

# **Yapı Kredi Finansal Kiralama A.O.**

**Consolidated financial statements as of December 31, 2015  
together with independent auditors' report**  
(Convenience Translation into English of consolidated financial statements as of  
December 31, 2015 and Independent Auditors' Report Originally Issued in Turkish,  
See Note 2.1.1)

## **Convenience translation into English of independent auditor's report originally prepared and issued in Turkish**

### **Independent auditors' report**

To the Board of Directors of Yapı Kredi Finansal Kiralama A.O.:

We have audited the consolidated balance sheet of Yapı Kredi Finansal Kiralama A.O. ("the Company") as at December 31, 2015 and the consolidated income statement, the consolidated statement of income and expense items accounted under equity, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the consolidated financial statements*

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud in accordance with the Communiqué on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communiqué and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements made by the Banking Regulation and Supervision Authority and in accordance with "BRSA Accounting and Financial Reporting Legislation" including provisions of Turkish Accounting Standards except for the matters regulated by the aforementioned regulations.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yapı Kredi Finansal Kiralama A.O. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Financial Reporting Legislation.

### *Other matter*

On July 12, 2014, the Company has acquired 19,93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. In the accompanying consolidated financial statements, the Company's investment in its associate is accounted for using the equity method. Accordingly, comparative information of 2014 on the financial statement is presented by applying the same accounting method. The audited unconsolidated financial statements and the audit report dated January 29, 2016 is presented separately.

### *Reports on independent auditor's responsibilities arising from other regulatory requirements*

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2015 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

### *Additional paragraph for convenience translation into English of financial statements as of December 31, 2015 and independent auditors' report originally issued in Turkish*

As explained in detail in Note 2.1.1 to the financial statements, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Yaşar Bivas, SMMM  
Partner

January 29, 2016  
Istanbul, Turkey

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015**

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**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2015**

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

ASSETS	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES AND CENTRAL BANKS</b>		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	<b>3</b>	<b>424</b>	-	<b>424</b>	<b>613</b>	-	<b>613</b>
2.1 Trading Financial Assets		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.3 Trading Derivative Financial Assets		424	-	424	613	-	613
<b>III. BANKS</b>	<b>4</b>	<b>4.955</b>	<b>13.545</b>	<b>18.500</b>	<b>4.938</b>	<b>12.538</b>	<b>17.476</b>
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>5</b>	<b>122</b>	-	<b>122</b>	<b>122</b>	-	<b>122</b>
<b>VI. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
6.1 Discounted Factoring Receivables		-	-	-	-	-	-
6.1.1 Domestic		-	-	-	-	-	-
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		-	-	-	-	-	-
6.2 Other Factoring Receivables		-	-	-	-	-	-
6.2.1 Domestic		-	-	-	-	-	-
6.2.2 Foreign		-	-	-	-	-	-
<b>VII. FINANCE LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Commercial Installment Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>	<b>10</b>	<b>1.634.838</b>	<b>5.632.104</b>	<b>7.266.942</b>	<b>1.336.458</b>	<b>3.834.430</b>	<b>5.170.888</b>
8.1 Receivables from Leasing Transactions		1.583.954	5.240.885	6.824.839	1.280.048	3.670.997	4.951.045
8.1.1 Financial Lease Receivables		2.006.374	6.093.713	8.100.087	1.613.352	4.302.738	5.916.090
8.1.2 Operating Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		422.420	852.828	1.275.248	333.304	631.741	965.045
8.2 Assets to Be Leased		43.784	201.007	244.791	35.281	41.889	77.170
8.3 Advances Given for Leasing Transactions		7.100	190.212	197.312	21.129	121.544	142.673
<b>IX. OTHER RECEIVABLES</b>		-	-	-	-	-	-
<b>X. DOUBTFUL RECEIVABLES</b>	<b>10</b>	<b>30.807</b>	<b>6.614</b>	<b>37.421</b>	<b>47.205</b>	<b>7.019</b>	<b>54.224</b>
10.1 Doubtful Factoring Receivables		-	-	-	-	-	-
10.2 Doubtful Finance Loans		-	-	-	-	-	-
10.3 Doubtful Lease Receivables		246.029	33.492	279.521	236.915	27.507	264.422
10.4 Specific Provisions (-)		215.222	26.878	242.100	189.710	20.488	210.198
<b>XI. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. HELD-TO-MATURITY SECURITIES (Net)</b>		-	-	-	-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>13</b>	<b>207.545</b>	-	<b>207.545</b>	<b>196.901</b>	-	<b>196.901</b>
<b>XV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>	<b>11</b>	<b>607</b>	-	<b>607</b>	<b>686</b>	-	<b>686</b>
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>12</b>	<b>3.450</b>	-	<b>3.450</b>	<b>3.390</b>	-	<b>3.390</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		3.450	-	3.450	3.390	-	3.390
<b>XVIII. PREPAID EXPENSES</b>	<b>14</b>	<b>50.986</b>	-	<b>50.986</b>	<b>33.179</b>	-	<b>33.179</b>
<b>XIX. TAX ASSETS</b>		-	-	-	-	-	-
<b>XX. DEFERRED TAX ASSET</b>	<b>22</b>	<b>49.916</b>	-	<b>49.916</b>	<b>38.210</b>	-	<b>38.210</b>
<b>XXI. OTHER ASSETS</b>		<b>523</b>	-	<b>523</b>	<b>10.238</b>	<b>304</b>	<b>10.542</b>
<b>XXII. SUB TOTAL</b>		<b>1.984.173</b>	<b>5.652.263</b>	<b>7.636.436</b>	<b>1.671.940</b>	<b>3.854.291</b>	<b>5.526.231</b>
<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>2.149</b>	-	<b>2.149</b>	<b>4.166</b>	-	<b>4.166</b>
22.1 Held for sale		2.149	-	2.149	4.166	-	4.166
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		<b>1.986.322</b>	<b>5.652.263</b>	<b>7.638.585</b>	<b>1.676.106</b>	<b>3.854.291</b>	<b>5.530.397</b>

The accompanying notes form an integral part of these financial statements.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2015**

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

LIABILITIES	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. TRADING DERIVATIVE FINANCIAL LIABILITIES	6	23	-	23	23	-	23
II. BORROWINGS	7	28.029	4.961.377	4.989.406	208.471	3.489.278	3.697.749
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASE PAYABLES		-	-	-	-	-	-
4.1 Financial Lease Payables		-	-	-	-	-	-
4.2 Operating Lease Payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)	8	494.384	-	494.384	173.550	-	173.550
5.1 Bills		317.593	-	317.593	173.550	-	173.550
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		176.791	-	176.791	-	-	-
VI. OTHER PAYABLES	9	39.494	472.136	511.630	55.905	139.662	195.567
VII. OTHER LIABILITIES	19	30.628	40.997	71.625	31.682	37.212	68.894
VIII. HEDGING DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
8.1 Fair Value Hedge		-	-	-	-	-	-
8.2 Cash Flow Hedge		-	-	-	-	-	-
8.3 Foreign Net Investment Hedge		-	-	-	-	-	-
IX. TAX AND LIABILITIES PAYABLES	22	6.822	-	6.822	682	-	682
X. PROVISIONS		59.263	789	60.052	48.112	1.098	49.210
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves for Employee Rights	17	2.145	-	2.145	2.010	-	2.010
10.3 Other Provisions	15	57.118	789	57.907	46.102	1.098	47.200
XI. DEFERRED RECEIVABLES		-	-	-	-	-	-
XII. TAX LIABILITY	22	7.793	-	7.793	44.170	-	44.170
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUB TOTAL		666.436	5.475.299	6.141.735	562.595	3.667.250	4.229.845
XV. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Held for Sale Purpose		-	-	-	-	-	-
15.2 Related to Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		1.496.850	-	1.496.850	1.300.552	-	1.300.552
16.1 Paid-in Capital	18	389.928	-	389.928	389.928	-	389.928
16.2 Capital Reserves		(34.598)	-	(34.598)	(34.598)	-	(34.598)
16.2.1 Share Premium		2	-	2	2	-	2
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves	18	(34.600)	-	(34.600)	(34.600)	-	(34.600)
16.3 Other comprehensive income or expense that will not be reclassified subsequently to profit or loss		39	-	39	39	-	39
16.4 Other comprehensive income or expense that will be reclassified subsequently to profit or loss		-	-	-	-	-	-
16.5 Profit Reserves		846.899	-	846.899	697.248	-	697.248
16.5.1 Legal Reserves		78.228	-	78.228	78.228	-	78.228
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		768.671	-	768.671	619.020	-	619.020
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Income or (Loss)		294.582	-	294.582	247.935	-	247.935
16.6.1 Prior Years' Income or (Loss)		98.284	-	98.284	94.883	-	94.883
16.6.2 Current Period Income or (Loss)		196.298	-	196.298	153.052	-	153.052
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2.163.286</b>	<b>5.475.299</b>	<b>7.638.585</b>	<b>1.863.147</b>	<b>3.667.250</b>	<b>5.530.397</b>

The accompanying notes form an integral part of these financial statements.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2015**

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

Off-balance sheet items	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
<b>I RECURSE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>II NON-RECURSE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>III GUARANTEES RECEIVED</b>	10	988.778	831.853	1.820.631	907.862	636.526	1.544.388
<b>IV GUARANTEES GIVEN</b>	16	52.473	-	52.473	21.193	998	22.191
<b>V COMMITMENTS</b>		-	-	-	-	-	-
5.1 Irrevocable Commitments		-	-	-	-	-	-
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operating Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>VI DERIVATIVE FINANCIAL INSTRUMENTS</b>	16	164.619	373.135	537.754	159.318	267.766	427.084
6.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
6.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
6.2 Trading Transactions		164.619	373.135	537.754	159.318	267.766	427.084
6.2.1 Forward Buy/Sell Transactions		-	-	-	-	-	-
6.2.2 Swap Buy/Sell Transactions		164.619	373.135	537.754	159.318	267.766	427.084
6.2.3 Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4 Futures Buy/Sell Transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
<b>VII ITEMS HELD IN CUSTODY</b>		3.624.218	8.009.130	11.633.348	2.903.682	6.081.167	8.984.849
<b>TOTAL OFF BALANCE SHEET COMMITMENTS</b>		4.830.088	9.214.118	14.044.206	3.992.055	6.986.457	10.978.512

The accompanying notes form an integral part of these financial statements.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 –  
DECEMBER 31, 2015**

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

INCOME AND EXPENSE ITEMS	Notes	Audited	
		1 January - 31 December 2015	1 January - 31 December 2014
<b>I. OPERATING INCOME</b>		438.643	346.446
<b>FACTORING INCOME</b>		-	-
1.1 Interest Received from Factoring Receivables		-	-
1.1.1 Discounted		-	-
1.1.2 Other		-	-
1.2 Fees and Commissions Received from Factoring Receivables		-	-
1.2.1 Discounted		-	-
1.2.2 Other		-	-
<b>FINANCE LOAN INCOME</b>		-	-
1.3 Interest Received from Finance Loans		-	-
1.4 Fees and Commissions Received from Finance Loans		-	-
<b>LEASE INCOME</b>		438.643	346.446
1.5 Financial Lease Income		438.643	334.301
1.6 Operating Lease Income		-	12.145
1.7 Fees and Commissions Received from Lease Transactions		-	-
<b>II. FINANCIAL EXPENSES (-)</b>		(174.157)	(114.605)
2.1 Interest on Funds Borrowed		(138.818)	(107.505)
2.2 Interest on Factoring Payables		-	-
2.3 Financial Lease Expenses		-	-
2.4 Interest on Securities Issued		(33.807)	(5.140)
2.5 Other Interest Expenses		-	-
2.6 Fees and Commissions Given		(1.532)	(1.960)
<b>III. GROSS PROFIT/LOSS (I-II)</b>		264.486	231.841
<b>IV. OPERATING EXPENSES (-)</b>	20	(35.808)	(44.506)
4.1 Personnel Expenses		(21.960)	(20.313)
4.2 Provision Expenses for Employment Termination Benefits		(71)	(159)
4.3 Research and Development Expenses		-	-
4.4 General Administration Expenses		(12.098)	(23.017)
4.5 Other		(1.679)	(1.017)
<b>V. OPERATING GROSS PROFIT/LOSS (III+IV)</b>		228.678	187.335
<b>VI. OTHER OPERATING INCOME</b>		135.214	90.158
6.1 Interest Received from Banks		1.991	291
6.2 Interest Received from Reverse Repurchase Agreements		-	-
6.3 Interest Received from Marketable Securities Portfolio		-	-
6.3.1 Trading Financial Assets		-	-
6.3.2 Financial Assets at Fair Value through Profit or (Loss)		-	-
6.3.3 Available-for-sale Financial Assets		-	-
6.3.4 Held to Maturity Investments		-	-
6.4 Dividend Income		7	11
6.5 Trading Gains on Securities		55.827	45.071
6.5.1 From Derivative Financial Transactions		55.827	45.071
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		12.166	2.324
6.7 Other		65.223	42.461
<b>VII. SPECIFIC PROVISIONS FOR FOLLOW-UP RECEIVABLES (-)</b>	21	(68.972)	(61.981)
<b>VIII. OTHER OPERATING EXPENSES (-)</b>	10	(56.574)	(28.240)
8.1 Impairment of Marketable Securities		-	-
8.1.1 Impairment of Financial Assets at Fair Value through Profit or (Loss)		-	-
8.1.2 Impairment of Available-for-sale Financial Assets		-	-
8.1.3 Impairment of Held to Maturity Investments		-	-
8.2 Impairment of Fixed Assets		-	-
8.2.1 Impairment of Property and Equipment		-	-
8.2.2 Impairment of Non-current Assets Held for Resale and Discontinued Operations		-	-
8.2.3 Impairment of Goodwill		-	-
8.2.4 Impairment of Other Intangible Non-current Assets		-	-
8.2.5 Loss from impairment of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
8.3 Loss from Derivative Financial Transaction		(52.710)	(25.833)
8.4 Foreign Exchange Loss		-	-
8.5 Other	21	(3.864)	(2.407)
<b>IX. NET OPERATING INCOME/EXPENSE (V+...+VIII)</b>		238.346	187.272
<b>X. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XI. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XII. PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)</b>		238.346	187.272
<b>XIII. TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)</b>	22	(42.048)	(34.220)
13.1 Current Tax Provision		(53.754)	(45.013)
13.2 Deferred Tax Expense Effect (+)		-	-
13.3 Deferred Tax Income Effect (-)		11.706	10.793
<b>XIV. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XII+XIII)</b>		196.298	153.052
<b>XV. INCOME FROM DISCONTINUING OPERATIONS (-)</b>		-	-
15.1 Income from Assets Held for Resale		-	-
15.2 Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
15.3 Other Income		-	-
<b>XVI. EXPENSES FROM DISCONTINUING OPERATIONS (-)</b>		-	-
16.1 Expenses from Assets Held for Resale		-	-
16.2 Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
16.3 Other Expenses		-	-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XV-XVI)</b>		-	-
<b>XVIII. TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)</b>		-	-
18.1 Current Tax Provision		-	-
18.2 Deferred Tax Expense Effect (+)		-	-
18.3 Deferred Tax Income Effect (-)		-	-
<b>XIX. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVII+XVIII)</b>		-	-
<b>XX. NET PROFIT/LOSSES (XIV+XIX)</b>		196.298	153.052
Earnings/Losses per Share (full TL)	23	0,5034	0,3925

The accompanying notes form an integral part of these financial statements.



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED  
UNDER EQUITY FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2015**

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

	Notes	Audited	Audited
		31 December 2015	31 December 2014
<b>I. PERIOD INCOME/LOSS</b>		<b>196.298</b>	<b>153.052</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>		-	-
2.1 ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.1.1 Gains/(losses) on revaluation of tangible assets		-	-
2.1.2 Gains/(losses) on revaluation of intangible assets		-	-
2.1.3 Gains/(losses) on remeasurement of defined benefit pension plans		-	-
2.1.4 Other items that will not be reclassified to profit or loss		-	-
2.1.5 Taxation on comprehensive income that will not be reclassified to profit or loss		-	-
2.1.5.1 Tax income/expense		-	-
2.1.5.2 Deferred tax income/expense		-	-
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		-	-
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Income/expenses on revaluation or reclassification of available for sale financial assets		-	-
2.2.3 Gains/(losses) from cash flow hedges		-	-
2.2.4 Gains/(losses) from net investment hedges		-	-
2.2.5 Other items that will be reclassified to profit or loss		-	-
2.2.6 Taxation on comprehensive income that will be reclassified to profit or loss		-	-
2.2.6.1 Tax income/expense		-	-
2.2.6.2 Deferred tax income/expense		-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>		<b>196.298</b>	<b>153.052</b>

The accompanying notes form an integral part of these financial statements.



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2015**

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		397.143	260.624
1.1.1 Interests Received/ Leasing Income		406.464	334.025
1.1.2 Interests Paid / Leasing Expenses		-	-
1.1.3 Leasing Expenses		-	-
1.1.4 Dividend Received		17.144	15.952
1.1.5 Fees and Commissions Received		2.751	4.513
1.1.6 Other Income		20.569	31.964
1.1.7 Collections from Previously Written-off Doubtful Receivables	10	27.885	16.364
1.1.8 Payments to Personnel and Service Suppliers		(22.216)	(19.357)
1.1.9 Taxes Paid		91.205	842
1.1.10 Other		(146.659)	(123.679)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(694.940)</b>	<b>(436.516)</b>
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.1 Net (Increase)/Decrease in Finance Loans		-	-
1.2.1 Net (Increase)/Decrease in Lease Receivables	10	(2.114.053)	(945.510)
1.2.2 Net (Increase)/Decrease in Other Assets		(7.788)	(12.331)
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		-	-
1.2.4 Net Increase/(Decrease) in Funds Borrowed		1.284.357	582.540
1.2.5 Net Increase/(Decrease) in Due Payables		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		142.544	(61.215)
<b>I. Net Cash Used in Operating Activities</b>		<b>(297.797)</b>	<b>(175.892)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment	11	(210)	(585)
2.4 Disposals of Property and Equipment	12	(1.776)	16.689
2.5 Purchase of Investments Available-for-sale		-	-
2.6 Sale of Investments Available-for-sale		-	-
2.7 Purchase of Investment Securities Held to Maturity		-	-
2.8 Sale of Investment Securities Held to Maturity		-	-
2.9 Other		2.017	2.736
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>31</b>	<b>18.840</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		314.503	173.550
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(25.492)	(3.156)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>III. Net Cash (Used in)/Provided from Financing Activities</b>		<b>289.011</b>	<b>170.394</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>9.779</b>	<b>(261)</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1.024</b>	<b>13.081</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>4</b>	<b>17.475</b>	<b>4.394</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>4</b>	<b>18.499</b>	<b>17.475</b>

The accompanying notes form an integral part of these financial statements.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**PROFIT DISTRIBUTION TABLE  
FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2015**

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

		THOUSAND TURKISH LIRA	
		Current Period (31/12/2015) (*)	Prior Period (31/12/2014)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT PERIOD PROFIT(**)</b>		
1.1	CURRENT PERIOD PROFIT	227.702	183.871
1.2	TAXES AND DUES PAYABLE (-)	(42.048)	(34.220)
1.2.1	Corporate Tax (Income Tax)	(53.754)	(45.013)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (***)	11.706	10.793
<b>A.</b>	<b>NET PERIOD PROFIT (1.1-1.2)</b>	<b>185.654</b>	<b>149.651</b>
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	-
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
<b>B</b>	<b>DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]</b>	<b>185.654</b>	<b>149.651</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	149.651
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	-	-
3.1	TO OWNERS OF STOCKS (TL)	0,4761	0,3838
3.2	TO OWNERS OF STOCKS ( % )	47,61%	38,38%
3.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS ( % )	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
4.1	TO OWNERS OF STOCKS (TL)	-	-
4.2	TO OWNERS OF STOCKS ( % )	-	-
4.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS ( % )	-	-

(\*) Since the profit distribution decision has not yet been approved by the Board of Directors, the profit has only been disclosed as distributable profit for the year 2015.

(\*\*) The profit distribution table has been prepared from unconsolidated financial statements of the Company.

(\*\*\*) Per the Banking Regulation and Supervision Agency, 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. As of December 31, 2015 the Company has deferred tax income amounting TL 11.706 associated with the deferred tax asset (December 31, 2014: 10.793).

The accompanying notes form an integral part of these financial statements.

## **YAPI KREDİ FINANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015**

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

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#### **1 - ORGANISATION AND PRINCIPAL ACTIVITIES**

Yapı Kredi Finansal Kiralama A.O. (“the Company”) was established in February 19, 1987, pursuant to the license obtained from the Undersecretariat of Treasury for the purpose of financial leasing and operating lease as permitted by law number 6361 issued at December 13, 2012.

Yapı ve Kredi Bankası A.Ş. (YKB) is the ultimate shareholder of the Company. 18,20% of the share certificates of YKB is publicly traded as of December 31, 2015 and December 31, 2014. The remaining 81,80% of the share certificates are owned by Koç Finansal Hizmetler A.Ş. which is under the common control of UniCredit and Koç Group.

As of December 31, 2015, the Company have 138 employees (31 December 2014: 138). The Company operates predominantly in one geographical region, Turkey, and in one industry segment, financial leasing.

The address of the registered office is Büyükdere Caddesi Yapı Kredi Plaza A Blok Levent-Beşiktaş-İstanbul/Türkiye.

The Board of Directors has approved the publication of consolidated financial statements of the Company on January 29, 2016.

#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1 BASIS OF PRESENTATION**

###### **2.1.1 Accounting standards**

The Company maintains its books of account and prepares its consolidated financial statements in thousands of Turkish Lira (“TL”) in accordance with the communiqué “Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies”(“Financial Statement’s Communiqué”) issued by the Banking Regulation and Supervision Agency (“BRSA”) in the Official Gazette dated 24 December 2014, numbered 28861; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and their additions and comments issued by the Public Oversight Accounting and Auditing Standards’ Authority (“POA”). Leasing, factoring and consumer finance companies have to prepare and present their financial statements based on the format determined for such companies by the BRSA.

The consolidated financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair market value. The Company’s investment in its associate is accounted for using the equity method.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Additional paragraph for convenience translation into English

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### 2.1.2 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 offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

##### 2.1.3 Going concern

The Company prepared its financial statements considering the going concern principal.

##### 2.1.4 Currency used

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. Financial position and the results of operations of the Company have been presented in Turkish Lira ("TL") the current currency of the Company.

##### 2.1.5 Consolidation Principles

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in its associate is accounted for using the equity method.

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in the statement of other comprehensive income of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the income statement.

#### **2.2. CHANGES IN ACCOUNTING POLICIES**

##### **2.2.1 Changes in accounting policies**

Changes in accounting policies regarding the first time application of a new TAS/TFRS is applied based on the first time application requirements of the relevant TAS/TFRS, if any, otherwise changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

##### **2.2.2 Change in accounting estimates and errors**

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods.

##### **2.2.3 Amendments in standards and interpretations**

###### **New and amended standards and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

##### **TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have a significant impact on the consolidated financial statements of the Company.

##### **Annual Improvements to TAS/TFRSs**

In September 2014, POA issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle”.

##### **Annual Improvements - 2010–2012 Cycle**

###### *TFRS 2 Share-based Payment:*

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

###### *TFRS 3 Business Combinations*

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

###### *TFRS 8 Operating Segments*

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.



## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### *TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

##### *TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

##### **Annual Improvements – 2011–2013 Cycle**

##### *TFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

##### *TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

##### *TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Company.

#### ii) Standards issued but not yet effective and not early adopted

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

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. 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. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

##### **TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

##### **TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)**

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

##### **TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants**

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)**

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

##### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

##### **TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **TAS 1: Disclosure Initiative (Amendments to TAS 1)**

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

##### **Annual Improvements to TFRSs - 2012-2014 Cycle**

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Annual Improvements – 2010–2012 Cycle

###### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

###### **IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

###### **IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are summarized below:

##### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months and that are not subject to significant change in value (Note 4).

##### Related parties

For the purposes of these financial statements, shareholders who has the controlling power, key management personnel and Board of Directors, in each case together with companies controlled by/or affiliated with them or with their close family members, associated companies and other companies within the UniCredit ("UCP") and Koç Holding A.Ş. group companies are considered and referred to as related parties (Note 24).

A related party is a person or entity (reporting entity) that is related to the entity that is preparing its financial statements

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

#### Financial Leases

- (i) *As lessor*  
Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Interest income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The income which is not accrued yet is booked as unearned finance income. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.
- (ii) *As lessee*  
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the estimated useful life of the asset.

#### Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with the Regulation of Financial Statements. According to the Regulation, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

In accordance with the related Regulation, the Company also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué about Preparation and Presentation of Financial Statements published in the Official Gazette dated 16 May 2005, numbered 25702.

In the Regulation of Financial Statements, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not over due or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Company sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

#### **Investment securities**

Investment securities are classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale securities are initially recognised at their acquisition cost plus transaction costs which in total is considered as the fair value of these securities as of the acquisition date. Available-for-sale investments are subsequently re-measured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in shareholders' equity, unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. When the securities are disposed of, the related accumulated fair value adjustments are transferred to the income statement. The unlisted equity securities are valued at their cost (Note 5) minus impairments.

#### **Assets held for sale**

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value". As of December 31, 2015 and December 31, 2014 assets held for sale are stated at their book values.



## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Interest income and expense

Interest income and expenses are recognised in the income statement using effective interest method on an accrual basis.

##### Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for 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. Such balances are translated at period-end exchange rates.

##### Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power at 31 December 2004, less depreciation. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method over its estimated useful life as follows:

Furniture and fixtures	5-10 years
Machinery, equipment and installations	6 years
Leasehold improvements	shorter of rental period or useful life

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on the disposal of premises and equipment are determined in reference to their carrying amounts and are taken into account in determining operating profit.

##### Intangible assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases. Intangible assets are amortised on a straight-line basis over 3-5 years.

##### Subsidiaries

The associate has significant effect on the Company. Significant effect is the participation power to investment in associate's financial and operational policy decisions; however it is not a control or joint control over these policies.

The Company's investment in its associate is accounted for using the equity method.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### **Employment termination benefits**

Obligations related to employee termination and vacation rights are accounted for in accordance with "International Accounting Standard for Employee Rights" ("TAS 19") and are classified under "provision for employee benefits" account in the balance sheet.

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees calculated in accordance with the this Law (Note 17). The actuarial gain and losses occurred after 1 January 2013 have been recognized under equity in accordance with revised TAS 19 standard.

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

##### **Taxation on income**

###### *Corporate income tax*

Corporate income tax is calculated according to the Tax Procedural Law, and tax expenses except corporate income tax are recognised in operating expenses.

Current tax assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

###### *Deferred tax*

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related declarations of the BRSA concerning this standard. In the deferred tax calculation, in accordance with the tax legislation, the tax rate enacted as of the balance sheet date is used.

The main temporary differences comprise of unused investment allowances, the differences between the tax value and carrying value of lease receivables, valuation differences of derivative instruments and property and equipment, and provision for impairment of receivables (Note 22).

Deferred tax assets or deferred tax liabilities are recognized at the estimated amount that they will increase or decrease future tax payable in the periods where temporary differences will disappear. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised (Note 22).

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. 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, when devaluation is being crucial. The increase in the provision due to passage of time is recognised as interest expense.

##### **Contingent liabilities and assets**

Contingent liabilities which do not have high possibility of outflow of resources are not recognised in financial statements but disclosed in notes. Contingent assets which have high possibility of economic inflow are disclosed in notes and not recognized in financial statements.

##### **Share capital and dividends**

Ordinary shares are classified as capital. Dividends on ordinary shares are recognised in the period in which they are declared.

##### **Finance lease income (Sales income)**

Initial value of the assets which are subject to leasing transaction is recognised as leasing receivables in the balance sheet. The excess of aggregate contract lease rentals, over the original cost of 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.

##### **Recognition of income and expense**

Income and expenses are recognised on an accrual basis.

##### **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently re-measured at their fair value. The Company's derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting and are therefore classified as Trading Derivative Assets/Liabilities in the financial statements. The fair value gains and losses from these derivative transactions are recognised in income statement as other operating income/expense.

Fair values of forward foreign exchange contracts are determined based on the discounted cash flows.

## **YAPI KREDİ FİNANSAL KİRALAMA A.O.**

### **EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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#### **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities are borrowings and are initially recognised at their fair values less transaction costs that are directly attributable to the issue of the financial liability. Other financial liabilities are subsequently measured at amortized cost using the effective interest method and the interest expense recognized on an effective yield basis.

Trading derivative financial liabilities are derivative instruments which are not subject to hedge accounting under TAS 39.

##### **Earnings per share**

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation fund. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period. (Note 23).

##### **Subsequent events**

Certain subsequent events (events which require adjustments) that provides with additional information regarding the position of Company as at balance sheet date are recognised in the financial statements. Events that do not require adjustment are presented at the notes to these financial statements, if they have a certain level of importance.

#### **2.4 SIGNIFICANT ACCOUNTING EVALUATIONS, ESTIMATES AND ASSUMPTIONS**

Preparation of the financial statements requires estimates and judgments about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

These estimates are being reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement in the period in which the correction is made and in the following periods those are affected by these corrections.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Significant estimates and judgments made during the preparation of these financial statements are as follows:

- a) Impairment of available for sale assets (Note 5)
- b) Specific and general loan loss provisions recognized for the leasing receivables (Note 10, 15)
- c) Provisions with respect to the legal cases (Note 15)
- d) Deferred tax asset (Note 22)
- e) Employment termination benefits (Note 17)

#### 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015	31 December 2014
Trading derivative financial assets	424	613
<b>Derivative financial instruments fair value differences</b>	<b>424</b>	<b>613</b>

#### 4 - BANKS

	31 December 2015	31 December 2014
Due from banks		
- demand deposits	7.961	7.814
- time deposits	10.539	9.662
	<b>18.500</b>	<b>17.476</b>

For the purposes of cash flow statements, cash and cash equivalents comprise:

	31 December 2015	31 December 2014
Due from banks	18.500	17.476
Accrued interest	(1)	(1)
	<b>18.499</b>	<b>17.475</b>

As of 31 December 2015, the Company has no blocked deposits (31 December 2014 - None).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**4 - BANKS (Continued)**

Demand deposits:

	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>Amount</b>	<b>Amount</b>
	<b>(TL equivalent)</b>	<b>(TL equivalent)</b>
EUR	3.840	3.752
USD	2.770	1.713
TL	1.255	2.231
CHF	91	43
GBP	5	10
JPY	-	65
<b>Total</b>	<b>7.961</b>	<b>7.814</b>

Time deposits:

<b>31 December 2015</b>				<b>31 December 2014</b>			
		<b>Amount</b>	<b>Per-annum</b>			<b>Amount</b>	<b>Per-annum</b>
	<b>Maturity</b>	<b>(TL</b>	<b>rate</b>	<b>Maturity</b>	<b>(TL</b>	<b>rate</b>	<b>rate</b>
		<b>Equivalent)</b>	<b>(%)</b>		<b>Equivalent)</b>	<b>(%)</b>	<b>(%)</b>
EUR	January 4, 2016	5.879	3%	-	-	-	-
TL	January 4, 2016	3.700	9,5%	January 2, 2015	2.705	9,5%-10,62%	-
USD	January 4, 2016	960	3%	January 2, 2015	6.957	5%	-
<b>Total</b>		<b>10.539</b>			<b>9.662</b>		

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**5 - FINANCIAL ASSETS AVAILABLE FOR SALE (NET)**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Available-for-sale financial assets (carried at cost)	122	122

Available-for-sale financial assets at 31 December 2015 and 2014 are as follows:

<b>Company</b>	<b>31 December 2015</b>		<b>31 December 2014</b>	
	<b>Amount</b>	<b>Share (%)</b>	<b>Amount</b>	<b>Share (%)</b>
Yapı Kredi Bank Moscow	1.928	<1	1.928	<1
Yapı Kredi Bank Azerbaycan Closed Joint Stock Company	91	<1	91	<1
Yapı Kredi Yatırım Menkul Değerler A.Ş.	14	<1	14	<1
Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş.	10	4,9	10	4,9
Yapı Kredi Faktoring A.Ş.	7	<1	7	<1
	<b>2.050</b>		<b>2.050</b>	
Less: Provision for impairment (-)	(1.928)		(1.928)	
	<b>122</b>		<b>122</b>	

**6 - TRADING DERIVATIVE FINANCIAL LIABILITIES**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Derivative financial instruments fair value differences	23	23
	23	23

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**7 - BORROWINGS**

	31 December 2015			31 December 2014		
	Effective interest rate (%)	Original currency	TL	Effective interest rate (%)	Original currency	TL
<b>Domestic banks:</b>						
Fixed rate borrowings:						
- EUR	2,2%	112.055	356.065	-	-	-
- USD	2,8%	101.067	293.862	3,2%	209.206	485.126
- TL	13,5%	8.006	8.006	11,4%	179.340	179.340
Floating rate borrowings:						
- EUR	2,3%	49.864	158.447	2,7%	4.023	11.347
- USD	3,2%	9.017	26.217	2,9%	30.203	70.038
			842.597			745.851
<b>Foreign banks:</b>						
Fixed rate borrowings:						
-EUR	2,8%	157.837	501.543	2,4%	286.375	807.777
-USD	3,1%	78.198	227.368	2,9%	118.314	274.358
-TL	14,0%	20.023	20.023	10,9%	29.131	29.131
-CHF	1,2%	5.328	15.598	1,2%	6.316	14.778
Floating rate borrowings:						
-EUR	2,3%	768.386	2.441.623	2,3%	458.242	1.292.562
-USD	3,0%	298.263	867.229	3,0%	200.502	464.945
-CHF	0,7%	25.079	73.425	0,7%	29.212	68.347
			4.146.809			2.951.898
<b>Total borrowings</b>			<b>4.989.406</b>			<b>3.697.749</b>



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**7 – BORROWINGS (Continued)**

	31 December 2015	31 December 2014
Short term borrowings	28.029	208.471
Short term portion of long term borrowings	2.114.982	1.717.820
<b>Total short term financial liabilities</b>	<b>2.143.011</b>	<b>1.926.291</b>
Long term borrowings	2.846.395	1.771.458
<b>Total long term financial liabilities</b>	<b>2.846.395</b>	<b>1.771.458</b>
<b>Total financial liabilities</b>	<b>4.989.406</b>	<b>3.697.749</b>

Maturities of the financial liabilities are as follows:

	31 December 2015	31 December 2014
To be paid in 1 year	2.143.011	1.926.291
To be paid in 1-2 years	2.183.929	1.024.869
To be paid in 3 years	234.093	353.348
To be paid in 4 years	167.594	154.513
To be paid in 5 years	149.615	110.948
To be paid in 6 years	67.370	95.889
To be paid in 7 years	23.494	25.705
To be paid after 7 years	20.300	6.186
	<b>4.989.406</b>	<b>3.697.749</b>

**8. SECURITIES ISSUED**

	31 December 2015	31 December 2014
Securities issued	494.384	173.550
	<b>494.384</b>	<b>173.550</b>

Securities	Nominal Amount	Currency	Date of Issue	Maturity Date	Simple Interest	Compound Interest	Interest
Bill	128.400	TL	December 11, 2015	June 7, 2016	11,54%	11,88%	Fixed
Bill	125.000	TL	November 10, 2015	April 29, 2016	11,23%	11,57%	Fixed
Bond	120.000	TL	August 8, 2014	August 5, 2016	11,23%	11,70%	Floating
Bill	75.000	TL	July 23, 2015	January 18, 2016	10,59%	10,88%	Fixed
Bond	39.500	TL	December 11, 2015	December 8, 2017	12,03%	12,59%	Floating
Bond	15.000	TL	November 10, 2015	November 7, 2017	11,27%	11,75%	Floating

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**9 - OTHER PAYABLES**

Other payables are mainly related with the purchase of fixed assets from domestic and foreign suppliers regarding the financial lease agreements and insurance payables with respect to the assets subject to financial leasing.

As of December 31, 2015 maturity of trade payables amounting to TL 511.630 is shorter than 1 year. (December 31, 2014: TL 195.567)

**10 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES**

	31 December 2015	31 December 2014
Lease receivables	8.063.505	5.892.291
Invoiced lease receivables	36.582	23.799
<b>Gross lease receivables</b>	<b>8.100.087</b>	<b>5.916.090</b>
Unearned interest income	(1.275.248)	(965.045)
<b>Lease receivables</b>	<b>6.824.839</b>	<b>4.951.045</b>
Overdue lease receivables	279.521	264.422
Provision for impaired lease receivables - Specific provisions	(242.100)	(210.198)
<b>Overdue lease receivables, net</b>	<b>37.421</b>	<b>54.224</b>
Provision for impaired lease receivables - Watch list provisions (Note 15)	(1.907)	(2.023)
Provision for impaired lease receivables - General provisions (Note 15)	(32.801)	(23.500)
<b>Lease receivables, net</b>	<b>6.827.552</b>	<b>4.979.746</b>
Receivables from leasing transactions	6.824.839	4.951.045
Assets to be leased	244.791	77.170
Advances given for leasing transactions	197.312	142.673
<b>Total receivables from leasing transactions</b>	<b>7.266.942</b>	<b>5.170.888</b>

As of December 31, 2015 and 2014, finance lease receivables can be analysed according to their interest types as follows:

	31 December 2015	31 December 2014
Fixed rate	7.896.101	5.702.446
Floating rate	167.404	189.845
	<b>8.063.505</b>	<b>5.892.291</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**10 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

The maturity of finance lease receivables is as follows:

Period End	Lease Receivables	
	Gross	Net
	31 December 2015	31 December 2015
31 December 2016	2.301.663	1.879.776
31 December 2017	1.796.160	1.435.643
31 December 2018	1.384.528	1.172.906
31 December 2019	1.081.600	949.432
31 December 2020	685.212	612.123
31 December 2021 and over	850.924	774.959
	<b>8.100.087</b>	<b>6.824.839</b>

Period End	Lease Receivables	
	Gross	Net
	31 December 2014	31 December 2014
31 December 2015	1.852.037	1.522.866
31 December 2016	1.331.155	1.077.686
31 December 2017	969.556	814.110
31 December 2018	670.431	573.021
31 December 2019	477.166	414.051
31 December 2020 and over	615.745	549.311
	<b>5.916.090</b>	<b>4.951.045</b>

Net finance lease receivables can be analysed as follows:

	31 December 2015	31 December 2014
Neither past due nor impaired	6.788.257	4.927.246
Past due but not impaired	36.582	23.799
Impaired	279.521	264.422
	<b>7.104.360</b>	<b>5.215.467</b>
(Less) allowance for impairment	(276.808)	(235.721)
<b>Net finance lease receivables</b>	<b>6.827.552</b>	<b>4.979.746</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**10 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

At December 31, 2015, collaterals of TL 17.530 (December 31, 2014: TL 18.676) were obtained for the doubtful finance lease receivables amounting to TL 279.521 (December 31, 2014: TL 264.422). In determining the provision for doubtful lease receivables, in addition to the collaterals received from customers; assets which have been subject to the leasing agreements have also been taken into consideration as TL 26.827 (December 31, 2014: TL 31.322) in accordance with the terms determined in the Regulation of Financial statements.

The aging of finance lease receivables past due but not impaired is as follows:

	31 December 2015		31 December 2014	
	Invoiced Amount	Remaining Principal	Invoiced Amount	Remaining Principal
0-30 days	9.925	293.446	13.690	206.631
30-60 days	13.573	191.086	2.890	68.874
More than 60 days	13.084	61.587	7.219	64.539
	<b>36.582</b>	<b>546.119</b>	<b>23.799</b>	<b>340.044</b>

TL 17.978 of past due but not impaired invoiced lease receivables is followed-up by the Company through the watch list. Remaining principal amount of the same lease receivables amounting to TL 162.040 is also followed-up through the watch list (December 31, 2014 - TL 5.714 invoiced amount, TL 193.773 remaining principal).

The aging of impaired lease receivables at December 31, 2015 and December 31, 2014 is as follows:

	31 December 2015			31 December 2014		
	Invoiced Amount	Remaining Principal	Total	Invoiced Amount	Remaining Principal	Total
3 – 12 months	5.763	22.394	28.157	7.962	30.134	38.096
1 year and more	112.586	138.778	251.364	98.402	127.924	226.326
	<b>118.349</b>	<b>161.172</b>	<b>279.521</b>	<b>106.364</b>	<b>158.058</b>	<b>264.422</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**10 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

Movements in provision for doubtful lease receivables are as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>1 January</b>	<b>235.721</b>	<b>190.104</b>
Provision for impairment	68.972	61.981
Recoveries of amounts previously provided for (Note 21)	(27.263)	(16.364)
Write-off	(622)	-
<b>31 December</b>	<b>276.808</b>	<b>235.721</b>

As of December 31, 2015, total collaterals from the Company's customers for their outstanding exposures are TL 1.820.631 (December 31, 2014 - TL 1.544.388). The Company does not include collaterals that exceed the risk amounts in its risk reporting. The Company's collateral list which is prepared by this way is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Mortgages	122.015	113.879
Transfer of rights of receivables	49.717	50.140
Pledged automobiles	31.344	18.385
Blocked bank deposits	22.379	11.538
Pledged machinery	10.389	9.583
Guarantee letters	3.437	5.405
Cheques received	1.631	2.874
Buyback guarantees	1.454	6.885
Other pledged securities	44.882	40.951
	<b>287.248</b>	<b>259.640</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**10 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

As of December 31, 2015 lease receivables amounting to TL 91.888 (December 31, 2014: TL 146.296) have been restructured and they are followed-up through the watch list by the Company.

Industrial concentration for the gross finance lease receivables as of December 31, 2015 and December 31, 2014 are as follows:

	<b>31 December 2015</b>	<b>%</b>	<b>31 December 2014</b>	<b>%</b>
Real Estate and Construction	2.214.044	27	1.307.297	22
Steel and mining	1.076.474	13	1.059.434	18
Textile	917.803	11	671.979	11
Transportation	807.391	10	515.531	9
Petroleum and chemistry	347.983	4	284.009	5
Machinery and equipment	256.476	3	180.631	3
Food	245.989	3	147.932	3
Printing	228.702	3	213.332	4
Automotive	223.719	3	211.251	4
Tourism	191.667	2	232.495	4
Financial institutions	171.053	2	11.795	<1
Wholesale and retail trade	150.466	2	136.218	2
Health	116.265	1	101.575	2
Agriculture	84.790	1	73.386	1
Communication	24.788	<1	1.690	<1
Education	7.116	<1	6.207	<1
Other	1.035.361	13	761.328	13
	<b>8.100.087</b>	<b>100</b>	<b>5.916.090</b>	<b>100</b>

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

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

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**11 - PROPERTY AND EQUIPMENT**

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost</b>				
Furniture and fixtures	522	21	-	543
Leasehold improvements	575	86	-	661
Machinery, equipment and installations	1.480	103	-	1.583
	<b>2.577</b>	<b>210</b>	<b>-</b>	<b>2.787</b>
<b>Accumulated depreciation</b>				
Furniture and fixtures	(471)	(32)	-	(503)
Leasehold improvements	(351)	(101)	-	(452)
Machinery, equipment and installations	(1.069)	(156)	-	(1.225)
	<b>(1.891)</b>	<b>(289)</b>	<b>-</b>	<b>(2.180)</b>
<b>Net book value</b>	<b>686</b>			<b>607</b>

	1 January 2014	Additions	Disposals	31 December 2014
<b>Cost</b>				
Furniture and fixtures	660	17	(155)	522
Leasehold improvements	522	53	-	575
Machinery, equipment and installations (*)	30.716	222	(29.458)	1.480
	<b>31.898</b>	<b>292</b>	<b>(29.613)</b>	<b>2.577</b>
<b>Accumulated depreciation</b>				
Furniture and fixtures	(570)	(56)	155	(471)
Leasehold improvements	(242)	(109)	-	(351)
Machinery, equipment and installations (*)	(972)	(11.358)	11.261	(1.069)
	<b>(1.784)</b>	<b>(11.523)</b>	<b>11.416</b>	<b>(1.891)</b>
<b>Net book value</b>	<b>30.114</b>			<b>686</b>

As of December 31, 2015, there is no pledge on the assets of the Company. (31 December 2014: None).

(\*) Disposal effect of operating leased assets has been seen on machinery, equipment and installation's disposal line of 2014.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**12 - INTANGIBLE ASSETS**

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost</b>				
Rights	10.015	1.776	-	11.791
	<b>10.015</b>	<b>1.776</b>	-	<b>11.791</b>
<b>Accumulated amortisation</b>				
Rights	(6.625)	(1.716)	-	(8.341)
	<b>(6.625)</b>	<b>(1.716)</b>	-	<b>(8.341)</b>
<b>Net book value</b>	<b>3.390</b>			<b>3.450</b>

	1 January 2014	Additions	Disposals	31 December 2014
<b>Cost</b>				
Rights	8.214	1.801	-	10.015
	<b>8.214</b>	<b>1.801</b>	-	<b>10.015</b>
<b>Accumulated amortisation</b>				
Rights	(4.788)	(1.837)	-	(6.625)
	<b>(4.788)</b>	<b>(1.837)</b>	-	<b>(6.625)</b>
<b>Net book value</b>	<b>3.426</b>			<b>3.390</b>

**13 - ASSOCIATES**

Company name	31 December 2015		31 December 2014	
	Amount	Share (%)	Amount	Share (%)
Allianz Yaşam ve Emeklilik A.Ş.	207.545	19,93	196.901	19,93
	<b>207.545</b>		<b>196.901</b>	

The Company has acquired 115.574.715 shares with a full nominal value of TL 11.557.471,5 representing 19,93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. for full TL 188.107.812 on July 12, 2013. The Company's investment in its associate "Allianz Yaşam ve Emeklilik A.Ş." is accounted for using the equity method.



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**14 – PREPAID EXPENSES**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Financing expenses	40.260	21.913
Insurance expenses	10.107	10.068
Administration expenses	619	1.198
	<b>50.986</b>	<b>33.179</b>

**15 - OTHER PROVISIONS**

	<b>31 December 2015</b>	<b>31 December 2014</b>
General provision for lease receivables (Note 10)	32.801	23.500
Provision for legal proceedings	15.967	12.393
RUSF and provision regarding registered assets subject to financial leasing	4.146	5.746
Provision for personnel bonuses	2.250	2.640
Watch list provision for lease receivables (Note 10)	1.907	2.023
Expense accruals	836	898
	<b>57.907</b>	<b>47.200</b>

**Legal cases against the Company:**

The Company has provided for a total provision of TL 15.967 against certain pending legal cases as of December 31, 2015 (December 31, 2014: TL 12.393).

The movement of provisions for legal proceedings for the period ending December 31, 2015 and 2014 is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>1 January</b>	<b>12.393</b>	<b>12.724</b>
Paid	(3)	(487)
Current period provision	3.577	156
<b>31 December</b>	<b>15.967</b>	<b>12.393</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**16 - COMMITMENTS**

**Derivative instruments:**

	31 December 2015		31 December 2014	
	Nominal Original currency	Nominal TL	Nominal Original currency	Nominal TL
<b>Forward currency purchases</b>				
TL	164.619	164.619	159.318	159.318
EUR	31.750	100.888	-	-
CHF	1.303	3.815	2.815	6.585
USD	-	-	20.741	48.096
		<b>269.322</b>		<b>213.999</b>

	31 December 2015		31 December 2014	
	Nominal Original currency	Nominal TL	Nominal Original currency	Nominal TL
<b>Forward currency sales</b>				
USD	92.301	268.432	2.850	6.609
EUR	-	-	73.200	206.476
CHF	-	-	-	-
GBP	-	-	-	-
		<b>268.432</b>		<b>213.085</b>
		<b>537.754</b>		<b>427.084</b>

**Guarantee letters given:**

The Company has given TL 50.795 of total guarantee letters given (December 31, 2014 - TL 20.517) to courts, banks and customs.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**17 – RESERVE FOR EMPLOYEE TERMINATION BENEFITS**

	31 December 2015	31 December 2014
Provision for unused vacation	1.362	1.300
Provision for employment termination benefits	783	710
	<b>2.145</b>	<b>2.010</b>

The provision for employment termination benefits is provided for as explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and for whom employment relations with the Company have been terminated without resignation or bad behaviour causes. The amount payable consists of one month's salary limited to a maximum of full TL 4.093 as of December 31, 2015 (December 31, 2014 – full TL 3.541 for each year of service).

The liability is not legally subject to any funding, as there is no funding requirement.

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.

The following actuarial assumptions have been used in the calculation of the total provision:

	31 December 2015	31 December 2014
Discount rate (%)	4,6	3,5
Turnover rate to estimate the probability of retirement (%)	9,36	9,25

The principal assumption is that the maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL 4.093 which is effective from January 1, 2016 (January 1, 2015 – full TL 3.541), has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements in the provision for employment termination benefits during the year are as follows:

	31 December 2015	31 December 2014
<b>1 January</b>	<b>710</b>	<b>552</b>
Paid during the period	(285)	(90)
Service cost	326	215
Interest cost	32	33
Actuarial gains/loss	-	-
<b>31 December</b>	<b>783</b>	<b>710</b>

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

#### 18 – SHAREHOLDERS' EQUITY

At December 31, 2015 and 2014, the shareholder's of the Company and their share capitals with historical amounts are as follows:

	31 December 2015		31 December 2014	
	Amount	Share in paid in capital (%)	Amount	Share in paid in capital (%)
Yapı ve Kredi Bankası A.Ş.	389.904	99,99	389.903	99,99
Other	24	0,01	25	0,01
<b>Share capital</b>	<b>389.928</b>	<b>100</b>	<b>389.928</b>	<b>100</b>
Share capital adjustment differences	(34.600)		(34.600)	
	<b>355.328</b>		<b>355.328</b>	

Share capital of the Company consists of 389.927.705 authorized shares with a nominal value of full TL 1 each.

The Company's registered capital ceiling is TL 389.928 (31 December 2014: TL 389.928).

Share capital adjustment differences represent the difference between total amount of capital adjusted in respect of inflation and the capital amount before inflation adjustment.

#### Profit reserves, retained earnings

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.

#### Profit distribution

In accordance with the Law No. 5228 on "Amending Certain Tax Laws" published in the Official Gazette dated July 31, 2004 and numbered 25539, it has become possible for costs arising from inflation differences of equity items occurring during the first adjustment of financial statements according to inflation and monitored in "Retained earnings/losses" to be offsetted with accumulated losses occurring as a result of the adjustment or to be added to the capital by corporate tax payers; and these transactions are not considered as profit distribution.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**18 – SHAREHOLDERS' EQUITY (Continued)**

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Per the Banking Regulation and Supervision Agency, 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. As of December 31, 2015 the Company has deferred tax income amounting TL 11.706 associated with the deferred tax asset (December 31, 2014: 10.793).

At the General Assembly of the Company on 16 March 2015, the extraordinary reserves amounting to TL 149.651 calculated related with the 2014 year's profit distribution has been reclassified to reserves on retained earnings.

The Company did not distribute dividends in 2015.

**19 - OTHER LIABILITIES**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Advances received (*)	71.625	68.894
	<b>71.625</b>	<b>68.894</b>

(\*) Advances received are related with the amounts received from customers regarding the financial leasing agreements.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**20 - OPERATING EXPENSES**

Operating expenses for the period ended December 31, 2015 and 2014 are as follows:

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
Personnel expenses	21.960	20.313
Audit and advisory expenses	2.615	2.456
Amortization expenses (Note 11,12)	2.005	13.360
Taxes and duties other than on income	1.438	859
Donation expenses	1.251	1.053
Rent expenses	1.166	1.176
Transportation expenses	910	855
Computer maintenance and repair expenses	833	788
Marketing and advertising expenses	302	211
Communication expenses	274	294
Travel and accommodation expenses	176	200
Transportation expenses	173	158
Litigation expenses	168	303
Office management expenses	148	140
Insurance expenses	65	75
Other	2.324	2.265
	<b>35.808</b>	<b>44.506</b>

**21 - OTHER OPERATING INCOME/EXPENSES**

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Other Operating Income</b>		
Income from associates	27.781	19.343
Recoveries from prior periods' provisions for lease receivables	27.263	16.364
Gain on sale of property and equipment	5.196	1.941
Insurance agency income	1.784	4.513
Other	3.199	300
	<b>65.223</b>	<b>42.461</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**21 - OTHER OPERATING INCOME/EXPENSES (Continued)**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>Other Operating Expenses</b>		
RUSF and expense accrual for registered goods	-	1.934
Provision for legal proceedings (Note 15)	3.577	156
Other	287	317
	<b>3.864</b>	<b>2.407</b>

**22 - TAX ASSETS AND LIABILITIES**

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% (2014 – 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 from profit 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 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 in cash or offset against other liabilities to the government.

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 office that they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they 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.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**22 - TAX ASSETS AND LIABILITIES (Continued)**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Corporate taxes payable	54.828	45.413
Less: Prepaid taxes	(47.035)	(1.243)
<b>Corporate tax payable, net</b>	<b>7.793</b>	<b>44.170</b>
VAT payable	6.074	31
Personnel income tax payable	415	325
Social security premiums payable	302	284
Other tax payables	31	42
<b>Total taxes payable</b>	<b>6.822</b>	<b>682</b>

Taxes reflected on the income statement are summarized below for the periods ending as of December 31, 2015 and 2014:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Current tax income/(expense)	(53.754)	(45.013)
Deferred tax income / (expense) effect	11.706	10.793
<b>Total tax income / (expense)</b>	<b>(42.048)</b>	<b>(34.220)</b>

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company is as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Profit before taxes	238.346	187.272
Theoretical tax expense with 20% tax rate	(47.669)	(37.454)
Non-deductible expenses and other additions (Net)	5.621	3.234
<b>Current year tax expense</b>	<b>(42.048)</b>	<b>(34.220)</b>



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

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**22 - TAX ASSETS AND LIABILITIES (Continued)**

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 at the Official Gazette numbered 26133. However, in accordance with temporary law no. 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts existing as of 31 December 2005 which they could not offset against income in 2005, as follows:

- 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 and numbered E:2006/95, 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 2012 Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette. Consequently, the Company did not pay temporary taxes during first half of the year 2010.

With the Law no. 6009 published in the Official Gazette dated August 1, 2010, the temporary article 69 of the Income Tax Law regarding the investment allowance was amended and use of investment allowance was enabled; however, use of investment allowance was limited to 25% of the profit of the related year.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

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#### 22 - TAX ASSETS AND LIABILITIES (Continued)

In the Constitutional Court’s meeting dated February 9, 2012; it was decided that the sentence “In so far as, the amount to be deducted as investment allowance in the determination of tax base cannot exceed 25% of the related profit” added to the first paragraph of the article 69 of the Income Tax Law with the article 5 of the Law no. 6009 was unconstitutional and would be cancelled. Furthermore, since the sentence in question was cancelled in the same meeting with the decision no. E. 2010/93, K. 2012/20 dated February 9, 2012, it was decided that it would be invalidated until it was published in the Official Gazette in order to prevent situations and losses emerging from the application of this sentence, which were difficult to recover, and not to leave the cancellation decision inconclusive. This decision was published on the Official Gazette on February 18, 2012. The investment incentive remaining from prior years amounting to TL 167.706 has been considered as investment incentive subject to stoppage in corporate tax account as of December 31, 2014 and no investment incentive has been transferred to 2015.

#### Deferred Taxation

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The deferred tax asset and deferred tax liability have been netted off in these financial statements.

The Company did not pay any corporation tax until December 31, 2008 due to its accumulated investment allowances related with capital expenditures which are deductible from taxable income.

Due to the cease of the investment incentive utilization as of December 31, 2008, the Company paid corporate income tax during the year 2009. As a result of the aforementioned decision of the Constitutional Court dated January 8, 2012 investment allowance of the Company became recoverable again; the Company filed a lawsuit against Tax Office for the refund of the corporate taxes that the Company paid for the year 2009 amounting to TL 28.533 and recognized deferred tax asset for the same amount in its financial statements as of the balance sheet dates. As a result of the lawsuit won by the Company the Tax Office made a payment in cash to the Company amounting to TL 28.533. However, this amount is not recognized as an income for the current year but accounted for as a provision in the balance sheet as of December 31, 2013 since Bogaziçi Corporate Tax Office has appealed the decision of the court. Deferred tax asset with the same amount is recognized in balance sheet of the Company as of December 31, 2012. With the appeal of Boğaziçi Corporate Tax Office overruled in 2013, the amount previously recognized as tax deposit account was closed, added to the corporate tax as revenue and removed from deferred tax assets.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**22 - TAX ASSETS AND LIABILITIES (Continued)**

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2015 and December 31, 2014 are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>Deferred tax assets</b>				
Provision for impaired receivables	192.719	165.000	38.544	33.000
Difference between carrying value and tax base of financial leases	57.161	23.264	11.432	4.653
Provision for legal proceedings	15.967	12.393	3.193	2.479
Provision for impairment on investments	1.928	1.928	386	386
Provision for unused vacation	1.362	1.300	272	260
Expense accruals	12.249	4.890	2.450	978
Provision for employment termination benefits	783	710	156	142
Provision for litigation related to Fund for Resource Use Support	183	183	37	37
Valuation differences of derivative financial Instruments	23	23	5	5
Difference between carrying value and tax base of property, equipment and intangible assets	106	301	21	60
Other	2.250	3.443	450	668
<b>Deferred tax assets</b>			<b>56.946</b>	<b>42.688</b>
<b>Deferred tax liabilities</b>				
Valuation difference on financial liabilities	(39.516)	(21.761)	(7.903)	(4.352)
Income accrual on lease receivables	4.789	(13)	958	(3)
Valuation differences of derivative financial Instruments	(424)	(613)	(85)	(123)
<b>Deferred tax liabilities</b>			<b>(7.030)</b>	<b>(4.478)</b>
<b>Deferred tax assets - net</b>			<b>49.916</b>	<b>38.210</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**22 - TAX ASSETS AND LIABILITIES (Continued)**

Movement of the deferred tax asset/(liability) during the year is as follows:

	31 December 2015	31 December 2014
Deferred tax asset/(liability) as of January 1	38.210	27.417
Deferred tax income/(expense)	11.706	10.793
Deferred tax asset/(liability) as of December 31	<b>49.916</b>	<b>38.210</b>

**23 - EARNINGS PER SHARE**

	31 December 2015	31 December 2014
Net income for the period	<b>196.298</b>	<b>153.052</b>
Weighted average number of outstanding shares with a nominal value of full TL 1	389.927.705	389.927.705
<b>Earnings per share (full TL)</b>	<b>0,5034</b>	<b>0,3925</b>

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Balance sheet items	31 December 2015	31 December 2014
<b>Due from banks (Cash and cash equivalents)</b>		
<b>Demand deposit</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	7.797	7.567
<i>Other related parties</i>		
Yapı Kredi Bank Nederland N.V.	2	2
<b>Time deposit</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	10.539	9.657
	<b>18.338</b>	<b>17.226</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

<b>Finance lease receivables:</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<i>Other related parties</i>		
Demir Export A.Ş.-Fernas İnş. A.Ş. Adi Ortaklığı(*)	194.741	179.687
Karsan Otomotiv San. Ve Tic. A.Ş.	67.949	63.412
Koç Üniversitesi	51.183	49.118
Demir Export A.Ş.	26.198	5.835
Moment Eğitim Araştırma Sağlık Hizm.Ve Tic.A.Ş	7.197	1.630
Koç Sistem Bilgi Ve İletişim Hizm. A.Ş.	6.177	5.789
Heksagon Mühendislik Ve Tasarım A.Ş.	5.035	6.349
Sirena Marine Malta Ltd	4.745	6.328
Setur Antalya Marina İşletmeciliği A.Ş	1.948	2.116
Ferocom Mad.San.Ve Tic.A.Ş.	-	5.532
Diğer	8	-
	<b>365.181</b>	<b>325.796</b>

(\*) Since the specified joint venture's the related party share is 75%, the related party balance's 75% should be considered.

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Other assets:</b>		
<i>Other related parties</i>		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	15
	-	15

	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Borrowings:</b>		
<i>Other related parties</i>		
Unicredit Bank Austria AG	2.405.761	1.710.264
Unicredit Bank AG	91.141	93.355
	<b>2.496.902</b>	<b>1.803.619</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	31 December 2015	31 December 2014
<b>Trade Payables:</b>		
<i>Associates</i>		
Allianz Yaşam ve Emeklilik A.Ş.	6.058	5.578
<i>Other related parties</i>		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	209	137
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	56	46
Zer Merkezi Hizmetler ve Ticaret A.Ş.	32	31
Koç Holding A.Ş.	13	32
Opet Petrolcülük A.Ş.	10	10
Setur Servis Turistik A.Ş.	6	-
KKB Kredi Kayıt Bürosu A.Ş.	4	4
	<b>6.388</b>	<b>260</b>

	31 December 2015	31 December 2014
<b>Off-balance sheet items:</b>		
<b>Guarantee letters received</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	5.304	18.985
	<b>5.304</b>	<b>18.985</b>

	31 December 2015	31 December 2014
<b>Derivative financial instruments:</b>		
<b>Foreign currency forward transactions</b>		
<i>Shareholders</i>		
Forward currency purchases:		
Yapı ve Kredi Bankası A.Ş.	269.322	49.599
Forward currency sales:		
Yapı ve Kredi Bankası A.Ş.	268.432	49.484
	<b>537.754</b>	<b>99.083</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**Income statement items**

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Interest income from finance leases:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	-	15
<i>Other related parties</i>		
Demir Export A.Ş.-Fernas İnş.Aş. Adi Ortaklığı	12.110	17.927
Koç Üniversitesi	6.316	1.376
Karsan Otomotiv San. Ve Tic. A.Ş.	4.914	4.377
Demir Export A.Ş.	2.692	686
Koç Sistem Bilgi Ve İletişim Hizm. A.Ş.	610	540
Heksagon Mühendislik Ve Tasarım A.Ş.	321	446
Moment Eğitim Araştırma Sağlık Hizm. Ve Tic.A.Ş	273	101
Sirena Marine Malta Ltd	200	248
Setur Antalya Marina İşletmeciliği A.Ş	100	124
Ferocom Mad.San.Ve Tic.A.Ş.	-	237
Haremlik Gıda Dek.Ve Ekipmanları San.Tic.Ltd.Şti.	-	4
Callus Bilgi Ve İletişim Hizmetleri A.Ş.	-	1
	<b>27.536</b>	<b>26.082</b>
	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Interest income on bank deposits:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	668	270
Yapı ve Kredi Malta	7	-
	<b>675</b>	<b>270</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Interest expenses of bank borrowings:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	393	5.182
<i>Other related parties</i>		
Unicredit Bank Austria AG	54.462	44.063
Unicredit Bank AG	1.896	2.150
	<b>56.751</b>	<b>51.395</b>
	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Rent expenses:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	1.105	742
<i>Associates</i>		
Allianz Yaşam ve Emeklilik A.Ş.	-	11
	<b>1.105</b>	<b>753</b>
	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Commission expenses:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	305	379
	<b>305</b>	<b>379</b>



**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	<b>1 January – 31 December 2015</b>	<b>1 January – 31 December 2014</b>
<b>Service expenses:</b>		
<i>Associates</i>		
Allianz Yaşam ve Emeklilik A.Ş.	19	29
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	919	1.051
<i>Other related parties</i>		
Koç Holding A.Ş.	1.651	1.323
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	691	131
Zer Merkezi Hizmetler A.Ş.	655	707
Otokoç A.Ş.	453	477
Opet Petrolcülük A.Ş.	180	235
Setur Servis Turistik A.Ş.	91	105
Kredi Kayıt Bürosu A.Ş.	36	30
Türkiye Eğitim Gönüllüleri Vakfı	1	1
	<b>4.696</b>	<b>4.089</b>

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Dividend income:</b>		
<i>Associates</i>		
Allianz Yaşam ve Emeklilik A.Ş. (*)	17.137	15.941
<i>Other related parties</i>		
Yapı Kredi Faktoring A.Ş.	6	9
Yapı Kredi Yatırım Menkul Değerler A.Ş.	1	2
	<b>17.144</b>	<b>15.952</b>

(\*) Since the related amount is consolidated by equity method on the financial statements, the amount is not stated on the statement of income.

**Payments made to members of the Board and key management personnel:**

Payments made to members of the Board and key management personnel	2.222	1.707
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**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Financial instruments and financial risk management**

*a. Capital management*

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013, the Company is required to keep min 3% standard ratio calculated by dividing equity to total assets. Standard ratio of the Company is 19,6% as of December 31, 2015. (31 December 2014: 23,5%)

*b. Credit risk*

Credit risk is the risk that the counterparty may be unable to meet the terms of the agreements. The Company is exposed to credit risk due to financial lease transactions. This risk is managed by mainly limiting the aggregate risk to any individual counterparty and by obtaining collaterals from these counterparties and periodic follow-up of collections from customers. The Company's exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

The table below summarises the geographic distribution of the Company's assets and liabilities at December 31, 2015 and 2014.

<b>31 December 2015</b>	<b>Assets</b>	<b>%</b>	<b>Liabilities</b>	<b>%</b>
Turkey	7.382.906	97	1.854.139	30
European countries	79.944	1	3.345.717	54
Other	175.735	2	941.879	16
	<b>7.638.585</b>	<b>100</b>	<b>6.141.735</b>	<b>100</b>

<b>31 December 2014</b>	<b>Assets</b>	<b>%</b>	<b>Liabilities</b>	<b>%</b>
Turkey	5.355.899	97	1.212.091	29
European countries	75.395	1	2.590.944	61
Other	99.103	2	426.810	10
	<b>5.530.397</b>	<b>100</b>	<b>4.229.845</b>	<b>100</b>

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1.1

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

(Amounts expressed in New Turkish lira ("TL") unless otherwise stated.)

25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Maximum amount of credit risk exposed

	31 December 2015			31 December 2014		
	Lease receivables	Other receivables	Derivative Financial Assets	Lease receivables	Other receivables	Derivative Financial Assets
Maximum amount of credit risk exposed as of reporting date (*)	6.827.552	208.068	424	18.500	220.415	613
- Maximum credit risk secured guarantees etc. (***)	287.248	-	-	-	-	-
A. Net book value of financial assets either not due or not impaired	6.755.456	208.068	424	4.903.746	220.415	613
- Not due or not impaired (gross book value)	6.788.257	208.068	424	4.927.246	220.415	613
- Impairment amount (-) (**)	(32.801)	-	-	(23.500)	-	-
- Net value secured by guarantees etc.	266.523	-	-	227.506	-	-
B. Book value of financial assets with renegotiated conditions, Otherwise would be classified as past due or impaired	-	-	-	4	-	-
- Conditions are renegotiated (gross book value)	-	-	-	4	-	-
- Impairment amount (-) (**)(****)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	34.675	-	-	21.772	-	-
- Past due (gross book value)	36.582	-	-	23.795	-	-
- Impairment amount (-) (**)(****)	(1.907)	-	-	(2.023)	-	-
- Net value secured by guarantees etc	3.195	-	-	13.458	-	-
D. Net book value of assets impaired	37.421	-	-	54.224	-	-
- Past due (gross book value)	279.521	-	-	264.422	-	-
- Impairment amount (-)	(242.100)	-	-	(210.198)	-	-
- Net value secured by guarantees etc	17.530	-	-	18.676	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(\*) The elements that increase the credibility such as guarantees received are not taken into account while determining the amount.

(\*\*) In accordance with the Provisions Communiqué, the Company sets specific provision at the determined amounts even if the over due days of the receivables do not exceed the days indicated at the Communiqué considering reliability and prudence principals. Aging of the over due but not impaired lease receivables is presented in the Note 10.

(\*\*\*) Collaterals that exceed the risk are not taken into account. The assets that are subject to lease agreements are not taken into account.

(\*\*\*\*) Impairment is also calculated for the undue amounts of the related over due lease receivables. Undue lease receivables are classified in the Group A.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

(Amounts expressed in New Turkish lira ("TL") unless otherwise stated.)

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#### 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

##### *c. 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 market risk under foreign exchange risk, interest rate risk and liquidity risk.

The Financial market policy is approved by the Board of Directors. It is the Company's responsibility to assure regular compliance with these principles and limits.

As a leasing company, the Company is exposed to risks such as foreign exchange risk, interest rate risk and liquidity risk. Treasury and Foreign Relations Department mainly focuses on the structure of the Company's assets and liabilities while managing these risks. Treasury and Foreign Relations Department's mission is to provide funds to the Company, to manage the structural excess of liquidity to match the foreign currency exposure and interest rate risk of the Company; and in addition it tries to minimise the volatility of the results. Treasury and Foreign Relations Department also aims to satisfy the compliance to the Regulator's requirements.

For the market risk management some general guidelines apply;

- Yapı ve Kredi Bankası A.Ş. ("YKB") Risk Management and the Company's Board of Directors are informed of and Board of Directors approve any major change in the risk portfolio or any important decision regarding market risk before any action is taken.
- All market risks are managed by the Company's Treasury,
- Business Planning and Financial Reporting Department is independent from the Treasury and Foreign Relations Department and reports directly to general manager and management,
- Interest rate and foreign exchange risk are managed by Treasury and Foreign Relations Department within the predetermined limits,
- Derivative trading is allowed only for hedging purposes,
- Investments in government bonds are allowed if in Turkish domestic debt. Other government bonds are subject to the approval of the Board of Directors.

##### *d. Liquidity risks*

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. Treasury and Foreign Relations Department has daily control over liquidity risk. To hedge against this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. Moreover, the ability to fund the existing and prospective debt requirements and cover withdrawals at unexpected levels of demand is managed by maintaining the availability of adequate funding lines from shareholders and high quality investors.

The tables below analyses the assets and liabilities of the Company in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. Also the Company's unearned and undue interests to be collected and paid related to its assets and liabilities are included to the table below.

**YAPI KREDİ FİNANSAL KİRALAMA A.Ö.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

	Book Value	inflows/outflows per agreement	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity	31 December 2015	
								Other	
Trading derivative financial assets	424	424	424	-	-	-	-	-	-
Banks	18.500	18.500	10.539	-	-	-	7.961	-	-
Lease receivables	7.304.363	8.492.439	852.564	1.804.029	4.947.500	850.924	37.422	-	-
Available-for-sale financial assets and subsidiaries	207.667	207.667	-	-	-	-	207.667	-	-
Property and equipment	607	607	-	-	-	-	607	-	-
Intangible assets	3.450	3.450	-	-	-	-	3.450	-	-
Deferred tax assets	49.916	49.916	-	-	-	-	49.916	-	-
Assets held for sale	2.149	2.149	-	-	-	-	2.149	-	-
Other assets and prepaid expenses	51.509	56.100	8.555	9.090	29.712	8.220	2.149	-	-
<b>Total assets</b>	<b>7.638.585</b>	<b>8.831.252</b>	<b>872.082</b>	<b>1.813.119</b>	<b>4.977.212</b>	<b>859.144</b>	<b>309.695</b>	-	-
Trading derivative financial liabilities	23	23	23	-	-	-	-	-	-
Borrowings	4.989.406	5.157.774	382.340	1.841.017	2.821.306	113.111	-	-	-
Securities issued	494.384	520.831	75.000	384.718	61.113	-	-	-	-
Other payables	511.630	511.630	255.815	255.815	-	-	-	-	-
Other liabilities	71.625	71.625	71.625	-	-	-	-	-	-
Taxes payable and current year tax liability	14.615	14.615	14.615	-	-	-	-	-	-
Provisions	60.052	60.052	2.657	6.577	21.483	3.992	25.343	-	-
<b>Total liabilities</b>	<b>6.141.735</b>	<b>6.336.550</b>	<b>802.075</b>	<b>2.488.127</b>	<b>2.903.902</b>	<b>117.103</b>	<b>25.343</b>	-	-
<b>Net liquidity position</b>	<b>1.496.850</b>	<b>2.494.702</b>	<b>70.007</b>	<b>(675.008)</b>	<b>2.073.310</b>	<b>742.041</b>	<b>284.352</b>	-	-
Derivative financial instruments									
Cash inflow	269.322	269.322	240.043	29.279	-	-	-	-	-
Cash outflow	(268.373)	(268.373)	(239.297)	(29.076)	-	-	-	-	-

**YAPI KREDİ FİNANSAL KİRALAMA A.Ö.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

	Book Value	inflows/outflows per agreement	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity	31 December 2014	
								Other	
Trading derivative financial assets	613	613	613	-	-	-	-	-	-
Banks	17.476	17.476	9.662	-	-	-	7.814	-	-
Lease receivables	5.225.112	6.137.156	614.713	1.404.163	3.448.309	615.746	54.225	-	-
Available-for-sale financial assets and subsidiaries	197.023	197.023	-	-	-	-	197.023	-	-
Property and equipment	686	686	-	-	-	-	-	686	-
Intangible assets	3.390	3.390	-	-	-	-	-	3.390	-
Deferred tax assets	38.210	38.210	-	-	-	-	-	38.210	-
Assets held for sale	4.166	4.166	-	-	-	-	-	4.166	-
Other assets and prepaid expenses	43.721	43.721	16.822	10.501	12.261	3.567	-	-	570
<b>Total assets</b>	<b>5.530.397</b>	<b>6.442.441</b>	<b>641.810</b>	<b>1.414.664</b>	<b>3.460.570</b>	<b>619.313</b>	<b>259.062</b>	<b>47.022</b>	<b>47.022</b>
Trading derivative financial liabilities	23	23	23	-	-	-	-	-	-
Borrowings	3.697.749	3.838.994	544.059	1.441.220	1.722.657	131.058	-	-	-
Securities issued	173.550	195.735	3.105	63.315	129.315	-	-	-	-
Other payables	195.567	195.567	97.784	97.783	-	-	-	-	-
Other liabilities	68.894	68.894	68.894	-	-	-	-	-	-
Taxes payable and current year tax liability	44.852	44.852	44.852	-	-	-	-	-	-
Provisions	49.210	49.210	2.168	5.491	15.002	2.862	-	-	23.687
<b>Total liabilities</b>	<b>4.229.845</b>	<b>4.393.275</b>	<b>760.885</b>	<b>1.607.809</b>	<b>1.866.974</b>	<b>133.920</b>	<b>-</b>	<b>-</b>	<b>23.687</b>
<b>Net liquidity position</b>	<b>1.300.552</b>	<b>2.049.166</b>	<b>(119.075)</b>	<b>(193.145)</b>	<b>1.593.596</b>	<b>485.393</b>	<b>259.062</b>	<b>23.335</b>	<b>23.335</b>
Derivative financial instruments									
Cash inflow	213.999	213.999	213.999	-	-	-	-	-	-
Cash outflow	213.085	213.085	213.085	-	-	-	-	-	-

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*e. 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. Treasury and Foreign Relations Department monitors daily the foreign currency position of the Company. Monthly reporting of the foreign currency position, in detailed tables by maturity and currency, is the responsibility of Business Planning and Financial Reporting Department. A maximum limit of (+/-) EUR 5.000.000 (December 31, 2014 – (+/-) EUR 4.500.000) for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies. The foreign currency positions of the Company as of December 31, 2015 and 2014 are stated in the table below:

31 December 2015	Total	TL Equivalent		
		USD	EUR	Other
<b>Assets</b>				
Banks	13.545	3.730	9.719	96
Finance lease receivables	5.638.718	1.882.962	3.669.730	86.026
Other assets	-	-	-	-
<b>Total assets</b>	<b>5.652.263</b>	<b>1.886.692</b>	<b>3.679.449</b>	<b>86.122</b>
<b>Liabilities</b>				
Borrowings	4.961.377	1.414.676	3.457.678	89.023
Other payables	472.136	186.060	284.541	1.535
Other liabilities	40.997	15.498	25.489	10
Provisions	789	364	425	-
<b>Total liabilities</b>	<b>5.475.299</b>	<b>1.616.598</b>	<b>3.768.133</b>	<b>90.568</b>
<b>Net foreign currency position (*)</b>	<b>176.964</b>	<b>270.094</b>	<b>(88.684)</b>	<b>(4.446)</b>
<b>Derivative financial instruments</b>	<b>(163.729)</b>	<b>(268.432)</b>	<b>100.888</b>	<b>3.815</b>

(\*) Had the impact of the currency difference arising from the transactions between the Company and its vendors, which would have been reflected to customers, been eliminated, the net foreign exchange position would have occurred as TL 273.647 in USD, TL (99.015) in Euro, TL (3.987) in other currencies and TL 170.640 in total.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2014	Total	TL Equivalent		
		USD	EUR	Other
<b>Assets</b>				
Banks	12.538	8.669	3.752	117
Finance lease receivables	3.841.449	1.266.976	2.492.826	81.647
Other assets	304	304	-	-
<b>Total assets</b>	<b>3.854.291</b>	<b>1.275.949</b>	<b>2.496.578</b>	<b>81.764</b>
<b>Liabilities</b>				
Borrowings	3.489.278	1.294.468	2.111.684	83.126
Other payables	139.662	11.672	126.639	1.351
Other liabilities	37.212	7.698	29.505	9
Provisions	1.098	681	417	-
<b>Total liabilities</b>	<b>3.667.250</b>	<b>1.314.519</b>	<b>2.268.245</b>	<b>84.486</b>
<b>Net foreign currency position (*)</b>	<b>187.041</b>	<b>(38.570)</b>	<b>228.333</b>	<b>(2.722)</b>
<b>Derivative financial instruments</b>	<b>(158.402)</b>	<b>41.487</b>	<b>(206.475)</b>	<b>6.585</b>

(\*) Had the impact of the currency difference arising from the transactions between the Company and its vendors, which would have been reflected to customers, been eliminated, the net foreign exchange position would have occurred as TL (56.361) in USD, TL 216.092 in Euro, TL (4.401) in other currencies and TL 155.330 in total.

The foreign currency rates used by the Company at December 31, 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
USD	2,9076	2,3189
EUR	3,1776	2,8207



**YAPI KREDİ FINANSAL KİRALAMA A.Ö.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT  
DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2015	Profit/Loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TL</b>				
1. USD net asset/liability	27.009	(27.009)	27.009	(27.009)
2. Secured portion from USD Risk (-)	(26.843)	26.843	(26.843)	26.843
<b>3. USD Effect - net (1+2)</b>	<b>166</b>	<b>(166)</b>	<b>166</b>	<b>(166)</b>
<b>Change of EUR by 10% against TL</b>				
4. EUR net asset/liability	(8.868)	8.868	(8.868)	8.868
5. Secured portion from EUR risk (-)	10.088	(10.088)	10.088	(10.088)
<b>6. EUR Effect - net (4+5)</b>	<b>1.220</b>	<b>(1.220)</b>	<b>1.220</b>	<b>(1.220)</b>
<b>Total (3+6)</b>	<b>1.386</b>	<b>(1.386)</b>	<b>1.386</b>	<b>(1.386)</b>

31 December 2014	Profit/Loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TL</b>				
1. USD net asset/liability	(3.857)	3.857	(3.857)	3.857
2. Secured portion from USD Risk (-)	4.149	(4.149)	4.149	(4.149)
<b>3. USD Effect - net (1+2)</b>	<b>292</b>	<b>(292)</b>	<b>292</b>	<b>(292)</b>
<b>Change of EUR by 10% against TL</b>				
4. EUR net asset/liability	22.833	(22.833)	22.833	(22.833)
5. Secured portion from EUR risk (-)	(20.648)	20.648	(20.648)	20.648
<b>6. EUR Effect - net (4+5)</b>	<b>2.185</b>	<b>(2.185)</b>	<b>2.185</b>	<b>(2.185)</b>
<b>Total (3+6)</b>	<b>2.477</b>	<b>(2.477)</b>	<b>2.477</b>	<b>(2.477)</b>

(\*) Equity effect includes the amounts that will be reflected to the profit/loss statement.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT  
DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*f. Interest rate risk*

Movements in market interest rates which lead to price fluctuations in financial instruments of the Company require the management of the interest risk. It is Treasury and Foreign Relations Department that follows up the Company's interest sensitive assets, liabilities and off-balance sheet items. In addition Business Planning and Financial Reporting Department reports the interest rate risk by distributing interest rate risk into monthly time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios.

According to the Economic Value Sensitivity Analysis as at December 31, 2015, in the scenario of a 4% shift in the TL interest rate and a 2% shift in the foreign currency interest rates with all other variables being constant, there will be TL 38.490 (31 December 2014 – TL 6.674) decrease in the net present value of interest sensitive assets and liabilities.

The Company's financial instruments sensitive to interest rate as of December 31, 2015 and December 31, 2014 is presented below:

<b>Financial instruments with floating interest rate:</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Financial assets		
Lease receivables	167.404	189.845
Financial liabilities		
Borrowings	3.566.941	1.907.239
Securities issued	174.500	120.000

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

The tables below show an analysis of the Company's assets and liabilities at the balance sheet date according to the time remaining to their next interest rate change date and the maturity dates in the agreements.

	31 December 2015					
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Trading derivative financial assets	424	-	-	-	-	424
Banks	10.539	-	-	-	7.961	18.500
Lease receivables	715.427	1.277.844	4.267.510	564.057	479.525	7.304.363
Available-for-sale financial assets and subsidiaries	-	-	-	-	207.667	207.667
Property and equipment	-	-	-	-	607	607
Intangible assets	-	-	-	-	3.450	3.450
Prepaid expenses	-	-	-	-	50.986	50.986
Deferred tax assets	-	-	-	-	49.916	49.916
Assets held for sale	-	-	-	-	2.149	2.149
Other assets	-	-	-	-	523	523
<b>Total assets</b>	<b>726.390</b>	<b>1.277.844</b>	<b>4.267.510</b>	<b>564.057</b>	<b>802.784</b>	<b>7.638.585</b>
Trading derivative financial liabilities	23	-	-	-	-	23
Borrowings	2.061.737	2.682.911	243.473	1.285	-	4.989.406
Securities issued	78.340	361.544	54.500	-	-	494.384
Other payables	-	-	-	-	511.630	511.630
Other liabilities	-	-	-	-	71.625	71.625
Taxes payable and current year tax liability	-	-	-	-	14.615	14.615
Provisions	3.236	6.583	21.984	2.906	25.343	60.052
<b>Total liabilities</b>	<b>2.143.336</b>	<b>3.051.038</b>	<b>319.957</b>	<b>4.191</b>	<b>623.213</b>	<b>6.141.735</b>
<b>Net repricing gap</b>	<b>(1.416.946)</b>	<b>(1.773.194)</b>	<b>3.947.553</b>	<b>559.866</b>	<b>179.571</b>	<b>1.496.850</b>
Derivative financial instruments						
Cash inflow	240.043	29.279	-	-	-	269.322
Cash outflow	(239.297)	(29.076)	-	-	-	(268.373)
	31 December 2014					
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Trading derivative financial assets	613	-	-	-	-	613
Banks	9.662	-	-	-	7.814	17.476
Lease receivables	607.548	1.052.640	2.774.734	516.122	274.068	5.225.112
Available-for-sale financial assets and subsidiaries	-	-	-	-	197.023	197.023
Property and equipment	-	-	-	-	686	686
Intangible assets	-	-	-	-	3.390	3.390
Prepaid expenses	-	-	-	-	33.179	33.179
Deferred tax assets	-	-	-	-	38.210	38.210
Assets held for sale	-	-	-	-	4.166	4.166
Other assets	-	-	-	-	10.542	10.542
<b>Total assets</b>	<b>617.823</b>	<b>1.052.640</b>	<b>2.774.734</b>	<b>516.122</b>	<b>569.078</b>	<b>5.530.397</b>
Trading derivative financial liabilities	23	-	-	-	-	23
Borrowings	764.456	2.417.757	512.336	3.200	-	3.697.749
Securities issued	121.797	51.753	-	-	-	173.550
Other payables	-	-	-	-	195.567	195.567
Other liabilities	-	-	-	-	68.894	68.894
Taxes payable and current year tax liability	-	-	-	-	44.852	44.852
Provisions	2.890	5.484	14.459	2.689	23.688	49.210
<b>Total liabilities</b>	<b>889.166</b>	<b>2.474.994</b>	<b>526.795</b>	<b>5.889</b>	<b>333.001</b>	<b>4.229.845</b>
<b>Net repricing gap</b>	<b>(271.343)</b>	<b>(1.422.354)</b>	<b>2.247.939</b>	<b>510.233</b>	<b>236.077</b>	<b>1.300.552</b>
Derivative financial instruments						
Cash inflow	213.999	-	-	-	-	213.999
Cash outflow	213.085	-	-	-	-	213.085

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)**

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

**25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

Average interest rates applied to the financial instruments at December 31, 2015 and 2014 are as follows:

	31 December 2015			31 December 2014		
	US \$ (%)	EUR (%)	TL (%)	US \$ (%)	EUR (%)	TL (%)
<b>Assets</b>						
Lease receivables	6,00	5,47	12,14	6,09	5,98	12,85
Time deposits	0,3	0,3	9,5	5,00	-	9,50
<b>Liabilities</b>						
Borrowings	2,94	2,39	11,13	3,07	2,35	11,31
Securities issued	-	-	11,33	-	-	9,88

**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 that the Company could realise in a current market exchange.

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

The fair values of short term financial assets and liabilities excluding finance lease receivables and borrowings are considered to approximate their respective carrying values due to their short-term nature.

The table below indicates the book value and the fair value of the financial assets which are stated at their carrying amounts other than their fair values:

	Book value		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Lease receivables, net	6.827.552	4.979.746	7.178.753	5.276.431
Borrowings	4.989.406	3.697.749	5.118.564	3.791.484
Securities issued	494.384	173.550	495.380	192.349

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

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

#### 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy in accordance with TFRS 7 that reflects the significance of the inputs used in determining the fair values of financial assets and liabilities, those are carried with their fair values on the balance sheet are as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

Hierarchy of financial instruments carried at fair value:

	31 December 2015		
	Level 1	Level 2	Level 3
Trading derivative financial assets	-	424	-
<b>Total assets</b>	-	<b>424</b>	-
Trading derivative financial liabilities	-	23	-
<b>Total liabilities</b>	-	<b>23</b>	-
	31 December 2014		
	Level 1	Level 2	Level 3
Trading derivative financial assets	-	613	-
<b>Total assets</b>	-	<b>613</b>	-
Trading derivative financial liabilities	-	23	-
<b>Total liabilities</b>	-	<b>23</b>	-

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

#### 26 - SUBSEQUENT EVENTS

By the approval of TL 1.000.000 issuance limit by Capital Markets Board decision no. 9/374 at April 3, 2015, The Company has issued securities amounting TL 65,000 nominally (Annual Compound Rate: 12.45%, Annual Ordinary Interest Rate: 12.45%) at January 8, 2016 with 364 days to maturity and TL 120,000 nominally (Annual Compound Rate: 11.64%, Annual Ordinary Interest Rate: 11.31%) at January 21, 2016 with 179 days to maturity.