provisions

Note 22 – Employee benefits

Note 28 – Commitments and contingencies

Basis of Consolidation

The details of the Group’s subsidiary as at 30 September 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 30 September 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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)

(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.

(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 other accounting policies applied for the period ended 31 December 2015 have been applied consistently for the period ended 30 September 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

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

2. BASIS OF THE FINANCIAL STATEMENTS (Continued)

2.4 Changes in Standards and Interpretations

The Group applied all of the relevant and required TAS as at 30 September 2016.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 September 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

TFRS 9 – Financial instruments

TFRS 9 – As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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, except for the buildings measured at fair value, 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.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible Assets (Continued)

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 date.

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:

<u>Definition</u>	<u>Years</u>
Furniture and fixtures	5 years
Other tangible assets	5 years
Vehicles	5 years
Operational Leasing Assets	3 years

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

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”.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial liabilities (Continued)

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	2,9959	2,9076
EUR	3,3608	3,1776
GBP	3,8909	4,3007
CHF	3,0785	2,9278
100 JPY	2,9451	2,4078
AUD	2,2907	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.

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. Subsequent Events

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 the Balance Sheet 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

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.

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>30 September 2016</u>	<u>31 December 2015</u>
Discount rate	3,51%	3,51%
Expected rate of salary/limit increase	7,00%	7,00%
Probability of retirement	100%	100%

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

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

Financial Assets held for trading:

As at 30 September 2016 and 31 December 2015, details of financial assets held for trading are as follows:

	30 September 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	1.174	-	4.268	-
	1.174	-	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. As the coupon payments of 18 February 2016 and 18 May 2016 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 set aside provisions equal to 100% of the subject debt instruments included in its assets.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TL 1.174 (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.

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
<u>Derivative Financial Assets Held For Trading</u>				
Forwards	3	4	5	-
Currency swaps	137	270	1.178	4.536
	140	274	1.183	4.536

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
<u>Derivative Financial Liabilities Held For Trading</u>				
Forwards	3	-	-	-
Currency swaps	-	8.255	-	68.471
	3	8.255	-	68.471

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5. BANKS

As at 30 September 2016 and 31 December 2015, the details of the banks are as follows:

	<u>30 September 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Demand Deposits	5.040	10.256	1.578	14.610
Time Deposits	-	349.789	-	209.536
	5.040	360.045	1.578	224.146

The details of the time deposits as at 30 September 2016 are as follows:

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2016</u>
TL	-	-	-
USD	%2	03.10.2016	81.618
Euro	%1,00-%1,20	03.10.2016 -20.10.2016	268.171
			349.789

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

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2015</u>
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 30 September 2016, TL 314.432 portion of total foreign currency deposits (31 December 2015: TL 192.022) and TL 4.269 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:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Demand deposits	15.296	16.188
Time deposits (1-3 months) (excluding accrual)	349.778	209.530
Cash and cash equivalents	365.074	225.718

As at 30 September 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 30 September 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	
				30 September 2016	31 December 2015	30 September 2016	31 December 2015
Quoted Investments:							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	17.961	19.464
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	897	1.069
Unquoted investments:							
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 Asset	İstanbul	1,00	1,00	1,00	347	347
Efes Varlık Yönetimi A.Ş.	Management	İstanbul	10,00	10,00	10,00	2.000	2.000
TOTAL						21.244	22.919

7. FACTORING RECEIVABLES

As at 30 September 2016 and 31 December 2015, details of factoring receivables are as follows:

	30 September 2016	31 December 2015
Short-term factoring receivables (*)		
Domestic factoring receivables	2.043.358	1.614.627
Export and import factoring receivables	374.466	329.783
Factoring interest income accrual	10.189	12.243
Unearned interest income	(7.899)	(10.876)
	<u>2.420.114</u>	<u>1.945.777</u>
Non-performing factoring receivables (**)	40.023	36.640
Provision for non-performing factoring receivables (**)	(35.529)	(31.143)
	<u>2.424.608</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 30 September 2016, the average interest rates applicable for the factoring receivables are 13,54% for TL, 3,95% for USD, 4,35% for EUR and 6,60% 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>30 September 2016</u>	<u>31 December 2015</u>
Domestic irrevocable	1.204.319	978.528
Foreign irrevocable	37.542	24.736
Domestic revocable	841.330	639.266
Foreign revocable	341.417	308.744
	<u>2.424.608</u>	<u>1.951.274</u>

Except for its non-performing receivables for which provision provided, the Group has TL 9.266 amount of overdue factoring receivables as at the reporting date (31 December 2015: TL 220). There is a balance of TL 639 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>30 September 2016</u>	<u>31 December 2015</u>
Cheques	553.551	505.195
Mortgages	7.332	2.919
Letters of guarantee	3.573	3.301
	<u>564.456</u>	<u>511.415</u>

Except for its collaterals, the Group has TL 1.860.152 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>30 September 2016</u>	<u>31 December 2015</u>
Up to 90 days	360	3.047
Between 90 – 180 days	2.376	1.050
Between 180 – 360 days	5.907	5.058
Over 360 days	31.380	27.485
	<u>40.023</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- 30 September 2016</u>	<u>1 January- 30 September 2015</u>
Provision at the beginning of the period	(31.143)	(24.348)
Provision set during the period	(5.730)	(3.519)
Collections	1.344	111
Provision at the end of the period	<u>(35.529)</u>	<u>(27.756)</u>

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8. LEASE RECEIVABLES

A. Financial Lease Receivables

As at 30 September 2016 and 31 December 2015, details of finance lease receivables are as follows:

<u>30 September 2016</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	54.154	-	54.154
Finance lease income accruals	17.012	-	17.012
Non-performing finance lease receivables (*)	146.474	4.394	150.868
Uninvoiced finance lease receivables	1.447.982	2.234.588	3.682.570
Less: Unearned interest income	(228.608)	(239.259)	(467.867)
Leasing contracts in progress (**)	-	55.320	55.320
Advances given for lease transactions	-	123.572	123.572
Specific provisions (*)	(111.190)	(3.336)	(114.526)
Net finance lease receivables	<u>1.325.824</u>	<u>2.175.279</u>	<u>3.501.103</u>

<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	<u>1.141.663</u>	<u>2.145.438</u>	<u>3.287.101</u>

(*) 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 30 September 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 30 September 2016, analysis of finance lease receivables according to their maturities is as follows:

	<u>2016 (**)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 and after</u>	<u>Total</u>
Finance lease receivables (gross) (*)	508.404	1.354.753	946.952	562.961	238.413	178.595	3.790.078
Unearned interest	(67.678)	(201.446)	(109.893)	(51.619)	(20.353)	(16.878)	(467.867)
Finance lease receivables (net)	<u>440.726</u>	<u>1.153.307</u>	<u>837.059</u>	<u>511.342</u>	<u>218.060</u>	<u>161.717</u>	<u>3.322.211</u>

(*) 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 36.342 are presented in 2016 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:

	<u>2015 (**)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 and after</u>	<u>Total</u>
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)	<u>1.142.160</u>	<u>858.271</u>	<u>609.324</u>	<u>356.261</u>	<u>132.097</u>	<u>119.909</u>	<u>3.218.022</u>

(*) 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 30 September 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 30 September 2016, details of finance lease receivables in terms of currency types are as follows:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest</u>
USD	282.761.124	847.125	27.766.455	82.937
EUR	352.640.375	1.185.154	39.304.101	132.093
CHF	2.881.982	8.872	302.739	932
TL	-	1.281.060	-	251.905
Total		<u>3.322.211</u>		<u>467.867</u>

(*) 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:

<u>Currency</u>	<u>Principal in foreign currency</u>	<u>Principal (*) (Net)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest</u>
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		<u>3.218.022</u>		<u>486.506</u>

(*) 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>30 September 2016</u>	<u>31 December 2015</u>
Mortgages	501.357	182.734
Pledged equity	68.312	44.646
Letters of guarantee	28.059	20.538
Pledged commercial	27.321	21.326
Pledged account	6.835	762
Pledged deposit	6.377	8.833
Equity security	2.930	2.450
Guarantors	1.893	583
	<u>643.084</u>	<u>281.872</u>

In addition to collaterals above, the Group also has sureties amounting to TL 2.499.603, pledged vehicles amounting to TL 95.920, pledged machines amounting to TL 30.250. (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 reporting date, the Group did not record provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TL 54.154 (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>30 September 2016</u>	<u>31 December 2015</u>
Up to 30 days	37.880	12.994
Between 30 – 60 days	6.304	4.760
Between 60 – 90 days	2.542	17.342
Between 90 – 150 days	7.428	1.098
Total overdue	<u>54.154</u>	<u>36.194</u>
Not due amount	<u>2.834.870</u>	<u>210.022</u>
	<u>2.889.024</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>30 September 2016</u>	<u>31 December 2015</u>
Mortgages	59.291	25.214
Pledged shares	26.166	27.508
Letters of guarantee	912	1.787
Pledged account	835	762
Guarantor	119	-
Cash blockages	1	50
	<u>87.324</u>	<u>55.321</u>

In addition to above guarantees, the Group also has sureties amounting to TL 340.299, pledged vehicles amounting to TL 6.364. (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 30 September 2016 and 31 December 2015, the aging of non-performing finance lease receivables is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Between 150 – 240 days	4.918	3.831
Between 240 – 360 days	1.175	2.706
Over 360 days	54.855	48.696
Uninvoiced non-performing finance lease receivables	90.388	91.926
Unearned interest of non-performing finance lease receivables	(468)	(677)
	<u>150.868</u>	<u>146.482</u>

Collaterals obtained for non-performing finance lease receivables as at 30 September 2016 and 31 December 2015 are as follows:

<u>Guarantee type:</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Mortgages	10.354	4.557
	<u>10.354</u>	<u>4.557</u>

In addition to the above collaterals, the Group also has sureties amounting to TL 119.553, leased equipments amounting to TL 20.961 (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- 30 September 2016</u>	<u>1 January- 30 September 2015</u>
Provision at the beginning of the period	(108.607)	(80.142)
Provision set during the period	(7.075)	(34.922)
Write off(*)	-	9.870
Collections	1.156	2.003
Provision at the end of the period	<u>(114.526)</u>	<u>(103.191)</u>

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

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8. LEASE RECEIVABLES (Continued)

B. Operating Lease Receivables

	<u>30 September 2016</u>	<u>30 September 2015</u>
Operating Lease Receivables (Note 8)	5	-
	<u>5</u>	<u>-</u>

As at 30 September 2016 and 31 December 2015 analysis of operating lease receivables according to their maturities is as follows :

	<u>30 September 2016</u>	<u>31 Aralık 2015</u>
2016 Year	29	-
2017 Year	116	-
2018 Year	116	-
2019 Year	99	-
	<u>360</u>	<u>-</u>

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9. RELATED PARTIES

As at 30 September 2016 and 31 December 2015, details of related party balances are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
<u>Finance lease receivables from related parties</u>		
TuKaş Gıda San. ve Tic. A.Ş.	27.540	32.026
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	23.473	26.819
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	14.255	21.580
KKB Kredi Kayıt Bürosu A.Ş.	13.640	6.834
Bankalararası Kart Merkezi A.Ş.	988	457
Numnum Yiyecek ve İçecek A.Ş.	758	923
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	722	919
Radore Veri Merkezleri Hizm. A.Ş.	297	723
Toksöz Spor Malzemeleri Ticaret A.Ş.	97	-
Ortopro Tıbbi Aletler San.ve Tic. A.Ş.	-	230
Total	81.770	90.511
<u>Operating Lease Receivables From Related Parties</u>		
Türkiye Sınai Kalkınma Bankası A.Ş.	4	-
TSKB Gayrimenkul Değerleme	5	-
Total	9	-
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	26.000	29.600
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	9.467	10.135
Nevotek Inc.	1.260	-
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	1.047	1.112
Total	37.774	40.847
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	16.318	14.204
İş Merkezleri Yönetim ve İşletim A.Ş.	94	82
Anadolu Hayat Emeklilik	3	-
KKB Kredi Kayıt Bürosu A.Ş.	3	3
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	3	3
Türkiye İş Bankası A.Ş.	-	184
Total	16.421	14.476
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. (Time Deposits)	304.336	177.987
Türkiye İş Bankası A.Ş. (Demand Deposits)	14.365	14.658
Türkiye Sınai Kalkınma Bankası A.Ş. (Demand Deposits)	6	7
İş AG (Demand Deposits)	-	541
Total	318.707	193.193
<u>Derivative financial liabilities held for trading from related parties</u>		
Türkiye İş Bankası A.Ş.	4.097	5.213
Türkiye Sınai Kalkınma Bankası A.Ş.	-	188
Total	4.097	5.401

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9. RELATED PARTIES (Continued)

Derivative financial assets held for trading from related parties

Türkiye İş Bankası A.Ş.	3	777
Total	3	777

As at 30 September 2016 and 31 December 2015, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 September 2016</u>
TL	%11,00-%12,8	03.10.2016-15.06.2018	514.498
USD	-	-	-
EUR	4,01%	26.12.2016	8.405
			522.903

<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>30 September 2016</u>
TL	10,90%	03.10.2016	90.128
USD	%2,01-%3,49	15.06.2017-15.09.2018	32.716
EUR	%0,97-%2,50	31.03.2017-30.06.2022	155.654
			278.498

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</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>30 September 2016</u>
EUR	%1,80	Overdraft	3.923
			3.923

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
EUR	-	-	-
			-

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9. RELATED PARTIES (Continued)

For the period ended 30 September 2016 and 30 September 2015, finance income and expenses from related parties are as follows:

	01.01.2016- 30.09.2016	01.07.2016- 30.09.2016	01.01.2015- 30.09.2015	01.07.2015- 30.09.2015
<u>Finance lease interest income from related parties</u>				
Tukaş Gıda San. Ve Tic.A.Ş.	2.485	827	2.276	802
İş Gayrimenkul Yatırım Ort.A.Ş	1.721	492	1.300	520
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.159	360	1.263	468
KKB Kredi Kayıt Bürosu	239	115	-	-
Bankalararası Kart Merkezi A.Ş.	116	37	63	20
Numnum Yiyecek ve İçecek A.Ş.	93	29	112	37
Kanyon Yönetim İşletim Ve Pazarlama A.Ş.	35	11	44	15
Radore Veri Merkezi Hizm.A.Ş	23	5	49	15
Ortopro Tıbbi Aletler San ve Tic. A.Ş.	10	-	60	15
Toksöz Spor Malzemeleri Tic. A.Ş.	7	4	-	-
Anadolu Cam Sanayii A.Ş.	-	-	3	-
Total	5.888	1.880	5.170	1.892
<u>Operating lease interest income from related parties</u>				
Türkiye Sınai Kalkınma Bankası A.Ş.	21	17	-	-
TSKB Gayrimenkul Değerleme A.Ş.	4	4	-	-
Total	25	21	-	-
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	2.222	1.092	717	18
Total	2.222	1.092	717	18
<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	2.611	-	3.800	-
<u>Finance expense</u>				
Türkiye İş Bankası A.Ş.	24.339	9.739	47.537	15.321
Türkiye Sınai Kalkınma Bankası A.Ş.	6.976	3.185	4.304	3.143
İş Yatırım Menkul Değerler A.Ş.	2.275	876	1.169	596
İşbank AG	13	5	203	107
Şişe Cam Dış Tic.A.Ş	-	-	45	15
Total	33.603	13.805	53.258	19.182
<u>Rent expense</u>				
Türkiye İş Bankası A.Ş.	3.139	1.054	2.742	976
Total	3.139	1.054	2.742	976

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9. RELATED PARTIES (Continued)

	<u>01.01.2016-</u> <u>30.09.2016</u>	<u>01.07.2016-</u> <u>30.09.2016</u>	<u>01.01.2015-</u> <u>30.09.2015</u>	<u>01.07.2015-</u> <u>30.09.2015</u>
<u>Commission income</u>				
Anadolu Anonim Türk Sigorta Şirketi	2.806	846	2.843	1.010
Total	2.806	846	2.843	1.010
<u>Factoring commission income from related parties</u>				
Şişe Cam Dış Tic.A.Ş.	87	35	84	39
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	64	9	54	19
Total	151	44	138	58
<u>Factoring interest income from related parties</u>				
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	2.477	207	1.633	653
Ortopro Tıbbi Aletler San. ve Tic.A.Ş.	481	154	667	294
Nevotek Inc.	48	17	-	-
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	31	12	2	2
Kültür Yayınları İş Türk A.Ş.	-	-	-	-
Total	3.037	390	2.302	949
<u>Mutual fund income</u>				
Türkiye İş Bankası A.Ş.	369	44	77	35
Total	369	44	77	35
<u>Sales revenue</u>				
Efes Varlık Yönetimi A.Ş.	-	-	125	125
Total	-	-	125	125

As at 30 September 2016 and 31 December 2015, nominal values of derivative transactions with Türkiye İş Bankası A.Ş. are as follows:

	30 September 2016		31 December 2015	
	Purchase	Sale	Purchase	Sale
Forward Transactions	1.767	1.770	5.815	5.829
Swap Transactions	83.900	80.995	160.865	153.902
Total	85.667	82.765	166.680	159.731

As at 30 September 2016 and 31 December 2015, nominal values of derivative transactions with Türkiye Sınai Kalkınma Bankası A.Ş. are as follows:

	30 September 2016		31 December 2015	
	Purchase	Sale	Purchase	Sale
Swap Transactions	-	-	48.874	48.848
Total	-	-	48.874	48.848

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9. RELATED PARTIES (Continued)

As at 30 September 2016 and 31 December 2015, the amount of the Company’s issued debt securities in related parties’ securities portfolio are as follows:

	<u>30 September 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.	3.087	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	979	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>22.522</u>	<u>49.202</u>

Remuneration of key management (*)

For the period ended 30 September 2016 and 30 September 2015, the remuneration of the key management during year comprised the following:

	<u>01.01.2016- 30.09.2016</u>	<u>01.07.2016- 30.09.2016</u>	<u>01.01.2015- 30.09.2015</u>	<u>01.07.2015- 30.09.2015</u>
Salaries and other short-term benefits (**)	<u>4.928</u>	<u>1.463</u>	<u>4.293</u>	<u>1.266</u>
	<u>4.928</u>	<u>1.463</u>	<u>4.293</u>	<u>1.266</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 periods ended 30 September 2016 and 30 September 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	488	338	-	4.500	21	5.347
Disposals	(190)	-	(388)	-	-	(578)
Closing balance at 30 September 2016	4.631	338	1.479	19.630	3.625	29.703
Accumulated depreciation						
Opening balance at 1 January 2016	(2.969)	-	(1.867)	(123)	(2.840)	(7.799)
Depreciation for the period	(340)	(21)	-	(82)	(232)	(675)
Disposals	57	-	388	-	-	445
Closing balance at 30 September 2016	(3.252)	(21)	(1.479)	(205)	(3.072)	(8.029)
Carrying amounts at 30 September 2016	1.379	317	-	19.425	553	21.674
Carrying amounts at 1 January 2016	1.364	-	-	15.007	764	17.135
	Furniture and Fixtures	Operating Lease Assets	Other Tangible Assets	Real Estate	Leasehold Improvements	Total
Cost						
Opening balance at 1 January 2015	3.725	-	1.867	15.732	3.546	24.870
Additions	612	-	-	-	25	637
Disposals	(61)	-	-	-	-	(61)
Impairment provision on tangible assets	-	-	-	(602)	-	(602)
Closing balance at 30 September 2015	4.276	-	1.867	15.130	3.571	24.844
Accumulated depreciation						
Opening balance at 1 January 2015	(2.558)	-	(1.867)	(52)	(2.538)	(7.015)
Depreciation for the period	(347)	-	-	(45)	(227)	(619)
Disposals	56	-	-	-	-	56
Closing balance at 30 September 2015	(2.849)	-	(1.867)	(97)	(2.765)	(7.578)
Carrying amounts at 30 September 2015	1.427	-	-	15.033	806	17.266
Carrying amounts at 1 January 2015	1.167	-	-	15.680	1.008	17.855

As at 30 September 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 periods ended 30 September 2016 and 30 September 2015, movements in intangible assets are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
<u>Cost</u>		
Opening balance at 1 January	3.696	2.544
Additions	370	981
Disposals	-	-
Closing balance at the end of the period	<u>4.066</u>	<u>3.525</u>
 <u>Amortization</u>		
Opening balance at 1 January	(2.110)	(1.687)
Amortization for the period	(369)	(316)
Disposals	-	-
Closing balance at the end of the period	<u>(2.479)</u>	<u>(2.003)</u>
 Carrying amounts	 <u>1.587</u>	 <u>1.522</u>

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

12. GOODWILL

The Company has purchased nominal shares of İş Factoring 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 30 September 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 30 September 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>30 September 2016</u>	<u>31 December 2015</u>
Investment incentive – with withholding tax	104.126	132.895
Allowance for doubtful finance lease receivables	103.539	102.200
Unearned factoring income	7.899	10.876
Valuation differences on financial instruments	7.843	62.752
Reserve for employee benefits	3.295	2.711
Provision for lawsuit	2.223	429
Employee bonus accrual	2.035	2.270
Prepaid expenses	1.500	1.123
Unused vacation	1.039	1.012
BRSA share	573	215
Expense accruals	71	-
Tax base differences in tangible and intangible assets	(1.313)	(978)
Finance lease adjustment	(2.921)	(3.018)
Finance lease income accruals	(17.065)	(13.946)
Other	420	115
	<u>213.264</u>	<u>298.656</u>

<u>Deferred tax assets / (liabilities)</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Allowance for doubtful finance lease receivables	20.708	20.440
Unearned factoring income	1.580	2.175
Valuation differences on financial instruments	1.569	12.550
Reserve for employee benefits	659	542
Provision for lawsuit	445	86
Employee bonus accrual	407	454
Prepaid expenses	300	225
Investment incentive – with withholding tax	207	266
Unused vacation	208	202
BRSA share	115	43
Expense accruals	14	-
Tax base differences in tangible and intangible assets	(263)	(196)
Finance lease adjustment	(584)	(604)
Finance lease income accruals	(3.413)	(2.789)
Other	84	24
Deferred tax asset	<u>22.036</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 104.126 (31 December 2015: TL 132.895) of its unused investment allowances as offset against its future profits. The Group has TL 207 (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 asset are estimated based on current conditions. Future profit projections and potential tax planning strategies have been taken into consideration for valuation purposes.

Movements in deferred tax assets/(liabilities) are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Opening balance at 1 January	33.418	36.002
Deferred tax benefit	(11.382)	6.781
Closing balance	<u>22.036</u>	<u>42.783</u>

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 30 September 2016 and 31 December 2015, details of assets held for sale and discontinued operations are as follows:

	<u>30 September 2016</u>		<u>31 December 2015</u>	
	TL	FC	TL	FC
Assets held for sale (*)	770	-	2.057	-
	<u>770</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 AND OTHER ASSETS

As at 30 September 2016 and 31 December 2015, details of other receivables are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Insurance receivables	2.884	2.626	2.459	2.232
Others	888	22	844	65
	3.772	2.648	3.303	2.297

As at 30 September 2016 and 31 December 2015, prepaid expenses are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Commissions expense on debt securities issued and funds borrowed	20.647	-	20.322	-
Others	2.102	-	1.133	-
	22.749	-	21.455	-

As at 30 September 2016 and 31 December 2015, details of other assets are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Amounts to be invoiced	685	-	676	-
Advanced given	81	1	41	1
Deposits given	20	25	19	24
Others	1.164	7.779	1.167	68
	1.950	7.805	1.903	93

16. FUNDS BORROWED

As at 30 September 2016 and 31 December 2015, details of funds borrowed are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Short-term borrowings	1.833.240	896.125	1.660.153	1.038.835
Short-term portion of long-term borrowings	11.233	175.201	24.950	130.849
Total short-term borrowings	1.844.473	1.071.326	1.685.103	1.169.684
Long-term borrowings	52.955	1.196.205	66.951	797.720
Total long-term borrowings	52.955	1.196.205	66.951	797.720
Total borrowings	1.897.428	2.267.531	1.752.054	1.967.404

As at 30 September 2016 and 31 December 2015, borrowings has no collateral.

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16. FUNDS BORROWED (Continued)

As at 30 September 2016 and 31 December 2015, maturity analysis of borrowings is as follows:

<u>Maturity analysis of borrowings</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Within 1 year	2.915.799	2.854.787
Within 1-2 years	661.135	281.289
Within 2-3 years	356.476	274.498
Within 3-4 years	87.212	168.905
Within 4-5 years	71.039	51.857
5 years and over	73.298	88.122
TOTAL	<u>4.164.959</u>	<u>3.719.458</u>

As at 30 September 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>30 September 2016</u>
TL	%9,20 - %12,80	1.805.263.000	1.805.263
USD	%1,01 - %3,71	144.575.743	433.134
Euro	%0,50 - %4,04	136.763.793	459.636
GBP	4,50%	985.412	3.834
AUD	5,00%	172.466	395
Interest accruals			27.103
			<u>2.729.365</u>

<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			<u>2.698.988</u>

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

As at 30 September 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>30 September 2016</u>
TL	12,46%	5.966.667	5.221
USD	1,51% - 4,26%	160.010.865	419.458
Euro	0,9% - 3,85%	170.401.131	1.010.915
TOTAL			<u>1.435.594</u>

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency Amount</u>	<u>31 December 2015</u>
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			<u>1.020.470</u>

As at 30 September 2016 and 31 December 2015, compounded interest rates have been presented.

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16. FUNDS BORROWED (Continued)

As 30 September 2016 and 31 December 2015, details of borrowings based on types of interest rate are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Fixed rate	1.813.302	1.072.066	1.660.042	948.509
Variable rate	84.126	1.195.465	92.012	1.018.895
	1.897.428	2.267.531	1.752.054	1.967.404

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

As at 30 September 2016, the Group has available TL 5.551.846 of unused credit lines (31 December 2015: TL 5.171.569).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 30 September 2016 and 31 December 2015, details of miscellaneous payables are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Payables to suppliers for lease transactions	1.092	21.543	1.935	32.117
Other payables (*)	8.479	9.457	7.601	8.129
	9.571	31.000	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 30 September 2016 and 31 December 2015, details of other liabilities are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Advances received (*)	10.259	45.177	8.521	24.395
Others	4.596	1.002	2.637	1.201
	14.855	46.179	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

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Bills bonds	1.109.960	-	668.192	-
Bonds issued	170.000	-	250.000	-
Interest accruals	19.756	-	23.009	-
	1.299.716	-	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 second coupon annual compound interest rate of %2,77(1st 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

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TL 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 25/794 dated 19 August 2014). Issuance of bond was held on 4 November 2014. The floating rate quarterly coupon bond have a maturity of 1 November 2016 and the seventh coupon annual compound interest rate of 2,60 % (1st coupon interest rate is 2,47 %, 2nd coupon interest rate is 2,05 %, 3rd coupon interest rate is 2,81%, 4nd coupon interest rate is 2,79%, 5th coupon interest rate is 2,80%, 6th coupon interest rate is 3,03%).

Date of first coupon payment (*)	3 February 2015
Date of second coupon payment (*)	5 May 2015
Date of third coupon payment(*)	4 August 2015
Date of fourth coupon payment(*)	3 November 2015
Date of fifth coupon payment(*)	2 February 2016
Date of sixth coupon payment(*)	3 May 2016
Date of seventh coupon payment(*)	2 August 2016
Date of eighth coupon payment	1 November 2016

(*)The first coupon payment of bond was made on 3 February 2015, the second coupon payment of bond was made on 5 May 2015, the third coupon payment of bond was made on 4 August 2015, the fourth coupon payment of bond was made on 3 November 2015, the fifth coupon payment of bond was made on 2 February 2016, the sixth coupon payment of bond was made on 3 May 2016, the seventh coupon payment of bond was made on 2 August 2016.

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19. DEBT SECURITIES ISSUED (Continued)

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 19/636 dated 13 June 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 19/636 dated 13 June 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 19/636 dated 13 June 2016). Issuance of bond was held on 30 September 2016. Ordinary interest of bond was determined 10,40%

Bond issued by İş Faktoring A.Ş. having nominal value of TL 253.796 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 17 June 2016. Ordinary interest of bond was determined 11%.

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%.

20. TAXES AND DUTIES PAYABLE

As at 30 September 2016 and 31 December 2015, details of taxes and duties payable are as follows:

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Banking and Insurance Transaction Tax	1.148	-	1.096	-
Income Tax	474	-	441	-
Social Security Premium	455	-	409	-
Value Added Tax	5.623	-	892	-
Other Tax and Liabilities	21	-	23	-
	7.721	-	2.861	-

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21. PROVISIONS

As at 30 September 2016 and 31 December 2015, other provisions are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
General provision for financial lease receivables	2.293	2.752
Provision for lawsuits	2.223	429
Provision for general administrative expenses	643	214
	<u>5.159</u>	<u>3.395</u>

Movements in provisions for the periods ended 30 September 2016 and 30 September 2015 are as follows:

	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
30 September 2016			
At the beginning of the period	2.752	429	214
Additions	-	1.794	643
Payments	(459)	-	(214)
Cancellations	-	-	-
At the end of the period	<u>2.293</u>	<u>2.223</u>	<u>643</u>

	General provision for financial lease receivables	Provision for lawsuits	Provision for general administrative expenses
30 September 2015			
At the beginning of the period	(2.275)	(510)	(233)
Additions	(520)	(20)	(668)
Payments	-	-	233
Cancellations	-	101	-
At the end of the period	<u>(2.795)</u>	<u>(429)</u>	<u>(668)</u>

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22. EMPLOYEE BENEFITS

As at 30 September 2016 and 31 December 2015, reserve for employee benefits are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Reserve for employee severance indemnity	3.295	2.711
Employee bonus accrual	2.035	2.270
Unused vacation provision	1.039	1.012
	<u>6.369</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 30 September 2016 and 31 December 2015, the following actuarial assumptions are used in the calculation of the total liability:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Discount rate	3,51 %	3,51 %
Inflation	7,00 %	7,00 %
Probability of retirement	100 %	100 %

For the periods ended 30 September 2016 and 30 September 2015, movements in reserve for employee severance indemnity are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Balance at the beginning of the period	2.711	2.191
Cost of services	691	567
Amounts paid	(107)	(113)
Balance at the end of the period	<u>3.295</u>	<u>2.645</u>

The movement of the provision for unused vacation for the periods ended 30 September 2016 and 30 September 2015 are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Balance at the beginning of the period	1.012	843
Provision set during the period	27	99
Balance at the end of the period	<u>1.039</u>	<u>942</u>

The movement of the provision for employee bonus accrual for the periods ended 30 September 2016 and 30 September 2015 are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Balance at the beginning of the period	2.270	2.407
Provision set during the period	2.035	1.703
Reversals	-	(171)
Payment made during the period	(2.270)	(2.236)
Balance at the end of the period	<u>2.035</u>	<u>1.703</u>

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23. CURRENT PERIOD TAX ASSET AND PAYABLE

As at 30 September 2016 and 30 September 2015, details of corporate tax provision and prepaid taxes are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Current period corporate tax provision (Note:37)	5.484	3.090
Current period investment incentive provision	6.068	-
Corporation taxes paid in advance during the year	(3.713)	(1.632)
Corporate tax provision (net)	<u>7.839</u>	<u>1.458</u>

For the periods ended 30 September 2016 and 30 September 2015, movements of corporate tax provision are as follows:

	<u>30 September 2016</u>	<u>30 September 2015</u>
Corporate tax provision at the beginning of the period	14.506	1.310
Total income tax expense (Note:37)	11.552	3.090
Prior period corporate tax provision	(634)	-
Corporation taxes paid during the year	(17.585)	(2.942)
Corporate tax provision (net)	<u>7.839</u>	<u>1.458</u>

The current period tax asset as at 30 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Income taxes withheld	437	18
Total	<u>437</u>	<u>18</u>

24. NON-CONTROLLING INTERESTS

The Company owns 78,23 % of İş Faktoring A.Ş. As at 30 September 2016, the non-controlling interests amounting to TL 25.743 (31 December 2015: TL 21.717) have been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TL 5.316 (31 December 2015: TL 5.261) have been calculated on the net profit of the subsidiary.

The movements of non-controlling interests as at 30 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>	<u>30 September 2015</u>
Balance at the beginning of the period	21.717	16.568	16.568
Fair value changes of marketable securities	(201)	(112)	(308)
İş Faktoring cash dividend distributions	(1.089)	-	-
Profit for the period	5.316	5.261	4.403
Balance at the end of the period	<u>25.743</u>	<u>21.717</u>	<u>20.663</u>

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25. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 30 September 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 30 September 2016 and 31 December 2015, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 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	100,00	600.303	100,00	530.303

Pursuant to General Assembly held on 25 March 2016, the Group has applied to increase its share capital by 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 period, 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>30 September 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	600.000.000	600.000.000

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>30 September 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>	217	217
Accumulated Other Comprehensive Income/Expenditure Reclassified in Profit/Loss <i>Net change in fair value of available-for-sale financial assets(**)</i>	273	1.746
Total	490	1.963

(*) 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 30 September 2016 and 31 December 2015, details of profit reserves are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Legal reserves	33.296	28.133
Extraordinary reserves	59.191	72.351
Total	92.487	100.484

(*) 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 30 September 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 previous year profit as at 30 September 2016 (31 December 2015: None).

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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>30 September 2016</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	3.999.655	2.453.338	(53.766)	6.399.227
Total liabilities	3.266.647	2.335.011	-	5.601.658
Net profit	61.417	24.418	(9.228)	76.607

<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	81.481	24.167	(23.645)	82.003

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29. SEGMENT REPORTING (Continued)

30 September 2016

	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	207.024	121.696	-	328.720
Financial Expenses (-)	(135.059)	(91.009)	-	(226.068)
Gross Profit / Loss	71.965	30.687	-	102.652
Operating Expense (-)	(27.871)	(13.474)	-	(41.345)
Gross Operating Profit/Loss	44.094	17.213	-	61.307
Other Operating Income	132.571	109.090	(3.912)	237.749
Provision for Losses on Non-Performing Receivables (-)	(7.075)	(5.730)	-	(12.805)
Other operating Expenses (-)	(90.901)	(90.493)	-	(181.394)
Net Operating Profit / Loss	78.689	30.080	(3.912)	104.857
Profit or Loss from Continuing Operations	78.689	30.080	(3.912)	104.857
Provision for Taxes from Continuing Operations (±)	(17.272)	(5.662)	-	(22.934)
Net Profit or Loss from Continuing Operations	61.417	24.418	(3.912)	81.923
Non-controlling Interests	-	-	(5.316)	(5.316)
Net Profit or Loss for the Period	61.417	24.418	(9.228)	76.607
Fixed Asset Additions	5.452	265	-	5.717
Depreciation and Amortisation	(776)	(268)	-	(1.044)

30 September 2015

	Leasing	Factoring	Consolidation Adjustments	Total
Operating Income	196.334	93.078	-	289.412
Financial Expenses (-)	(142.604)	(68.474)	-	(211.078)
Gross Profit / Loss	53.730	24.604	-	78.334
Operating Expense (-)	(21.733)	(11.888)	-	(33.621)
Gross Operating Profit/Loss	31.997	12.716	-	44.713
Other Operating Income	250.796	88.419	(18.384)	320.831
Provision for Losses on Non-Performing Receivables (-)	(35.443)	(3.518)	-	(38.961)
Other operating Expenses (-)	(187.263)	(72.730)	-	(259.993)
Net Operating Profit / Loss	60.087	24.887	(18.384)	66.590
Profit or Loss from Continuing Operations	60.087	24.887	(18.384)	66.590
Provision for Taxes from Continuing Operations (±)	(9.684)	(4.661)	-	(14.345)
Net Profit or Loss from Continuing Operations	50.403	20.226	(18.384)	52.245
Non-controlling Interests	-	-	(4.403)	(4.403)
Net Profit or Loss for the Period	50.403	20.226	(22.787)	47.842
Fixed Asset Additions	1.209	409	-	1.618
Depreciation and Amortisation	(672)	(263)	-	(935)

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30. EVENTS AFTER REPORTING PERIOD

None.

31. OPERATING INCOME

For the periods ended 30 September 2016 and 30 September 2015, details of operating income are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015- 30.09.2015	01.07.2015 - 30.09.2015
Finance Lease income	206.999	71.020	196.334	71.845
Operating lease income	25	21	-	-
Factoring income	121.696	41.263	93.078	34.428
	328.720	112.304	289.412	106.273

32. OPERATING EXPENSES

For the periods ended 30 September 2016 and 30 September 2015, operating expenses are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015- 30.09.2015
Personnel expenses	(24.388)	(7.939)	(20.768)	(6.640)
Office rent expenses	(3.472)	(1.175)	(3.062)	(1.087)
Board of Directors attendance fee	(1.546)	(531)	(1.406)	(484)
Information technology expenses	(1.461)	(577)	(1.203)	(537)
Travel and car expenses	(1.072)	(370)	(971)	(357)
Depreciation and amortisation expense	(1.044)	(340)	(935)	(208)
Provision for employee severance indemnity	(691)	(270)	(567)	(300)
BRSA fee	(575)	(192)	(465)	(155)
Capital increase expense	(528)	(40)	(271)	(27)
Consultancy expenses	(387)	(100)	(1.218)	(627)
Office contribution expenses	(317)	(109)	(857)	(284)
Advertising expense	(178)	(41)	(306)	(70)
Litigation expenses	(19)	(5)	(193)	(103)
Other general administrative expenses	(5.667)	(2.595)	(1.399)	169
	(41.345)	(14.284)	(33.621)	(10.710)

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33. OTHER OPERATING INCOME

For the periods ended 30 September 2016 and 30 September 2015, details of other operating income are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015
Foreign exchange gains	28.939	26.880	185.404	97.871
Income from derivative financial transactions	190.028	31.962	115.453	69.018
Interest income	5.333	2.307	5.246	1.263
Dividend income	2.611	-	3.800	-
Collections from non-performing receivables	2.500	299	2.114	222
Commission income	2.806	846	2.843	1.010
Others	5.532	1.449	5.971	1.933
	<u>237.749</u>	<u>63.743</u>	<u>320.831</u>	<u>171.317</u>

34. FINANCE EXPENSES

For the periods ended 30 September 2016 and 30 September 2015, details of financial expenses are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015
Interest expense on funds borrowed	(135.498)	(48.706)	(159.469)	(51.064)
Interest expense on debt securities issued	(81.705)	(29.996)	(45.508)	(21.103)
Fees and commissions expense	(8.865)	(3.441)	(6.101)	(2.236)
	<u>(226.068)</u>	<u>(82.143)</u>	<u>(211.078)</u>	<u>(74.403)</u>

35. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 30 September 2016 and 30 September 2015, details of provision for non-performing receivables are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015
Specific provision expenses	(12.805)	(460)	(38.441)	(9.665)
General provision expenses	-	1	(520)	(189)
	<u>(12.805)</u>	<u>(459)</u>	<u>(38.961)</u>	<u>(9.854)</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 periods ended 30 September 2016 and 30 September 2015, details of other operating expenses are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015
Losses from derivative financial transactions	(177.250)	(46.829)	(256.991)	(158.569)
Foreign exchange losses, net	-	-	-	-
Impairment and sales losses on securities portfolio	(400)	-	-	-
Impairment losses on tangible assets	-	-	(602)	(602)
Other	(3.744)	137	(2.400)	(688)
	<u>(181.394)</u>	<u>(46.692)</u>	<u>(259.993)</u>	<u>(159.859)</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 interim periods.

The difference as foreign currency gain difference between income/loss is at amounting TL 706 from measurement difference of such transactions in the Group’s financial statements as at 30 September 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 periods ended 30 September 2016 and 30 September 2015, details of income tax expense are as follows:

	01.01.2016 - 30.09.2016	01.07.2016 - 30.09.2016	01.01.2015 - 30.09.2015	01.07.2015 - 30.09.2015
Current tax charge	(11.552)	(7.843)	(21.126)	(19.083)
Deferred tax benefit	(11.382)	500	6.781	12.799
	<u>(22.934)</u>	<u>(7.343)</u>	<u>(14.345)</u>	<u>(6.284)</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:

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37. TAXATION (Continued)

		1 January- 30 September 2016		1 January- 30 September 2015
	%		%	
Net profit for the period		81.923		52.245
Total tax income		22.934		14.345
Profit before tax		104.857		66.590
Income tax using the Company's tax rate	19,85	20.814	19,80	13.198
Non-deductible expenses	1,92	2.014	8,27	5.504
Tax exempt income	(0,49)	(512)	(6,07)	(4.042)
Investment incentives	0,00	(4)	(3,07)	(2.043)
Other	0,59	622	2,59	1.728
Total income tax expense	21,87	22.934	21,54	14.345

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 30 September 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.

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37. TAXATION (Continued)

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.

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 period ended 30 September 2016 and 30 September 2015 are as follows:

	1 January- 30 September 2016	1 January- 30 September 2015
Weighted average number of outstanding shares (*)	60.030.264.500	53.030.264.500
Net profit for the period (TL)	76.607	47.842
Basic earnings per share (full Kurus) (**)	0,13	0,09

(*) As at 30 September 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.

	30 September 2016	31 September 2015
Number of shares at beginning of the period	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 period	60.030.264.500	53.030.264.500

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 15 % (31 December 2015: 16 %). As at 30 September 2016 and 31 December 2015, the leverage ratios are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Funds borrowed	4.164.959	3.719.458
Debt securities issued	1.299.716	941.201
Miscellaneous payables	40.571	49.782
Other liabilities	61.034	36.754
Total liabilities	<u>5.566.280</u>	<u>4.747.195</u>
Banks (-)	<u>(365.085)</u>	<u>(225.724)</u>
Net liabilities	<u>5.201.195</u>	<u>4.521.471</u>
Total shareholders' equity	797.568	738.408
Shareholders' equity / liabilities	15%	%16

According to the credit rating reports of Fitch issued at 24 August 2016, credit ratings of the Company are as follows:

Foreign Currency

Long term	BBB-
Short term	F3
Outlook	Negatif

TL

Long term	BBB-
Short term	F3
Outlook	Negatif

National

Long term	AA+ (tur)
Outlook	Negatif
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>30 September 2016</u>	<u>31 December 2015</u>
<u>Financial Assets:</u>		
Banks	365.085	225.724
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	1.174	4.670
-Derivative financial assets held for trading	414	5.719
Finance lease receivables and non-performing receivables, net	3.501.108	3.287.101
Factoring receivables and non-performing factoring receivables, net	2.424.608	1.951.274
Insurance receivables (*)	5.510	4.691
Other receivables (*)	910	909
Financial assets available for sale	21.244	22.919
<u>Financial Liabilities:</u>		
Derivative financial liabilities held for trading	(8.258)	(68.471)
Miscellaneous payables and other liabilities	(101.605)	(86.536)
Funds borrowed	(4.164.959)	(3.719.458)
Debt securities issued	(1.299.716)	(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.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

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

(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 30 September 2016 and 31 December 2015, details of foreign currency denominated assets and liabilities are as follows:

	USD	EUR	CHF	GBP	JPY	AUD	TL
30 September 2016(*)	000	000	000	000	000	000	Equivalent
Banks	27.954	81.949	12	217	26	-	360.045
Finance lease receivables	282.761	352.641	2.882	-	-	-	2.041.151
Factoring receivables	146.183	69.289	-	1.133	-	183	675.639
Advances given for lease transactions	12.942	23.625	18	104	-	-	118.633
Leasing contracts in progress	5.497	6.769	-	-	-	-	39.218
Other receivables	340	485	-	-	-	-	2.648
Other assets	16	2.308	-	-	-	-	7.805
Total assets (**)	475.693	537.066	2.912	1.454	26	183	3.245.139
Funds borrowed	(287.371)	(440.743)	-	(985)	-	(172)	(2.346.412)
Miscellaneous payables and other							
Liabilities	(7.385)	(16.336)	-	(17)	(3.081)	-	(77.179)
Other provisions	(765)	(488)	-	-	-	-	(3.933)
Total liabilities (**)	(295.521)	(457.567)	-	(1.002)	(3.081)	(172)	(2.427.524)
Balance sheet position	180.172	79.499	2.912	452	(3.055)	11	817.615
Off balance sheet position	(174.147)	(80.469)	(2.871)	-	-	-	(801.006)
Net foreign currency position	6.025	(970)	41	452	(3.055)	11	16.609

(*) As at 30 September 2016, foreign currency indexed borrowings amounting to USD 4.546 and EUR 19.419 (Total: TL 78.881), foreign currency indexed factoring receivables amounting to USD 74.784 and EUR 21.388 (Total: TL 269.679) are presented in TL column in the accompanying consolidated statement of financial position.

(**) As at 30 September 2016, accruals of derivative assets amounting to TL 274 and derivative liabilities amounting to TL 8.255 are not included.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

31 December 2015 (*)	USD 000	EUR 000	GBP 000	JPY 000	AUD 000	TL Equivalent
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	2.766.295
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
30 September 2016				
15% change of the USD against TL				
1- Net USD asset/liability	80.967	(80.967)	80.967	(80.967)
2- Hedged portion of TL against USD risk (-)	(78.259)	78.259	(78.259)	78.259
3- Net effect of USD (1+ 2)	2.708	(2.708)	2.708	(2.708)
15% change of the Euro against TL				
4- Net Euro asset/liability	40.077	(40.077)	40.077	(40.077)
5- Hedged portion of TL against Euro risk (-)	(40.566)	40.566	(40.566)	40.566
6- Net effect of Euro (4+5)	(489)	489	(489)	489
15% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	1.895	(1.895)	1.895	(1.895)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	1.895	(1.895)	1.895	(1.895)
TOTAL (3+6+9)	4.114	(4.114)	4.114	(4.114)

(*) 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 30 September 2016 and 31 December 2015, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
<u>Fixed rate instruments</u>		
Financial assets:		
Banks	349.789	209.536
Finance lease receivables (*)	3.183.246	3.031.848
Factoring receivables	1.750.018	1.579.110
Financial liabilities:		
Funds borrowed	2.885.367	2.608.551
Debt securities issued	1.248.874	686.567
<u>Variable rate instruments</u>		
Financial assets:		
Finance lease receivables (*)	138.965	186.174
Factoring receivables	674.590	372.164
Financial liabilities:		
Borrowings	1.279.591	1.110.907
Debt securities issued	50.842	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 1.028 (30 September 2015: TL 1.551).
- Interest income from factoring transactions with variable interest rates would be higher at an amount of TL 4.990 (30 September 2015: TL 3.688).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 9.261 (30 September 2015: TL 10.027).

(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 468 (30 September 2015: TL 1.052).

(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>30 September 2016 (%)</u>	<u>31 December 2015 (%)</u>
Construction	22,83	21,90
Metal industry	15,24	16,16
Transportation	8,96	9,13
Textile	7,55	6,92
Chemical and plastic	5,20	4,42
Retail and wholesale	4,64	3,45
Food and beverage	4,47	5,51
Mining	3,81	3,44
Forestry products and paper	3,37	3,23
Tourism	3,27	3,82
Agriculture and forestry	2,79	3,11
Machinery and equipment	2,67	1,68
Healthcare	2,48	2,75
Finance	2,33	4,09
Other	10,39	10,39
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

	<u>30 September 2016 (%)</u>	<u>31 December 2015 (%)</u>
Real estate	34,66	36,03
Machinery and equipment	25,22	26,23
Building and construction machinery	17,11	14,75
Textile machinery	4,60	4,43
Electronic and optical equipment	3,79	3,77
Air transportation equipments	2,80	2,84
Tourism equipment	2,40	2,41
Sea transport vessels	2,01	2,41
Medical equipment	1,72	1,82
Office equipments	1,16	1,20
Road transportation equipments	1,15	0,85
Printing machinery	1,03	1,17
Other	2,35	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 30 September 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
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>							
	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>						
30 September 2016										
Exposure to maximum credit risk as at reporting date (*)	81.770	3.419.333	37.774	2.386.834	365.085	1.588	-	5.510	910	
- The portion of maximum risk covered by guarantee	-	653.438	-	564.456	-	-	-	-	-	
A. Net carrying value of financial assets which are neither impaired nor overdue	81.770	493.967	37.774	2.372.979	365.085	1.588	-	5.510	910	
- The portion covered by guarantee	-	555.760	-	564.456	-	-	-	-	-	
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	9.361	-	-	-	-	-	
C. Net carrying value of financial assets which are overdue but not impaired	-	2.889.024	-	-	-	-	-	-	-	
- The portion covered by guarantee	-	87.324	-	-	-	-	-	-	-	
D. Net carrying value of impaired assets	-	-	-	-	-	-	-	-	-	
- Overdue (gross book value)	-	36.342	-	4.494	-	-	-	-	-	
- Impairment (-)	-	148.153	-	40.023	-	-	-	-	-	
- Covered portion of net book value (with letter of guarantee etc) (**)	-	(114.036)	-	(35.529)	-	-	-	-	-	
- Not past due (gross book value)	-	10.354	-	-	-	-	-	-	-	
- Impairment (-)	-	2.715	-	-	-	-	-	-	-	
- Covered portion of net book value (with letter of guarantee etc.) (**)	-	(490)	-	-	-	-	-	-	-	
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.

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

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:

	<u>Receivables</u>				<u>Deposits</u>	Fair value through profit/loss financial assets	Financial Assets Available For Sale	Insurance receivables	Other Receivables
	<u>Finance Lease Receivables</u>		<u>Factoring Receivables</u>						
<u>31 December 2015</u>	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>					
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 30 September 2016 and 31 December 2015, details of finance lease receivables rating in terms of internal rating information:

	<u>30 September 2016 (%)</u>	<u>31 December 2015 (%)</u>
Internal rating results:		
A+ (Perfect)	0,52	0,84
A (Very good)	0,08	0,11
A- (Good)	5,50	6,26
B+ (Satisfactory)	25,06	27,16
B (Close Monitoring)	23,54	22,48
B- (Insufficient)	22,34	24,45
C+ (Doubtful)	18,23	15,92
C (Loss)	4,73	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 13,92% as at 30 September 2016 (31 December 2015: 15,05%).

As at 30 September 2016, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>30 September 2016 (%)</u>
High	33,10
Medium	54,04
Low	12,86
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:

	30 September 2016		31 December 2015	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Sureties	40.989.933	4.479.308	35.244.533	4.367.332
Collaterals of factoring transaction	3.718.525	553.551	3.043.421	505.195
Guaranties of factoring transaction	2.245.908	-	-	-
Other mortgages	636.849	519.043	637.027	190.210
Pledged commercial	115.000	27.321	15.000	21.326
Pledged shares	75.802	68.312	74.111	44.646
Letters of guarantee	41.623	31.632	37.504	23.839
Ship mortgage	7.490	-	7.269	-
Cash blockages	7.093	6.377	11.109	8.833
Collaterals of vendors	6.762	-	3.405	-
Equity securities	2.950	2.930	2.450	2.450
Guarantors	2.071	1.893	1.797	583
Pledged account	834	6.835	762	762
Collaterals of financial lease transaction	665	-	25	-
	47.851.504	5.697.202	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.

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.

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

30 September 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	365.085	365.113	365.113	-	-	-
Financial Assets Held For Trading	1.174	1.174	1.174	-	-	-
Finance Lease Receivables (*)	3.322.216	3.773.018	484.019	1.050.017	2.133.896	105.086
Factoring Receivables	2.424.608	2.481.250	1.833.206	601.942	46.102	-
Insurance Receivables	5.511	5.511	5.511	-	-	-
Other Receivables	910	910	910	-	-	-
Total Assets	6.119.504	6.626.976	2.689.933	1.651.959	2.179.998	105.086
Non-derivative Financial Liabilities:						
Funds Borrowed	4.164.959	4.269.480	2.156.880	865.193	1.172.523	74.884
Debt Securities Issued	1.299.716	1.355.940	308.424	924.192	123.324	-
Miscellaneous Payables and Other Liabilities	101.604	101.604	94.902	293	6.409	-
Total Liabilities	5.566.279	5.727.024	2.560.206	1.789.678	1.302.256	74.884

(*) 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)

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	-	-
Finance 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.

The following table details the maturities of derivative financial assets and liabilities as at 30 September 2016 and 31 December 2015.

<u>30 September 2016 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>
Cash inflows from derivatives	7.117	820.551	573.791	232.646	14.114	-
Cash outflows from derivatives	-	813.433	572.057	223.800	17.576	-

<u>31 December 2015 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>
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)	-

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40. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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.

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

30 September 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	-	365.085	-	-	-	365.085	365.085	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	
- Financial assets held for trading	1.174	-	-	-	-	1.174	1.174	4
- Derivative financial assets held for trading	414	-	-	-	-	414	414	4
Finance lease receivables and non- performing lease receivables	-	-	3.501.103	-	-	3.501.103	3.507.890	8
Factoring receivables and non-performing factoring receivables	-	-	2.424.608	-	-	2.424.608	2.424.608	7
Insurance receivables	-	-	5.510	-	-	5.510	5.510	15
Other Receivables	-	-	910	-	-	910	910	15
Available for sale financial assets	-	-	-	21.244	-	21.244	21.244	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	8.258	-	-	-	-	8.258	8.258	
Miscellaneous payables and other liabilities	-	-	-	-	101.605	101.605	101.605	17
Funds borrowed	-	-	-	-	4.164.959	4.164.959	4.165.359	16
Debt securities issued	-	-	-	-	1.299.716	1.299.716	1.299.716	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)

(1) 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).

30 September 2016	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	1.174	-	1.174
Derivative financial assets held for trading	-	414	-	414
Available-for-sale financial assets (*)	18.858	-	347	19.205
Total financial assets carried at fair value	18.858	1.588	347	20.793
Derivative financial liabilities held for trading	-	8.258	-	8.258
Total financial liabilities carried at fair value	-	8.258	-	8.258

(*) As at 30 September 2016, securities that are not publicly traded amounting to TL 2.039 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	-	347	20.880
Total financial assets carried at fair value	20.935	9.987	347	31.269
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 2.039 have been measured at cost.