Alternatif Finansal Kiralama A.Ş.

Financial Statements
As at and for the year ended
31 December 2016 With
Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

21 February 2017

This report includes "independent auditors' report" comprising 4 pages and "financial statements together with their explanatory notes" comprising 38 pages.

Alternatif Finansal Kiralama AŞ

Table of contents:

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
No:29 Beykoz 34805 İstanbul
Tel +90 (216) 681 90 00
Fax +90 (216) 681 90 90
www.kpmg.com.tr

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the carrying value of Investments in direct finance leases held at amortised cost

Refer to Note 7 Investments in direct finance leases.

The key audit matter

The appropriateness of impaired lease receivables for loss provisions is a key area of judgment for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions.

How the matter was addressed in our audit

We assessed and tested the design and operating effectiveness of the controls over impairment calculations including the quality of underlying data and systems. For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. For impaired lease receivables provisions of calculated on a collective basis we tested, the underlying models including the model approval. We also tested the appropriateness and accuracy of the inputs to those models, such as recovery and cure rates, and where available, compared data and assumptions made to external benchmarks. Finally we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosures for forbearance and cover values.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Murat Alsan
Partner

21 February 2017
Istanbul, Turkey

CONTENTS	PAGE

ALTERNATİF FİNANSAL KİRALAMA A.Ş.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

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

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	5	99,033	31,868
Investment in direct finance leases	7	1,228,283	1,031,355
Other assets and prepaid expenses	10	52,879	28,660
Property and equipment, net	8	464	1,220
Intangible assets, net	9	607	580
Deferred tax assets	15	15,871	19,888
Total assets		**1,397,137**	**1,113,571**
LIABILITIES AND EQUITY			
Funds borrowed	11	1,042,486	822,518
Debt securities in issue	12	151,924	142,088
Accounts payable	13	39,687	13,613
Derivative financial instruments	6	2,432	1,463
Other liabilities	14	20,756	16,991
Other provisions	16	136	41
Reserve for employment termination benefits	17	487	393
Total liabilities		**1,257,908**	**997,107**
Equity			
Share capital	18	36,477	36,477
Legal reserves		3,491	2,750
Retained earnings		99,261	77,237
Total equity		**139,229**	**116,464**
Total liabilities and equity		**1,397,137**	**1,113,571**

The accompanying notes set out on pages 5 to 38 form an integral part of these financial statements.

ALTERNATİF FİNANSAL KİRALAMA A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	2016	2015
Interest income from direct finance leases		87,455	73,121
Interest income on placements and transactions with banks		1,440	598
Total interest income		**88,895**	**73,719**
Interest expense on funds borrowed		(31,973)	(28,609)
Interest expense on debt securities in issue		(16,336)	(11,653)
Net interest income		**40,586**	**33,457**
Impairment loss on finance lease receivables	7	(7,607)	(5,467)
Foreign exchange gains and (losses), net		6,037	2,386
Other income/(expense), net	23	694	(380)
Operating profit		**39,710**	**29,996**
Marketing, general and administrative expenses	20	(4,035)	(3,560)
Salaries and employee benefits	21	(8,568)	(8,299)
Depreciation and amortisation expenses	8,9	(325)	(351)
Profit before income tax		**26,782**	**17,786**
Taxation on income	15	(4,017)	(2,749)
Net profit for the year		**22,765**	**15,037**
Other comprehensive income		-	-
Total comprehensive income for the year		**22,765**	**15,037**

The accompanying notes set out on pages 5 to 38 form an integral part of these financial statements.

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

	Notes	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2015		**14,940**	**2,342**	**62,608**	**79,890**
Capital increase by cash transfers		21,537	-	-	21,537
Other transfers		-	408	(408)	-
Total comprehensive income for the year		-	-	15,037	15,037
Balance at 31 December 2015		**36,477**	**2,750**	**77,237**	**116,464**
Balance at 1 January 2016		**36,477**	**2,750**	**77,237**	**116,464**
Other transfers		-	741	(741)	-
Total comprehensive income for the year		-	-	22,765	22,765
Balance at 31 December 2016		**36,477**	**3,491**	**99,261**	**139,229**

The accompanying notes set out on pages 5 to 38 form an integral part of these financial statements.

ALTERNATİF FİNANSAL KİRALAMA A.Ş.
CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	2016	2015
Cash flows from operating activities			
Net profit for the year		22,765	15,037
Adjustments for:			
Depreciation and amortisation	8,9	325	351
Provision for employment termination benefits	17	146	147
Provision for personnel bonus	14	1,560	1,560
Provision for impaired receivables	7	7,607	5,467
Deferred tax expense	15	4,017	2,749
Interest received		88,895	73,719
Interest paid		(51,385)	(45,685)
Unrealised foreign currency losses		(7,592)	(3,161)
Measurement of derivative financial instrument of fair value		969	2,914
Net cash provided by operating activities before changes in operating assets and liabilities		**67,307**	**53,098**
Net increase in investment in direct finance leases		(285,839)	(449,151)
Net increase in other assets		(24,219)	(8,089)
Net increase in accounts payable		26,074	5,066
Net increase in other liabilities		2,300	7,057
Employment termination benefits paid	17	(52)	19
Personnel bonus paid		-	160
Net cash used in operating activities		**(281,736)**	**(444,938)**
Cash flows from investing activities			
Purchase of property and equipment	8	(209)	(226)
Purchase of intangible assets	9	(296)	(247)
Proceedings from sale of property and equipment	8	925	823
Net cash provided from investing activities		**420**	**350**
Cash flows from financing activities			
Proceeds (repayments) from funds borrowed		263,741	344,031
Debt securities in issue		9,836	48,129
Proceeds from issue of share capital		-	21,537
Net cash provided from financing activities		**273,577**	**413,697**
Net increase in cash and cash equivalents		59,568	22,207
Effect of exchange rate changes on cash and cash equivalents		7,592	3,161
Cash and cash equivalents at beginning of year	5	31,861	6,493
Cash and cash equivalents at end of year	**5**	**99,021**	**31,861**

The accompanying notes set out on pages 5 to 38 form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

Alternatif Finansal Kiralama AŞ ("the Company") was established in February 1997, in order to operate in Turkey pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by the law number 3226. The Company started leasing operations in 1997 and its head office is located at 19 Mayıs Caddesi, Golden Plaza No: 3 Kat: 5, Şişli-Istanbul, Turkey.

The financial statements of the Company are authorized for issue by the Board of Directors on 21 February 2017.

As of 31 December 2016, the Company has 57 employees (2015: 55).

The Company is mainly engaged in leasing of various equipment, construction machinery including industrial machinery and real-estate equipment. The Company operates predominantly in one geographical region, Turkey.

The Company's main shareholder is Alternatifbank A.Ş. and ultimate shareholder is The Commercial Bank (P.S.Q.C.). Within the framework of the "Shareholders' Agreement" acted with The Commercial Bank (P.S.Q.C.) on 18 July 2013, Anadolu Endüstri Holding decided to excercise the put option and sold their 25% of the shares in Alternatifbank A.Ş. to The Commercial Bank (P.S.Q.C.) on 19 December 2016. As a result of the sale, The Commercial Bank (P.S.Q.C.) became 100% indirect shareholder of Alternatif Finansal Kiralama A.Ş.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation of financial statements

The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements are presented in TL, which is the Comapany's functional currency. All financial information is presented in thousand TL has been rounded, except when otherwise indicated.

Turkish tax legislation required all leased assets be capitalised on the balance sheet of the lessor whether the lease is operating or finance lease until 1 July 2003. In accordance with amendments in Turkish tax law dated 24 April 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after 1 July 2003 in their statutory financial statements.

The financial statements have been prepared on the historical cost convention except for the measurement at fair value of financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for the effects of hyperinflation

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey was 35.6% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the USD and other hard currencies have been taken into consideration to categories Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied in the preparation of the accompanying financial statements beginning from 1 January 2006.

Change in accounting policies, accounting estimates and errors

Changes in accounting policies or fundamental accounting errors are applied retrospectively and the financial statements for the prior periods are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates related to more than one period, changes are applied both in the current and following periods prospectively. Any material accounting error detected is applied retrospectively and prior year financial statement is restated, accordingly.

Related parties

For the purpose of these financial statements, the shareholders, key management personnel and Board members, the companies controlled by or affiliated with them are considered and referred to as related parties (Note 22).

Due from other banks

Amounts due from other banks are recorded when the Company advances money to counterparty banks with no intention of trading the resulting receivable, due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of derivative financial instruments that are quoted in active markets are determined from quoted market prices in active markets including recent market transactions. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques, including discounted cash flow models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading (Note 6).

Accounting for leases (where the Company is a lessor)

When assets are transferred under a finance lease, the present value of the lease payments is recognised as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalised at initial recognition as part of the investment in direct finance lease and amortised via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognised on sale of leased assets is recorded as gain on liquidation of investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for leases (where the Company is a lessor) (continued)

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases.

Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realisable value.

Accounting for leases (where the Company is a lessee)

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

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables.

Objective evidence that a financial lease receivable is impaired includes observable data that comes to the attention of the Company about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 150 days;
(c) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(e) the disappearance of an active market for that financial lease receivable because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial lease receivable since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial lease receivable in the Company, including:

    (i) adverse changes in the payment status of borrowers in the; or
    (ii) national or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss on financial lease receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial lease receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial lease receivable is reduced through use of an allowance account. The amount of the loss is recognized in income statement. Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for impairment of lease receivables (continued)

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

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

Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power of TL at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Buildings	50 years
Equipment, furniture and fixtures	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents the net selling price.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets mainly comprise of rights and amortised by using the straight-line method over their useful lives of 5 years.

Financial liabilities

Financial liabilities including borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method. All borrowing costs are recorded in the income statement in the period in which they are incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 15).

Taxes other than on income are recorded within other income / (expense) (Note 23).

b. Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the provision for impaired lease receivables, reserve for annual leave provision, unused investment allowances and provision for employment termination benefits (Note 15).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Reserve for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service (Note 17).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for employment termination benefits (continued)

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Company has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in the Legal Reserves item in the Shareholders Equity section.

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Company management considers that the carrying amount of accounts payable approximates their fair value.

Revenue recognition

Direct financing leases consist of full-pay-out leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognised over the term of the lease. The revenue is recognised in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases. Gross rentals due, but not received at the balance sheet date are classified as receivable lease payments outstanding.

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Turkish lira at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include balances of cash and due from banks with original maturity periods of less than three months (Note 5).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

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

Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the post balance sheet events note.

Subsequent Events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote. The Company restates its financial statements if such subsequent events arise.

Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

The Company's activities expose to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

New standards and interpretations not yet adopted

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

IFRS 9 Financial Instruments

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

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages liquidity risk, foreign exchange risk and interest rate risk by considering market risk.

The core business of the Company is to serve clients' financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or Company's customers in specific locations or businesses. It also obtains security when appropriate.

The table below summaries the geographic distribution of the Company's assets and liabilities:

2016	**Assets**	**%**	**Liabilities**	**%**
Turkey	1,395,954	99.92	910,374	72.37
European countries	866	0.06	240,395	19.11
Other	317	0.02	107,139	8.52
	1,397,137	**100**	**1,257,908**	**100**
2015	**Assets**	**%**	**Liabilities**	**%**
Turkey	1,109,785	99.66	704,584	70.66
European countries	3,093	0.28	164,581	16.51
Other	693	0.06	127,942	12.83
	1,113,571	**100**	**997,107**	**100**

Maximum exposure to credit risk

	2016	**2015**
Credit risk exposures relating to balance sheet items:		
Due from banks	99,033	31,868
Investment in direct finance leases, net	1,228,283	1,031,355
Insurance receivables	2,095	1,632

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk

Foreign currency risk is a result of the Company's assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. The table below summaries the Company's exposure to foreign currency exchange rate risk.

	Foreign Currency						
2016	**USD**	**EUR**	**CHF**	**GBP**	**Total**	**TL**	**Total**
Assets							
Cash and cash equivalents	35,612	63,143	-	-	98,755	278	99,033
Investment in direct finance leases	254,626	697,434	-	-	952,060	276,223	1,228,283
Other assets and prepaid expenses	22,027	23,447	-	-	45,474	7,405	52,879
Property and equipment, net	-	-	-	-	-	464	464
Intangible assets, net	-	-	-	-	-	607	607
Deferred income tax assets, net	-	-	-	-	-	15,871	15,871
Total assets	**312,265**	**784,024**	**-**	**-**	**1,096,289**	**300,848**	**1,397,137**
Liabilities							
Funds borrowed	288,660	696,535	-	-	985,195	57,291	1,042,486
Debt securities in issue	-	-	-	-	-	151,924	151,924
Accounts payable	20,172	15,106	336	320	35,934	3,753	39,687
Derivative financial instruments	-	2,432	-	-	2,432	-	2,432
Other liabilities	6,229	7,896	-	-	14,125	6,631	20,756
Other provisions	-	-	-	-	-	136	136
Reserve for employment termination benefits	-	-	-	-	-	487	487
Total liabilities	**315,061**	**721,969**	**336**	**320**	**1,037,686**	**220,222**	**1,257,908**
Net balance sheet position	**(2,796)**	**62,055**	**(336)**	**(320)**	**58,603**	**80,626**	**139,229**
Net off-balance sheet position	**-**	**(61,604)**	**-**	**-**	**(61,604)**	**63,024**	**1,420**
Financial derivative assets	-	-	-	-	-	63,024	63,024
Financial derivative liabilities	-	(61,604)	-	-	(61,604)	-	(61,604)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk (continued)

	Foreign Currency				
2015	**USD**	**EUR**	**Total**	**TL**	**Total**
Assets					
Cash and cash equivalents	20,240	3,515	23,755	8,113	31,868
Investment in direct finance leases	311,209	476,231	787,440	243,915	1,031,355
Other assets and prepaid expenses	4,465	11,484	15,949	12,711	28,660
Property and equipment, net	-	-	-	1,220	1,220
Intangible assets, net	-	-	-	580	580
Deferred income tax assets, net	-	-	-	19,888	19,888
Total assets	**335,914**	**491,230**	**827,144**	**286,427**	**1,113,571**
Liabilities					
Funds borrowed	300,617	417,422	718,039	104,479	822,518
Debt securities in issue	-	-	-	142,088	142,088
Accounts payable	4,173	5,700	9,873	3,740	13,613
Derivative financial instruments	1,463	-	1,463	-	1,463
Other liabilities	3,312	5,463	8,775	8,216	16,991
Other provisions	-	-	-	41	41
Reserve for employment termination benefits	-	-	-	393	393
Total liabilities	**309,565**	**428,585**	**738,150**	**258,957**	**997,107**
Net balance sheet position	**26,349**	**62,645**	**88,994**	**27,470**	**116,464**
Net off-balance sheet position	**(27,478)**	**(63,350)**	**(90,828)**	**92,291**	**1,463**
Financial derivative assets	3,191	-	3,191	92,291	95,482
Financial derivative liabilities	(30,669)	(63,350)	(94,019)	-	(94,019)

At 31 December 2016, assets, liabilities and off-balance sheet derivative financial instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of and TL 3.5192 = USD 1, TL 3.7099= EUR 1, (2015: TL 2.9076 = USD 1, TL 3.1776= EUR 1)

The table below shows the Company's sensitivity against 10% changes in USD and EUR rates against TL in the income statement. In this analysis it has been assumed that all other variables, especially interest rates, are being held constant

	2016		**2015**	
	Profit and loss	**Equity**	**Profit and loss**	**Equity**
USD impact	(280)	(280)	(113)	(113)
EUR impact	45	45	(71)	(71)
CHF impact	(34)	(34)	-	-
GBP impact	(32)	(32)	-	-
Total	**(301)**	**(301)**	**(184)**	**(184)**

In the case of appreciation of TL against USD and EUR 10%, totals shown above has equal or opposite effect on the income statement.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Company's policy is to match cash outflow mainly arising from repayments of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company.

In addition, the Company maintains reasonable amount of cash at bank in order to protect itself against the risk of deviation from the expected in and out cash flows in an unfavourable manner.

The following table presents the cash flows payable by the Company under non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

2016	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed	214,147	555,146	310,210	-	1,079,503
Debts securities in issue	153,830	-	-	-	153,830
Total liabilities	**367,977**	**555,146**	**310,210**	**-**	**1,233,333**
Cash and cash equivalents	98,255	-	-	778	99,033
Investment in direct finance leases, net	151,910	349,614	855,434	32,361	1,389,319
Assets held for managing liquidity risk (contractual maturity dates)	**250,165**	**349,614**	**855,434**	**33,139**	**1,488,352**

2015	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed	134,362	561,270	146,152	-	841,784
Debts securities in issue	65,760	80,000	-	-	145,760
Total liabilities	**200,122**	**641,270**	**146,152**	**-**	**987,544**
Cash and cash equivalents	28,243	-	-	3,625	31,868
Investment in direct finance leases, net	120,774	288,280	760,486	21,755	1,191,295
Assets held for managing liquidity risk (contractual maturity dates)	**149,017**	**288,280**	**760,486**	**25,380**	**1,223,163**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value or future cash flows of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The table below summaries the average year-end interest rates by major currencies for monetary financial instruments:

	2016 (%)			2015 (%)		
Assets	**USD**	**EUR**	**TL**	**USD**	**EUR**	**TL**
Cash and cash equivalents	3.30	2.05	8.00	1.75	1.50	13.34
Investment in direct finance leases	6.51	5.05	14.72	7.06	5.12	14.02
Liabilities						
Funds borrowed	4.19	3.15	12.07	3.20	2.83	11.79
Debt securities in issue	-	-	10.94	-	-	11.86

The table below summaries the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

2016	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets					
Cash and cash equivalents	98,255	-	-	778	99,033
Investment in direct finance leases	131,528	292,647	771,747	32,361	1,228,283
Other assets and prepaid expenses	-	-	-	52,879	52,879
Property and equipment, net	-	-	-	464	464
Intangible assets, net	-	-	-	607	607
Deferred income tax assets, net	-	-	-	15,871	15,871
Total assets	**229,783**	**292,647**	**771,747**	**102,960**	**1,397,137**
Liabilities					
Funds borrowed	356,683	642,229	43,574	-	1,042,486
Debt securities in issue	151,924	-	-	-	151,924
Accounts payable	-	-	-	39,687	39,687
Derivative financial instruments	-	-	-	2,432	2,432
Other liabilities	-	-	-	20,756	20,756
Other provisions	-	-	-	136	136
Reserve for employment termination benefits	-	-	-	487	487
Total liabilities	**508,607**	**642,229**	**43,574**	**63,498**	**1,257,908**
Net re-pricing gap	**(278,824)**	**(349,582)**	**728,173**	**39,462**	**139,229**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk (continued)

2015	Up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	28,243	-	-	3,625	31,868
Investment in direct finance leases	101,968	241,351	666,281	21,755	1,031,355
Other assets and prepaid expenses	-	-	-	28,660	28,660
Property and equipment, net	-	-	-	1,220	1,220
Intangible assets, net	-	-	-	580	580
Deferred income tax assets, net	-	-	-	19,888	19,888
Total assets	**130,211**	**241,351**	**666,281**	**75,728**	**1,113,571**
Liabilities					
Funds borrowed	403,958	418,560	-	-	822,518
Debt securities in issue	64,588	77,500	-	-	142,088
Accounts payable	-	-	-	13,613	13,613
Derivative financial instruments	-	-	-	1,463	1,463
Other liabilities	-	-	-	16,991	16,991
Other provisions	-	-	-	41	41
Reserve for employment termination benefits	-	-	-	393	393
Total liabilities	**468,546**	**496,060**	**-**	**32,501**	**997,107**
Net re-pricing gap	**(338,335)**	**(254,709)**	**666,281**	**43,227**	**116,464**

The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivatives and derivative instruments, if any, at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2016 would decrease/increase by TL 229 (2015: decrease/increase by TL 1,642). This is mainly attributable to the Company's exposure to interest rates on its variable rate funds borrowed.

f. Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

g. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

Fair value of financial assets is measured according to the assumptions based on quoted bid prices of similar assets, or amounts derived from cash flow models.

The fair values of certain financial assets excluding finance lease receivables and funds borrowed are considered to approximate their respective carrying values due to their short-term nature. Fair value of floating rate funds borrowed and debt securities in issue is considered to approximate their carrying values.

The table below indicates the fair value of the financial assets which are stated at their carrying amounts:

	2016	2015
Financial Assets		
Net investment in direct finance leases - Carrying amount	1,228,283	1,031,355
Net investment in direct finance leases - Fair value	1,253,204	1,061,563
Financial Liabilities		
Funds borrowed - Carrying amount	1,042,486	822,518
Funds borrowed - Fair value	1,046,449	827,217
Debt securities in issue - Carrying amount	151,924	142,088
Debt securities in issue - Fair value	151,924	142,088

Since available for sale share certificates are not quoted in a stock exchange, they are carried at cost and are not included in the table above.

The following tables present the Company's assets and liabilities that are measured at fair value:

31 December 2016	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives	-	2,432	-	2,432
Total liabilities	**-**	**2,432**	**-**	**2,432**

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives	-	1,463	-	1,463
Total assets	**-**	**1,463**	**-**	**1,463**

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a. Capital management

According to 12th article of "regulation on the Establishment and Operations of Leasing, Factoring, and Consumer Finance Companies" which was published in the Official Gazette dated 24 April 2013 and numbered 28627, total shareholders' equity cannot be less than 3% of total assets of the Company. As of 31 December 2015, the related ratio is 12%. Therefore, as of 31 December 2015 there is no breach of the lending limits.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 3). Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

b. Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance.

c . Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 5 - CASH AND CASH EQUIVALENTS

	2016	2015
Demand deposits	198	3,247
Time deposits	80	4,866
Total TL denominated demand and time deposits at banks	278	8,113
Foreign currency denominated demand deposits at banks	580	378
Foreign currency denominated time deposits at banks	98,175	23,377
Total foreign currency denominated demand and time deposit at banks	98,755	23,755
Total demand and time deposits at banks	**99,033**	**31,868**

For the purposes of cash flow statements, cash and cash equivalents amounting to TL 99,021 (2015: TL 31,861) and comprised from due from banks excluding accrued interest.

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

2016			
	Contract/notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
Derivatives held for trading			
Swap purchase / sale transactions	124,628	-	2,432
Total derivative assets/ (liabilities) held for trading	**124,628**	**-**	**2,432**

2015			
	Contract/notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
Derivatives held for trading			
Swap purchase / sale transactions	189,501	-	1,463
Total derivative assets/ (liabilities) held for trading	**189,501**	**-**	**1,463**

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

NOTE 7 - INVESTMENT IN DIRECT FINANCE LEASES

	2016	2015
Gross investment in direct finance leases	1,341,711	1,160,238
Invoiced lease receivables	15,247	9,302
Gross finance lease receivables	**1,356,958**	**1,169,540**
Unearned finance income	(161,036)	(159,940)
Finance lease receivables	**1,195,922**	**1,009,600**
Impaired lease receivables	69,345	51,132
Provision for impaired lease receivables	(36,984)	(29,377)
Finance lease receivables, net	**1,228,283**	**1,031,355**

At 31 December 2016 and 2015, finance lease receivables according to its interest variability is as follows:

	2016	2015
Fixed rate	985,301	830,947
Floating rate	210,621	178,653
Finance lease receivables	**1,195,922**	**1,009,600**

At 31 December 2016 and 2015, the leasing receivables have the following collection schedules:

Period end	**2016**	**2016**
	Gross	**Net**
31 December 2017	501,628	424,215
31 December 2018	374,721	328,881
31 December 2019	257,172	234,370
31 December 2020	147,638	138,081
31 December 2021 and after	75,799	70,375
	1,356,958	**1,195,922**

Period end	**2015**	**2015**
	Gross	**Net**
31 December 2016	409,056	343,321
31 December 2017	297,677	256,188
31 December 2018	197,895	173,887
31 December 2019	118,850	105,510
31 December 2020 and after	146,062	130,694
	1,169,540	**1,009,600**

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

NOTE 7 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

Finance lease receivables can be analysed as follows:

	2016	2015
Neither past due nor impaired	1,180,675	1,000,298
Past due but not impaired	15,247	9,302
Impaired	69,345	51,132
Gross	**1,265,267**	**1,060,732**
Less: allowances for impairment	(36,984)	(29,377)
Net finance lease receivables	**1,228,283**	**1,031,355**

As at 31 December 2016, 11,125 of the total collaterals (2015: TL 16,865) are related with the impaired finance lease receivables amounting to TL 69,345 (2015: TL 51,132).

The ageing of past due but not impaired finance lease receivables are as follows:

	2016		2015	
	Invoiced Amount	Remaining Principal	Invoiced Amount	Remaining Principal
0-30 days	10,380	159,730	3,028	81,220
31-60 days	2,857	29,203	4,831	110,154
61-90 days	2,010	13,412	1,443	8,322
	15,247	**202,345**	**9,302**	**199,696**

The ageing of impaired finance lease receivables is as follows:

	2016	2015
91-150 days	10,618	3,785
151-240 days	4,630	3,803
241-365 days	6,698	3,307
366 days and over	47,399	40,237
	69,345	**51,132**

Movements in provision for impaired finance lease receivables are as follows:

	2016	2015
At 1 January	**29,377**	**33,052**
Impairment expense during the year	8,996	7,800
Recoveries of amounts previously provided for (including foreign exchange differences)	(1,389)	(2,333)
Write-off (*)	-	(9,142)
At 31 December	**36,984**	**29,377**

(*) The write-off balance consists of released loan loss provision upon sale of Non-Performing Loans to Artı Varlık Yönetimi A.Ş. on 29 May 2015. The effect of FX valuation amounting to TL 1,223 is not included in the table above.

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

NOTE 7 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

Economic sector risk concentrations for the net investment in direct finance leases are as follows:

	2016	%	2015	%
Textile	235,395	20	149,587	15
Construction	234,775	20	196,204	20
Other Production Industry	228,852	18	27,837	3
Metal Processing	191,874	15	145,712	14
Wholesaling and Retailing	107,807	9	85,197	8
Other Services	56,423	5	195,740	19
Agriculture	43,324	4	31,655	3
Transportation and Warehousing	34,170	3	99,764	10
Mining	26,407	2	30,586	3
Health	18,181	2	17,761	2
Food and Beverage	9,060	1	18,255	2
Energy	7,025	1	7,762	1
Real Estate Brokerage	2,443	-	2,785	-
Tourism	186	-	755	-
	1,195,922	**100**	**1,009,600**	**100**

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

As of 31 December 2016 neither past due nor impaired finance lease receivables amounting to TL 149,811 (2015: TL 12,416) and past due but not impaired receivables amounting to TL 10,137 (2015: TL 2,481) have been renegotiated, rescheduled or revised.

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

As of 31 December 2016 and 2015, the Company obtained the following collaterals from its customers except the goods subjected to finance lease agreements:

	2016	2015
Mortgages	160,242	141,998
Pledged assets	46,001	35,996
Buyback guarantees	25,550	15,568
Life insurance	5,041	13,051
Transfer of rights of receivables	2,286	156,949
Cheques received	2,237	752
Guarantee letters	1,006	9,653
Cash blockage	698	4,898
Guarantee notes	34	284
	243,095	**379,149**

Investment in direct finance leases are further analysed in financial risk management (Note 3).

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

NOTE 8 - PROPERTY AND EQUIPMENT

	Land and Buildings	**Equipment, Furniture and Fixtures**	**Total**
1 January 2016, net book value	1,059	161	1,220
Additions	133	76	209
Disposals	(900)	(25)	(925)
Depreciation charge for the year	(1)	(55)	(56)
Depreciation effects of disposals	10	6	16
31 December 2016	**301**	**163**	**464**
31 December 2016			
Cost	308	963	1,271
Accumulated depreciation	(7)	(800)	(807)
Net book value	**301**	**163**	**464**

	Land and Buildings	**Equipment, Furniture and Fixtures**	**Total**
1 January 2015, net book value	1,695	178	1,873
Additions	181	45	226
Disposals	(817)	(6)	(823)
Depreciation charge for the year	(3)	(59)	(62)
Depreciation effects of disposals	3	3	6
31 December 2015	**1,059**	**161**	**1,220**
31 December 2015			
Cost	1,075	912	1,987
Accumulated depreciation	(16)	(751)	(767)
Net book value	**1,059**	**161**	**1,220**

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

NOTE 9 - INTANGIBLE ASSETS

	Total
1 January 2016, net book value	580
Additions	296
Amortisation charge for the year	(269)
31 December 2016	**607**

31 December 2016	
Cost	2,367
Accumulated amortisation	(1,760)
Net book value	**607**

	Total
1 January 2015, net book value	622
Additions	247
Amortisation charge for the year	(289)
31 December 2015	**580**

31 December 2015	
Cost	2,071
Accumulated amortisation	(1,491)
Net book value	**580**

NOTE 10 - OTHER ASSETS AND PREPAID EXPENSES

	2016	**2015**
Equipment to be leased	42,683	19,547
Prepaid expenses	7,034	6,277
Receivables from insurance policies	2,095	1,632
Prepaid taxes	242	105
VAT deductible	226	-
Other	599	1,099
Total	**52,879**	**28,660**

Equipments to be leased consist of assets purchased for the financial lease agreements signed in the current period, which will be transferred to lessees in the subsequent period.

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

NOTE 11 - FUNDS BORROWED

		2016			2015		
		Original Amount	**TL Equivalent**	**Interest Rate (%)**	**Original Amount**	**TL Equivalent**	**Interest Rate (%)**
Short-term			**753,249**			**684,226**	
Fixed interest	EUR	126,555	469,506	3.14	88,388	280,861	2.69
	USD	36,741	129,298	3.99	63,153	183,622	2.87
	TL	57,291	57,291	12.07	104,479	104,479	11.79
Floating interest	EUR	6,941	25,749	2.90	17,973	57,111	2.94
	USD	20,290	71,405	4.75	20,000	58,153	3.41
Medium/long - term			**753,249**			**684,226**	
Fixed interest	EUR	54,255	201,281	3.19	18,092	57,489	3.36
	USD	5,001	17,600	4.00	-	-	-
Floating interest	EUR	19,992	70,356	4.03	6,911	21,960	2.92
	USD	-	-	-	20,238	58,843	4.04
			289,237			**138,292**	
Total			**1,042,486**			**822,518**	

Floating rate funds borrowed bear interest at rates fixed in advance for periods of three and six months. Repayments of medium/long-term funds borrowed are as follows:

	2016		2015	
	Fixed Rate	**Floating Rate**	**Fixed Rate**	**Floating Rate**
2017	-	-	9,659	80,803
2018	118,013	35,331	47,830	-
2019	100,868	35,025	-	-
Total	**218,881**	**70,356**	**57,489**	**80,803**

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

NOTE 12 - DEBT SECURITIES IN ISSUE

	2016	2015
Bonds issued	151,924	142,088
	151,924	**142,088**

The Company's issued debt securities and its properties are as follows:

31 December 2016						
Type	**ISIN Code**	**Nominal Amount Issued**	**Maturity Date**	**Amount**	**Interest Rate**	**Interest Payment Term**
Bond	TRFALFK11719	67,710	17 January 2017	67,381	11.00	On maturity date
Bond	TRFALFK31717	86,120	03 March 2017	84,543	10.90	On maturity date
		153,830		**151,924**		

31 December 2015						
Type	**ISIN Code**	**Nominal Amount Issued**	**Maturity Date**	**Amount**	**Interest Rate**	**Interest Payment Term**
Bond	TRFALFK21619	65,760	24 February 2016	64,588	12.10	On maturity date
Bond	TRFALFK41617	80,000	8 April 2016	77,500	11.66	On maturity date
		145,760		**142,088**		

Coupon interest rates of the bonds and treasury bills issued by the Company in 2015 and 2016 are fixed.

			2016			**2015**	
		Original Amount	**TL Equivalent**	**Interest Rate (%)**	**Original Amount**	**TL Equivalent**	**Interest Rate (%)**
Short-term			**151,924**			**142,088**	
Fixed interest	TL	151,924	151,924	10.94	142,088	142,088	11.88
Total			**151,924**			**142,088**	

NOTE 13 - ACCOUNTS PAYABLE

	2016	2015
Payables to suppliers	31,066	6,711
Insurance policy payables	8,519	6,680
Other	102	222
Total	**39,687**	**13,613**

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

NOTE 14 - OTHER LIABILITIES

	2016	2015
Advances received	16,649	10,784
Prepayments from customers	1,791	2,891
Provision for personnel performance bonus	1,560	1,560
Other taxes payable	326	245
Provision for unused annual vacation	259	1,209
Value Added Tax ("VAT") payable	27	247
Other	144	55
Total	**20,756**	**16,991**

Advances received are related with the amounts received from customers regarding the financial leasing agreements.

NOTE 15 - TAXATION

Components of income tax expenses for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Deferred tax expense	(4,017)	(2,749)
	(4,017)	**(2,749)**

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20% (2015: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilised within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day of the following month and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities according to inflation adjustments. In accordance with the aforementioned law's provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not met for the years ended 31 December 2016 and 2015.

NOTE 15 – TAXATION (Continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

As of 31 December 2016, there is no current year tax loss, as a result there is no corporation tax expense.

As of 31 December 2015, there is no current year tax loss, as a result there is no corporation tax expense.

Exemption for investment allowance

Investment allowance applied for several years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was abolished with law no. 5479 dated 8 April 2006. However, in accordance with temporary law no. 69 added to the Income Tax Law, as of 31 December 2005 corporate and income taxpayers can offset the investment allowance amounts which they could not offset against income in 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.

b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

   Within the scope of Temporary Article 69 of the Income Tax Law (for the years of 2006, 2007 and 2008) income tax payers, and corporate taxpayers who are benefiting from investment allowance practice, had calculated their income or corporate tax base related to the aforementioned years by applying to their income for the year in which the allowance was requested the tax rate applicable as of 31 December 2005, and the tax rate of 30% stated in the Article 25 of the annulled Corporate Tax Law No. 5422, respectively.

However, it was no longer possible to benefit from the carried-forward investment allowance amount left unused as of 31 December 2008.In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

According to the decision of the Constitutional Court dated 15 October 2009, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2010. Therefore, the cancellation went into effect with the publishing of the decision of the Constitutional Court at the Official Gazette.

A new arrangement in the application of investment allowance went into effect with the Law No. 6009 Article 5 which is published in Official Gazette No. 27659 dated 1 August 2010. With this new legislation in line with the decision of the Constitutional Court, the utilisation of investment allowances deferred from the year 2005 is not limited for a time period of limitation but limited to 25% of earnings.

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

NOTE 15 – TAXATION (Continued)

According to this, the remaining 75% of the earnings is subject to corporate tax at a rate of 20% after the utilisation of investment allowance of tax payers. Depending on this the Company did not paid corporate tax in the 1st and 2nd income tax period.

At the meeting of the Constitutional Court dated 9 February 2012, it was resolved that the clause "However, the amount that will be deducted as investment allowance cannot exceed 25% of the related earning in determination of tax base." which was added to the first paragraph of temporary article 69 of the Income Tax Law through Article 5 of the Law No. 6009 is in violation of the Constitutional Law and that clause should be cancelled. The stay of execution decision by the Constitutional Court has become effective upon promulgation in the Official Gazette No. 28208 dated 18 February 2012.

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Based on the decision of the Constitutional Court mentioned above, the Company Management recognized deferred tax assets on the unused investment allowance amounting to TL 8.595 which has been calculated based on its best estimates.

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2016 and 2015 are as follows:

	Cumulative timing differences		**Deferred income tax assets**	
	2016	**2015**	**2016**	**2015**
Unused investment allowances without stoppage	42,976	70,347	8,595	14,069
Unused investment allowances with stoppage	26,204	25,237	52	50
Provision for impaired receivables	30,158	24,555	6,032	4,911
Provision for personnel unused vacation, bonus provision, and employment termination benefits	2,306	2,200	461	440
Unrecognized revenue from management fees	-	1,643	-	329
Accrued income on derivative transactions	2,432	1,463	486	293
Unbilled revenue	1,604	-	321	-
Legal provision	136	41	27	8
Income accrual on lease receivables	18	-	4	-
Other	661	539	131	108
Deferred income tax assets			**16,109**	**20,208**
Trade debtors currency difference provisions	(106)	-	(21)	-
Unrecognized expense from branch commission payments	(751)	(1,254)	(150)	(251)
Difference between carrying value and tax base of property and equipment and intangibles	(341)	(349)	(67)	(69)
Deferred income tax liabilities			**(238)**	**(320)**
Deferred tax assets, net			**15,871**	**19,888**

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

NOTE 16 - OTHER PROVISIONS

	2016	2015
Legal provisions	136	41
Total	**136**	**41**

At 31 December 2015, the Company is involved in number of legal disputes, The Company's lawyer's advice that, owing the developments in some of these cases; it is probable that the company will be found liable. Therefore, the management has recognised a provision as the best estimate of the amount to settle these potential obligations.

NOTE 17 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

	2016	2015
Reserve for employee termination benefits	487	393
	487	**393**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age . Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the financial statements, the Company reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	2016	2015
Discount rate (%)	3.76	3.18
Turnover rate to estimate the probability of retirement (%)	6.50	5.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

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

NOTE 17 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

Movement of the reserve for employment termination benefits for the year is as follows:

	2016	2015
1 January	**393**	**265**
Service cost	134	137
Interest cost	12	10
Paid during the year	(52)	(19)
31 December	**487**	**393**

NOTE 18 - SHARE CAPITAL

At 31 December 2016, the Company's authorised share capital consists of 5,000,000,000 shares with a par value of Kuruş 1 each (2015: 5,000,000,000 shares with a par value of Kuruş 1 each).

As of 31 December 2016, the Company's historical subscribed and issued share capital was TL 50,000 (historical terms) (31 December 2015: TL 50,000). The composition of shareholders and their respective percentages of ownership can be summarized as follows:

	2016		2015	
	%	Amount	%	Amount
Alternatifbank A.Ş	100	50,000	100	50,000
Other (*)	-	-	-	-
Total in historical TL	**100**	**50,000**	**100**	**50,000**
Restatement effect		(13,523)		(13,523)
		36,477		**36,477**

* Company's 700 shares with a value of 7 TL (Full TL) belong to the 4 investors.

Each shareholder has voting rights equivalent to their number of shares.

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency's authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased on 8 November 2013, 19 November 2013 and 18 December 2013, 2,727,259,500 shares amounting to 95.8% of total shares from Anadolu Endüstri Holding A.Ş, and 118,990,100 shares from other shareholders. As a result Alternatifbank A.Ş. holds 100% of shares.

The capital of the company has increased from TL 28,463 to TL 50,000 in cash and was registered on 29 December 2015.

NOTE 19 - RETAINED EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Dividends Paid and Proposed:

Final dividends are not accounted for until they have been ratified at the Annual General Meeting.

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

NOTE 20 - MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Consultancy expenses	1,347	1,130
Transportation expenses	828	786
Rent expenses	526	478
Sundry taxes	322	259
Information technology system expenses	299	218
Office expenses	286	256
Representation expenses	175	168
Communication expenses	172	189
Printing and stationary expenses	61	52
Other expenses	19	24
	4,035	**3,560**

NOTE 21 - SALARIES AND EMPLOYEE BENEFITS

	2016	2015
Wages and salaries	5,687	5,360
Bonuses	1,458	1,720
Employer's share of social security premiums	792	671
Other fringe benefits	472	401
Provision for employment termination benefits	159	147
	8,568	**8,299**

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Alternatifbank A.Ş. (the Shareholder Company) which owns 100 % of the Company's shares. The ultimate owner of the Company is The Commercial Bank (P.S.Q.C.). For the purpose of these financial statements, the Shareholder Company, and their affiliated companies are referred to as "related parties". Related parties also include individuals that are principal owners, management and members of the Company's Board of Directors and their families.

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(a) Balances with related parties (continued):

A summary of the major transactions and balances with related parties during the related periods were as follows:

	2016	2015
Due from banks		
Demand deposits		
Alternatifbank A.Ş.	177	3,259
Time deposits		
Alternatifbank A.Ş.	54,682	28,243
	54,859	**31,502**
Investmets in direct finance leases, net		
AEP Anadolu Etap Penkon G. ve Tar. Ür. San. ve Tic. A.Ş. (*)	-	21,377
Anadolu Bilişim Hizmetleri A.Ş (*)	-	2,927
	-	**24,304**
Borrowing		
United Arab Bank P.J.S.C.	106,430	58,843
Alternatifbank A.Ş.	102,716	55,299
The Commercial Bank (P.S.Q.C.)	-	127,941
	209,146	**242,083**
Sales to asset management companies		
Artı Varlık Yönetimi A.Ş. (*)	-	16,524
	-	**16,524**

The Company has made operating lease agreements as lessee for vehicles with related party Çelik Motor Ticaret A.Ş. as of 31 December 2016 and 2015, total remaining commitment is as follows:

	2016	2015
Up to one year	-	385
One year to five years	-	63
		448

(*) Anadolu Endüstri Holding A.Ş. sold their 25% of the shares in Alternatifbank A.Ş. to The Commercial Bank (P.S.Q.C.) on 19 December 2016. As a result of the sale, The Commercial Bank (P.S.Q.C.) has become 100% indirect shareholder of Alternatif Finansal Kiralama A.Ş. Therefore, Anadolu Group companies were excluded from the related party amount on 2016.

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(b) Transactions with related parties:

	2016	2015
Interest income from direct finance leases		
AEP Anadolu Etap Penkon G. ve Tar. Ür. San. ve Tic. A.Ş. (*)	-	1,228
Anadolu Bilişim Hizmetleri A.Ş (*)	-	433
	-	**1,661**
Income from asset sales		
Artı Varlık Yönetimi A.Ş. (*)	-	125
	-	**125**
Interest income on placements and transactions with banks		
Alternatifbank A.Ş.	1,097	544
	1,097	**544**
Interest expense on funds borrowed		
United Arab Bank P.J.S.C.	4,301	2,937
Alternatifbank A.Ş.	3,703	868
The Commercial Bank (P.S.Q.C.)	2,506	4,389
	10,510	**8,194**
Service expenses		
Alternatifbank A.Ş.	401	310
Anadolu Endüstri Holding A.Ş. (*)	-	637
Çelik Motor Ticaret A.Ş. (*)	-	407
Anadolu Motor Üretim ve Paz. A.Ş. (*)	-	33
Efestur Turizm İşletmeleri A.Ş. (*)	-	33
Anadolu Bilişim Hizmetleri A.Ş. (*)	-	11
Migros Ticaret A.Ş. (*)	-	11
	401	**1,442**
Commission expenses		
Alternatif Menkul Değerler A.Ş.	635	430
Alternatifbank A.Ş.	610	443
The Commercial Bank (P.S.Q.C.)	110	670
United Arab Bank P.J.S.C.	93	52
	1,448	**1,595**

(*) Anadolu Endüstri Holding A.Ş. sold their 25% of the shares in Alternatifbank A.Ş. to The Commercial Bank (P.S.Q.C.) on 19 December 2016. As a result of the sale, The Commercial Bank (P.S.Q.C.) has become 100% indirect shareholder of Alternatif Finansal Kiralama A.Ş. Therefore, Anadolu Group companies were excluded from the related party amount on 2016.

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(c) Off-balance sheet items

	2016	2015
Guarantee letters		
Alternatifbank A.Ş.	1,202	1,642
	1,202	**1,642**
Letters of credits		
Alternatifbank A.Ş.	4,786	152
	4,786	**152**

As of 31 December 2016, the Company has time deposits amounting to USD 5,099, EUR 9,880 and TL 80 at related party bank Alternatifbank A.Ş. with an average interest rate of 1.70 %, 1.20% and 8.00 % respectively (31 December 2015: USD 6,925, EUR 1,020 and TL 4,860 at related party bank - Alternatifbank A.Ş. with an average interest rate of 1.75 %, 1.50 % ve 13.34 % respectively). Also the Company has demand deposits at related party bank (Alternatifbank A.Ş) amounting to TL 177 (31 December 2015: USD 13 and EUR 25 and TL 3,114).

The Company has made operating lease agreements as lessee for vehicles with related party Çelik Motor Ticaret A.Ş. as of 31 December 2016, total remaining commitment's amounting is nill (2015: TL 448).

(d) Key Management's Remuneration:

As of 31 December 2016, the executive members and key management personnel of the Company's management received and accrued salaries and bonuses total amounting to TL 2,605 (2015: TL2,274).

NOTE 23 - OTHER INCOME / (EXPENSES), NET

	2016	2015
Commission income, net	2,660	1,992
Bank charges and commissions	(2,207)	(1,858)
Sundry expenses	(337)	(267)
Legal provision	(94)	-
Other	672	(247)
	694	**(380)**

Sundry agreement expenses consists of tax, legal, expertise, translation and other expenses which have been reimbursed by clients.

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

NOTE 24 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2016 and 2015.

TL 433 and TL 407 of rent expenses were reflected as of 31 December 2016 and 2015 respectively in the income statements due to the operating lease agreement for vehicles.

Future minimum lease payments under operating lease agreements are as follows:

	2016	**2015**
Next 1 year	363	385
1 year through 5 years	422	63
Total	**785**	**448**

Other commitments:

At 31 December 2016, the Company obtained letters of credits and guarantee letters amounting to TL 36,545 (2015: TL 34,644) and submitted to various public authorities.

NOTE 25 – SUBSEQUENT EVENTS

None.