Yapı Kredi Finansal Kiralama A.O.

Financial statements as of December 31, 2015 together with independent auditors’ report

Yapı Kredi Finansal Kiralama A.O.

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Güney Bağımsız Denetim ve SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

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Independent auditor's report

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

We have audited the accompanying financial statements of Yapı Kredi Finansal Kiralama A.O. ("the Company") which comprise the statement of financial position as at December 31, 2015 and the related statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Yapı Kredi Finansal Kiralama A.O. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Yaşar Bivas, SMMM
Partner

March 7, 2016
Istanbul, Turkey

Yapı Kredi Finansal Kiralama A.O.

Statement of financial position
as of December 31, 2015
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	**2015**	2014
Assets			
Cash and cash equivalents	5	**18,500**	17,476
Available-for-sale investment securities	6	**122**	122
Investment in direct finance leases	7	**6,827,552**	4,979,746
Derivative financial instruments	8	**424**	613
Investment in associates	9	**207,545**	196,901
Other assets and prepaid expenses	10	**495,761**	267,730
Property and equipment, net	11	**607**	686
Intangible assets, net	11	**3,450**	3,390
Deferred income tax assets, net	17	**49,916**	38,210
Total assets		**7,603,877**	5,504,874
Liabilities			
Borrowings	12	**4,989,406**	3,697,749
Debt securities issued	13	**494,384**	173,550
Accounts payable	15	**523,518**	202,427
Advances received from customers	14	**59,738**	62,034
Derivative financial instruments	8	**23**	23
Current income taxes payable	17	**7,793**	44,170
Other liabilities	15	**12,601**	6,852
Other provisions	23	**18,781**	16,807
Reserve for employment termination benefits	16	**783**	710
Total liabilities		**6,107,027**	4,204,322
Equity			
Share capital	18	**389,928**	389,928
Adjustment to share capital	18	**(31,017)**	(31,017)
Total paid-in share capital	18	**358,911**	358,911
Share premium		**2**	2
Retained earnings	19	**1,137,937**	941,639
Total equity		**1,496,850**	1,300,552
Total liabilities and equity		**7,603,877**	5,504,874

The accompanying notes set out on pages 6 to 53 form an integral part of these financial statements.

Yapı Kredi Finansal Kiralama A.O.

Statement of profit and loss and other comprehensive income for the year ended December 31, 2015

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

	Notes	2015	2014
Interest income from direct finance leases		**438,643**	334,301
Interest income on placements and transactions with banks		**1,991**	291
Total interest income		**440,634**	334,592
Interest expense on borrowings		**(138,818)**	(107,505)
Interest income from derivative financial instruments, net		**8,733**	10,562
Interest expense on debt securities issued		**(33,807)**	(5,140)
Net interest income		**276,742**	232,509
Foreign exchange gains and (losses), including net gain or losses from dealing in foreign currency		**6,550**	11,000
Net interest income after foreign exchange gains and losses		**283,292**	243,509
Fee and commission income, net		**1,219**	2,553
Impairment loss on finance lease receivables	7	**(68,972)**	(61,981)
Recoveries from impaired lease receivables	7	**27,263**	16,364
Income from profit of an associate	20	**27,781**	19,343
Other income/(expense), net	20	**3,571**	11,990
Operating expenses	21	**(35,808)**	(44,506)
Operating profit, net		**238,346**	187,272
Profit before income tax		**238,346**	187,272
Taxation on income	17	**(42,048)**	(34,220)
Profit for the year		**196,298**	153,052
Other comprehensive income not being reclassified to profit or loss		**-**	-
Total comprehensive income		**196,298**	153,052
Earnings per share (full TL)	24	**0.5034**	0.3925

The accompanying notes set out on pages 6 to 56 form an integral part of these financial statements.

Yapı Kredi Finansal Kiralama A.O.

Statement of changes in equity
for the year ended December 31, 2015
(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

	Share capital	Adjustment to share capital	Share premium	Retained earnings (Note 19)	Total equity
Balance at January 1, 2014	389,928	(31,017)	2	788,587	1,147,500
Dividends paid	-	-	-	-	-
Profit for the year	-	-	-	153,052	153,052
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	153,052	153,052
Balance at December 31, 2014	389,928	(31,017)	2	941,639	1,300,552
Balance at January 1, 2015	**389,928**	**(31,017)**	**2**	**941,639**	**1,300,552**
Dividends paid	-	-	-	**-**	**-**
Profit for the year	-	-	-	**196,298**	**196,298**
Other comprehensive income	-	-	-	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**196,298**	**196,298**
Balance at December 31, 2015	**389,928**	**(31,017)**	**2**	**1,137,937**	**1,496,850**

The accompanying notes set out on pages 6 to 56 form an integral part of these financial statements.

Yapı Kredi Finansal Kiralama A.O.

Statement of cash flows
for the year ended December 31, 2015
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2015	2014
Cash flows from operating activities			
Net profit for the year		**196,298**	153,052
Adjustments for:			
Depreciation and amortization	11, 21	**2,005**	13,360
Remeasurement of derivative financial instruments at fair value	8	**189**	(10,562)
Provision for employment termination benefits		**72**	248
Provision for tax and legal proceedings	23	**1,974**	2,089
Provision for impaired receivables	7	**68,972**	61,981
Interest income, net		**(276,742)**	(232,510)
Interest paid		**(150,261)**	(112,645)
Interest received		**406,464**	334,592
Provision for current and deferred income taxes		**42,048**	34,220
Other non-cash items		**(19,430)**	(46,136)
Taxes paid	17	**91,205**	842
Cash flows from operating profit before changes in operating assets and liabilities		**362,794**	198,531
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		**(1,882,608)**	(1,021,574)
Net (increase)/decrease in advances to vendors		**(167,621)**	106,088
Net increase in equipment to be leased		**(54,639)**	30,599
Net decrease/(increase) in other assets and prepaid expenses		**5,931**	(9,594)
Net increase in other liabilities, accounts payable and advances received		**130,514**	(56,344)
Net cash from/(used in) operating activities		**(1,605,629)**	(752,294)
Cash flows from investing activities			
Increase in investment securities	9	**-**	(3,402)
Purchase of property and equipment and intangible assets, net	11	**(1,986)**	16,104
Net cash (used in) investing activities		**(1,986)**	12,702
Cash flows from financing activities			
Borrowings		**1,284,357**	582,540
Debt securities issued		**314,503**	170,394
Net cash (used in)/provided from financing activities		**1,598,860**	752,934
Net increase/(decrease) in cash and cash equivalents		**(8,756)**	13,342
Effects of foreign exchange-rate changes on cash and cash equivalents		**9,780**	(261)
Cash and cash equivalents at the beginning of the year	5	**17,475**	4,394
Cash and cash equivalents at the end of the year	5	**18,499**	17,475

The accompanying notes set out on pages 6 to 56 form an integral part of these financial statements.

1. General information

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.

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. ("KFS") which is jointly controlled by 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.

These financial statements as at and for the year ended December 31, 2015 have been approved for the issue by the Board of Directors on March 7, 2016. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. Summary of significant accounting policies

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

Basis of presentation of financial statements

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with regulations of Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalized on the balance sheet of the lessor whether the lease is operating or finance lease until July 1, 2003. In accordance with amendments in Turkish tax law dated 24 April 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after July 1, 2003 in their statutory financial statements.

The "Law on Financial Leasing, Factoring and Finance Companies" has been published in the Official Gazette dated December 13, 2012 and became effective as of the publishing date.

The financial statements are based on the historical cost convention, except for the derivative instruments which are stated at their fair values.

2. Summary of significant accounting policies (continued)

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

Accounting for the effects of hyperinflation

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

The new standards, amendments and interpretations

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

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

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 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 financial statements of the Company.

Annual Improvements to IAS/IFRSs

In December 2013, IASB 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

IFRS 2 Share-based Payment:

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

2. Summary of significant accounting policies (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and 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).

IFRS 8 Operating Segments

The amendments clarify that: 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.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 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.

IAS 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

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 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.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 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.

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

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

2. Summary of significant accounting policies (continued)

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

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

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 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 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 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 IAS 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 IAS 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.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 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 IAS 28

2. Summary of significant accounting policies (continued)

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 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.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In April 2015, amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 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 IFRS 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 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

In February 2015, amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 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.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In February 2015, amendments issued to IAS 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 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued, Annual Improvements to IFRSs 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

2. Summary of significant accounting policies (continued)

- 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 1 January 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.

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 1 January 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 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 1 January 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.

2. Summary of significant accounting policies (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.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of preparation of financial statements (continued)

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

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 ("UCI") and Koç Holding A.Ş. group companies are considered and referred to as related parties (Note 22).

A related party is a person or 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.

(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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand. For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2. Basis of preparation of financial statements (continued)

Investment securities

Investment securities are classified as available-for-sale assets as these investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Company management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of it. Available-for-sale investment securities are subsequently remeasured at fair value based on quoted bid prices, or at 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 the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be transferred to income statement. Unlisted equity securities for which fair values cannot be measured reliably are recognised at cost after deductions for any impairment.

Accounting for leases (where the Company is a lessor)

Finance leases

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

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

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

Operating leases

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2. Basis of preparation of financial statements (continued

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the effective interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 7).

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and from discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to December 31, 2015 and 2014. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 8).

Property and equipment

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

Furniture and fixtures	5-15 years
Machinery, equipment and installations	6 years
Leasehold improvements	Shorter of lease period or useful lives

2. Basis of preparation of financial statements (continued

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

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

Intangible assets

Intangible assets are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible assets mainly comprise of expenditures to acquire software licenses and amortized by using the straight-line method over their useful lives of 3 or 15 years.

Investment in associates

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.

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. Basis of preparation of financial statements (continued)

Financial liabilities

Financial liabilities including borrowings and securities issued are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective yield method.

Income taxes

a. Income taxes currently payable

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

Taxes other than on income are recorded within operating expenses.

b. Deferred income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The principal temporary differences arise from the provision for impaired lease receivables, reserve for annual leave provision, derivative financial instruments, unused investment allowances and provision for employment termination benefits (Note 16).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

2. Basis of preparation of financial statements (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss, on assets carried at amortised cost, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

2. Basis of preparation of financial statements (continued)

Reserve for employment termination benefits

The Company has both defined benefit and defined contribution plans as described below:

(a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. Changes in the key assumptions and other sources of estimation regarding benefit fund are recognized in actuarial gains/losses in the year of the change in the estimates. All actuarial gains and losses are recognized in the other comprehensive income (Note 16).

(b) Defined contribution plans:

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.

Revenue recognition

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

Interest income and expense

Interest income and expense are recognized in the profit and loss and other comprehensive income statement for all instruments measured at amortized cost using the effective interest method.

Borrowing costs

All borrowing costs are recorded in the profit and loss and other comprehensive income statement in the period in which they are incurred.

Foreign currency transactions

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

2. Basis of preparation of financial statements (continued)

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 2014 assets held for sale are stated at their book values.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Share capital and dividends

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

Earnings per share

Earnings per share presented in the statement of comprehensive income are determined by dividing net income attributable to that class of shares by the weighted average number of such shares outstanding 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 inflation adjustment to shareholders' equity. 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.

Contingent assets and liabilities

Contingent liabilities are not recognized but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

3. Financial risk management

Financial risk factors and risk management

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

The Company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is carried out by Treasury and Foreign Relations department under policies approved by the Board of Directors. Treasury and Foreign Relations department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

The core business of the Company is to serve clients' financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk. The Treasury mainly focuses on the structure of the Company's assets and liabilities while analyzing these risks. The Treasury'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; in addition it tries to achieve the projected revenues of the Treasury budget, while minimizing the volatility of the results. The Treasury also aims to satisfy the Regulator's requirements.

The Rule Book is subject to the approval of the Board of Directors, which also approves any proposed amendment to it. It will be the Company's responsibility to assure regular compliance with these principles and limits.

a. Market risk

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

For the market risk management some general guidelines apply;

- Yapı ve Kredi Bankası A.Ş. Risk Management and the Company's Board of Directors are informed of and they 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.
- Planning and Control is independent from the Treasury and reports directly to general manager and Asset Liability Committee.
- Interest rate and foreign exchange risk is managed by the Treasury and it is the Treasury's responsibility to keep these within the 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.

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

3. Financial risk management (continued)

b. Credit risk

Financial instruments contain an element of risk that the counterparty may be unable to meet the terms of the agreements. This risk is managed by limiting the aggregate risk to any individual counterparty and financial institution. 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 summaries the geographic distribution of the Company's assets and liabilities at December 31, 2015 and 2014:

2015	**Assets**	**%**	**Liabilities**	**%**
Turkey	**7,348,198**	**97**	**1,819,431**	**30**
European countries	**79,944**	**1**	**3,345,717**	**54**
Other	**175,735**	**2**	**941,879**	**16**
	7,603,877	**100**	**6,107,027**	**100**

2014	Assets	%	Liabilities	%
Turkey	5,330,376	97	1,186,568	28
European countries	75,395	1	2,590,944	62
Other	99,103	2	426,810	10
	5,504,874	100	4,204,322	100

Maximum exposure to credit risk

	2015	2014
Credit risk exposures relating to balance sheet items:		
Due from banks	**18,500**	17,476
Lease receivables, net	**6,827,552**	4,979,746
Derivative financial instruments	**424**	613
Other assets – advances to vendors	**197,312**	142,673

The above table represents a worst case scenario of credit risk exposure.

Further credit risk related disclosures are provided in Note 7.

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

3. Financial risk management (continued)

c. Currency risk

Foreign currency risk is a result of the Company's assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. The Treasury 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 Planning and Control. A maximum limit of (+/-) EUR 5,000,000 (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 table below summaries the Company's exposure to foreign currency exchange rate risk at December 31, 2015 and 2014.

	Foreign currency (TL equivalent)			
2015	**US$**	**EUR**	**Other**	**Total**
Assets				
Cash and cash equivalents	**3,730**	**9,719**	**96**	**13,545**
Investment in direct finance leases	**1,741,759**	**3,419,446**	**85,506**	**5,246,710**
Other assets and prepaid expenses	**140,838**	**249,861**	**520**	**391,219**
Total assets	**1,886,327**	**3,679,026**	**86,122**	**5,651,474**
Liabilities				
Borrowings	**1,414,676**	**3,457,678**	**89,023**	**4,961,377**
Accounts payable	**186,803**	**286,120**	**1,533**	**474,456**
Advances received from customers	**14,754**	**23,912**	**12**	**38,677**
Total liabilities	**1,616,233**	**3,767,710**	**90,568**	**5,474,510**
Net balance sheet position (*)	**270,094**	**(88,684)**	**(4,446)**	**176,964**
Off-balance sheet derivative instruments net notional position	**(268,432)**	**100,888**	**3,815**	**(163,729)**

(*) Had the impact of the currency difference arising from the transactions between the Company and its customers, which would have been reflected to tenants, 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.

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

3. Financial risk management (continued)

	Foreign currency (TL equivalent)			
2014	US$	EUR	Other	Total
Assets				
Cash and cash equivalents	8,669	3,752	117	12,538
Investment in direct finance leases	1,220,210	2,377,592	79,117	3,676,919
Other assets and prepaid expenses	46,389	114,817	2,530	163,736
Total assets	1,275,268	2,496,161	81,764	3,853,193
Liabilities				
Borrowings	1,294,467	2,111,686	83,125	3,489,278
Accounts payable	11,862	128,309	1,351	141,522
Advances received from customers	7,508	27,835	9	35,352
Total liabilities	1,313,837	2,267,830	84,485	3,666,152
Net balance sheet position (*)	(38,569)	228,331	(2,721)	187,043
Off-balance sheet derivative instruments net notional position	41,487	(206,475)	6,585	(158,402)

(*) Had the impact of the currency difference arising from the transactions between the Company and its customers, which would have been reflected to tenants, 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.

At December 31, 2015, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of and TL 2.9076=US$1 and TL 3.1776=EUR1 (2014: TL 2.3189=US$1 and TL 2.8207=EUR1).

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

	Profit/(Loss)	Profit/(Loss)
	2015	2014
US$	**166**	292
EURO	**1,220**	2,185

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

d. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. 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.

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

3. Financial risk management (continued)

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

2015	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Liabilities					
Borrowings	**382,340**	**1,841,017**	**2,934,417**	**-**	**5,157,774**
Debt securities issued	**75,000**	**384,718**	**61,113**	**-**	**520,831**
Accounts payable	**257,148**	**266,370**	**-**	**-**	**523,518**
Advances received from customers	**59,738**	**-**	**-**	**-**	**59,738**
Derivative financial instruments	**23**	**-**	**-**	**-**	**23**
Current income taxes payable	**7,793**	**-**	**-**	**-**	**7,793**
Other liabilities	**6,822**	**-**	**-**	**5,779**	**12,601**
Total liabilities	**788,864**	**2,492,105**	**2,995,530**	**5,779**	**6,282,279**
Assets held for managing liquidity risk (contractual maturity dates)	**229,183**	**236,608**	**29,974**	**37,422**	**533,187**
Derivative financial instruments held for trading					
Cash inflows	**240,043**	**29,279**	**-**	**-**	**269,322**
Cash outflows	**(239,297)**	**(29,076)**	**-**	**-**	**(268,373)**

2014	Up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	544,059	1,441,220	1,853,715	-	3,838,994
Debt securities issued	3,105	63,315	129,315	-	195,735
Accounts payable	104,644	97,783	-	-	202,427
Advances received from customers	62,034	-	-	-	62,034
Derivative financial instruments	23	-	-	-	23
Current income taxes payable	44,170	-	-	-	44.170
Other liabilities	682	-	-	6,170	6,852
Total liabilities	758,717	1,602,318	1,983,030	6,170	4,350,235
Assets held for managing liquidity risk (contractual maturity dates)	639,642	1,409,173	4,062,019	54,225	6,165,059
Derivative financial instruments held for trading					
Cash inflows	213,999	-	-	-	213,999
Cash outflows	213,085	-	-	-	213,085

e. 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% increase in the TL interest rate and a 2% increase in the foreign currency interest rate with all other variables being constant, there will be TL 38,490 (2014: TL 6,674) decrease in the net present value of assets and liabilities which are sensitive for interest rates.

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

3. Financial risk management (continued)

The table below summaries the average year-end interest rates by major currencies for monetary financial instruments:

	2015			2014		
	(%)			(%)		
	US$	**EUR**	**TL**	US$	EUR	TL
Assets						
Investment in direct finance leases	**6.00**	**5.47**	**12.14**	6.09	5.98	12.85
Time deposits	**0.3**	**0.3**	**9.5**	5.00	-	9.5
Liabilities						
Borrowings	**2.94**	**2.39**	**11.13**	3.07	2.35	11.31
Debt securities issued	**-**	**-**	**11.33**	-	-	9.88

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

2015	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 Year**	**Non-interest bearing**	**Total**
Assets					
Cash and cash equivalents	**10,539**	**-**	**-**	**7,961**	**18,500**
Available-for-sale investment securities	**-**	**-**	**-**	**122**	**122**
Investment in direct finance leases	**712,189**	**1,271,262**	**4,806,678**	**37,424**	**6,827,553**
Derivative financial instruments	**424**	**-**	**-**	**-**	**424**
Investment in associates and subsidiaries	**-**	**-**	**-**	**207,545**	**207,545**
Other assets and prepaid expenses	**-**	**-**	**-**	**495,761**	**495,761**
Property and equipment, net	**-**	**-**	**-**	**607**	**607**
Intangible assets, net	**-**	**-**	**-**	**3,450**	**3,450**
Deferred income tax assets, net	**-**	**-**	**-**	**49,916**	**49,916**
Total assets	**723,152**	**1,271,262**	**4,806,678**	**802,786**	**7,603,877**
Liabilities					
Borrowings	**2,061,737**	**2,682,911**	**244,758**	**-**	**4,989,406**
Debt securities issued	**78,340**	**361,544**	**54,500**	**-**	**494,384**
Accounts payable	**-**	**-**	**-**	**523,518**	**523,518**
Advances received from customers	**-**	**-**	**-**	**59,738**	**59,738**
Derivative financial instruments	**23**	**-**	**-**	**-**	**23**
Current income taxes payable	**-**	**-**	**-**	**7,793**	**7,793**
Other liabilities	**-**	**-**	**-**	**12,601**	**12,601**
Other provisions	**-**	**-**	**-**	**18,781**	**18,781**
Reserve for employment termination benefits	**-**	**-**	**-**	**782**	**782**
Total liabilities	**2,140,100**	**3,044,455**	**299,258**	**623,214**	**6,107,027**
Net re-pricing gap(*)	**(1,416,948)**	**(1,773,193)**	**4,507,420**	**179,572**	**1,496,850**
Cash inflow from derivative financial instruments	**240,043**	**29,279**	-	-	**269,322**
Cash outflow from derivative financial instruments	**(239,297)**	**(29,076)**	-	-	**(268,373)**

(*) Equals to the total equity of the Company.

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

3. Financial risk management (continued)

2014	Demand and up to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	9,662	-	-	7,814	17,476
Available-for-sale investment securities	-	-	-	122	122
Investment in direct finance leases	604,658	1,047,156	3,273,707	54,225	4,979,746
Derivative financial instruments	613	-	-	-	613
Investment in associates and subsidiaries	-	-	-	196,901	196,901
Other assets and prepaid expenses	-	-	-	267,730	267,730
Property and equipment, net	-	-	-	686	686
Intangible assets, net	-	-	-	3,390	3,390
Deferred income tax assets, net	-	-	-	38,210	38,210
Total assets	614,933	1,047,156	3,273,707	569,078	5,504,874
Liabilities					
Borrowings	764,456	2,417,757	515,536	-	3,697,749
Debt securities issued	121,797	51,753	-	-	173,550
Accounts payable	-	-	-	202,427	202,427
Advances received from customers	-	-	-	62,034	62,034
Derivative financial instruments	23	-	-	-	23
Current income taxes payable	-	-	-	44,170	44,170
Other liabilities	-	-	-	6,852	6,852
Other provisions	-	-	-	16,807	16,807
Reserve for employment	-	-	-		
termination benefits	-	-	-	710	710
Total liabilities	886,276	2,469,510	515,536	333,000	4,204,322
Net re-pricing gap(*)	(271,343)	(1,422,354)	2,758,171	236,078	1,300,552
Cash inflow from derivative financial instruments	213,999	-	-	-	213,999
Cash outflow from derivative financial instruments	213,085	-	-	-	213,085

f. Operational risk

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

g. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price).

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

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

3. Financial risk management (continued)

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

The fair values of certain financial assets 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 fair value of the financial assets which are stated at amortized cost in the statement of financial position:

	Carrying amount		**Fair value**	
	2015	2014	**2015**	2014
Finance lease receivables	**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
Debt securities issued	**494,384**	173,550	**495,380**	192,349

Fair value hierarchy

Fair values of financial assets and liabilities, that are carried with their fair values on the balance sheet, are determined as follows:

- Level 1: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical 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 quoted 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.

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Company’s classification of financial assets and liabilities carried at their fair value are as follows:

2015	**Level 1**	**Level 2**	**Level 3**
Trading derivative financial assets	-	**424**	-
Total assets	-	**424**	-
Trading derivative financial liabilities	-	**23**	-
Total liabilities	-	**23**	-

2014	**Level 1**	**Level 2**	**Level 3**
Trading derivative financial assets	-	613	-
Total assets	-	**613**	-
Trading derivative financial liabilities	-	23	-
Total liabilities	-	**23**	-

3. Financial risk management (continued)

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

h. 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, 2014, the Company is required to keep min 3% standard ratio calculated by dividing equity to total assets. Standard ratio of the Company is 19.7% as of December 31, 2015. (31 December 2014: 23.6%)

4. Critical accounting estimates and judgments

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

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance (Note 7).

Fair value of derivatives

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values (Note 8).

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances (Note 17).

Provisions for legal proceedings

In order to record allowances for litigations, the consequences of lost cases and status of the ongoing cases are evaluated with the Company lawyers and the Company management makes most accurate evaluations with the available data (Note 23).

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

4. Critical accounting estimates and judgements (continued)

Employee termination benefits

The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. These estimations which are disclosed in Note 16 are reviewed regularly. The carrying values of employee termination benefit provisions as of December 31, 2015 and 2014 are TL 783 and TL 710, respectively.

5. Cash and cash equivalents

		2015			2014	
	Foreign currency	**TL**	**Total**	Foreign currency	TL	Total
Due from banks						
- time deposits	**6,839**	**3,700**	**10,539**	6,955	2,707	9,662
- demand deposits	**6,707**	**1,254**	**7,961**	5,583	2,231	7,814
Total cash and cash equivalents	**13,546**	**4,954**	**18,500**	12,538	4,938	17,476

For the purposes of cash flow statements, cash and cash equivalents comprise TL 18,499 and TL 17,475 at December 31, 2015 and 2014, respectively. Accrued interest on time deposits as of December 31, 2015: TL 1 (December 31, 2014 – 1).

Time deposits:

	31 December 2015			**31 December 2014**		
	Maturity	**Amount (TL Equivalent)**	**Per-annum rate (%)**	**Maturity**	**Amount (TL Equivalent)**	**Per-annum rate (%)**
EURO	**January 4,2016**	**5,879**	**3%**	-	-	-
USD	**January 4,2016**	**960**	**3%**	January 2, 2015	6,955	5%
TL	**January 4,2016**	**3,700**	**9.5%**	January 2, 2015	2,707	9.5%-10.62%
Total		**10,539**			9,662	

6. Available-for sale investment securities

	2015	2014
Securities available-for-sale	**122**	122
Unlisted equity securities	**122**	122

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

6. Available-for sale investment securities (continued)

The unlisted equity securities at December 31, 2015 and 2014 are as follows:

Entity	Nature of business	2015 TL	2015 (%)	2014 TL	2014 (%)
Yapı Kredi Bank Moscow	Banking	**1,928**	**<1**	1,928	<1
Yapı Kredi Bank Azerbaijan J.S.B.	Banking	**91**	**<1**	91	<1
Yapı Kredi Yatırım Menkul Değerler A.Ş.	Investment Management	**14**	**<1**	14	<1
Koç Kültür Sanat ve Tanıtım A.Ş.	Organisation	**10**	**4.9**	10	4.9
Yapı Kredi Faktoring Hizmetleri A.Ş.	Factoring Management	**7**	**<1**	7	<1
		2,050		2,050	
Less: Provision for impairment		**(1,928)**		(1,928)	
		122		122	

7. Investment in direct finance leases

	2015	2014
Gross investment in direct finance leases	**8,063,505**	5,892,291
Invoiced lease receivables	**36,582**	23,799
Gross finance lease receivables	**8,100,087**	5,916,090
Unearned finance income	**(1,275,248)**	(965,045)
Finance lease receivables	**6,824,839**	4,951,045
Impaired lease receivables	**279,521**	264,422
Impairment provision - impaired lease receivables	**(242,100)**	(210,198)
Impairment provision - lease receivables under follow up (watch list)	**(1,907)**	(2,023)
Impairment provision - portfolio provision	**(32,801)**	(23,500)
Finance lease receivables, net	**6,827,552**	4,979,746

At December 31, 2015 and 2014 the gross investment in direct finance leases according to their interest type are as follows:

	2015	2014
Fixed interest	**7,896,101**	5,702,446
Floating interest	**167,404**	189,845
	8,063,505	5,892,291

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

7. Investment in direct finance leases (continued)

At December 31, 2015 and 2014 the leasing receivables have the following collection schedules:

Period end	**2015 Gross**	**2015 Net**
December 31, 2016	**2,301,663**	**1,879,776**
December 31, 2017	**1,796,160**	**1,435,643**
December 31, 2018	**1,384,528**	**1,172,906**
December 31, 2019	**1,081,600**	**949,432**
December 31, 2020	**685,212**	**612,123**
December 31, 2021 and after	**850,924**	**774,959**
	8,100,087	**6,824,839**

Period end	2014 Gross	2014 Net
December 31, 2015	1,852,037	1,522,866
December 31, 2016	1,331,155	1,077,686
December 31, 2017	969,556	814,110
December 31, 2018	670,431	573,021
December 31, 2019	477,166	414,051
December 31, 2020 and after	615,745	549,311
	5,916,090	**4,951,045**

Finance lease receivables can be analysed as follows:

	2015	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
Gross	**7,104,360**	5,215,467
Less: allowances for impairment	**(276,808)**	(235,721)
Net finance lease receivables	**6,827,552**	4,979,746

As at December 31, 2015, TL 17,530 of the total collaterals (2014: TL 18,676) are related with the impaired finance lease receivables amounting to TL 279,521 (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).

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

7. Investment in direct finance leases (continued)

The aging of past due but not impaired finance lease receivables at December 31, 2015 and 2014 are as follows:

	2015		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
60 days and over	**13,084**	**61,587**	7,219	64,539
	36,582	**546,119**	23,799	340,044

TL 17,978 of past due but not impaired lease receivables is followed-up by the Company via the watch list. Remaining principal amount of the same lease receivables amounting to TL 162,040 is also followed-up via the watch list (2014: TL 5,714 invoiced amount, TL 193,773 remaining principal).

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

	2015			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 over	**112,586**	**138,778**	**251,364**	98,402	127,924	226,326
	118,349	**161,172**	**279,521**	106,364	158,058	264,422

Movements in provision for impaired finance lease receivables for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
At January 1	**235,721**	190,104
Impairment expense during the year	**68,972**	61,981
Recoveries of amounts previously provided for (including foreign exchange differences)	**(27,263)**	(16,364)
Write-off	**(622)**	-
At December 31	**276,808**	235,721

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

7. Investment in direct finance leases (continued)

Economic sector risk concentrations for the gross investment in direct finance leases as of December 31, 2015 and 2014 are as follows:

	2015	**%**	**2014**	**%**
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
	8,100,087	100	5,916,090	100

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

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Renegotiated finance lease receivables that would otherwise be past due or impaired amounts to TL 91,888 (2014: TL 146,296).

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

As of December 31, 2015 and 2014, the Company obtained the following collaterals from its customers except for the assets subject to finance lease, against their outstanding exposures:

	2015	**2014**
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
	287,248	**259,640**

Investment in direct finance leases are further analyzed as a part of the balance sheet in the notes: related party transactions (Note 22) and financial risk management (Note 3).

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

8. Derivative financial instruments

	Contract/notional amount	Fair values Assets	(Liabilities)
2015			
Foreign exchange derivatives			
Currency forwards	**537,754**	**424**	**(23)**
Total over the counter	**537,754**	**424**	**(23)**
2014			
Foreign exchange derivatives			
Currency forwards	427,084	613	(23)
Total over the counter	427,084	613	(23)

Derivative financial instruments are further analysed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 23) and financial risk management (Note 3).

9. Investment in associates and subsidiaries

Information on investments in associates:

Description	Address (City/Country)	Shareholding Percentage (%)	Other Shareholders' shareholding percentage (%)
Allianz Yaşam ve Emeklilik A.Ş	İstanbul /Turkey	19.93	80.07

Main financial figures of the investments in associates in order of the above table:

Total Assets	Shareholders' Equity	Total Fixed Assets (net)	Interest Income	Income From Marketable Securities Portfolio	Current Period Profit / Loss
1,191,057	336,062	81,950	65,706	-	140,075

In 2013, 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 Yapı Kredi Emeklilik A.Ş. (now known as Allianz Yaşam ve Emeklilik A.Ş.) for full TL 188,107,812 on July 12, 2014. At the acquisition date, associate's net asset value is TL 215,550 and 19.93% of such amount is TL 42,959 and purchase value is TL 188,108.

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

9. Investment in associates and subsidiaries (continued)

Movement of investments in associates:

	Current Period	**Prior Period**
Balance at the beginning of the period	**196,901**	193,499
Movements during the period	**10,644**	3,402
Purchases	**-**	-
Share of current year income	**27,781**	19,343
Dividend distributed	**(17,137)**	(15,941)
Balance at the end of the period	**207,545**	196,901

10. Other assets and prepaid expenses

	2015	2014
Advances to vendors	**197,312**	142,673
Equipments to be leased	**244,791**	77,170
Prepaid expenses	**50,986**	33,179
Deferred value added tax	**-**	9,972
Asset held for resale	**2,149**	4,166
Other	**523**	570
	495,761	267,730

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

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

11. Property and equipment and intangible assets

a) Property and equipment

	Furniture and fixtures	Machinery, equipment and installations	Leasehold improvements	Total
At January 1, 2015				
Cost	**522**	**1,480**	**575**	**2,577**
Accumulated depreciation	**(471)**	**(1,069)**	**(351)**	**(1,891)**
Net book value	**51**	**411**	**224**	**686**
December 31, 2015				
Opening net book value	**51**	**411**	**224**	**686**
Additions	**21**	**103**	**86**	**210**
Disposals, net	**-**	**-**	**-**	**-**
Depreciation	**(32)**	**(156)**	**(101)**	**(289)**
Net book value	**40**	**358**	**209**	**607**
At December 31, 2015				
Cost	**543**	**1,583**	**661**	**2,787**
Accumulated depreciation	**(503)**	**(1,225)**	**(452)**	**(2,180)**
Net book value	**40**	**358**	**209**	**607**

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

11. Property and equipment and intangible assets (continued)

	Furniture and fixtures	Machinery, equipment and installations (*)	Leasehold improvements	Total
At January 1, 2014				
Cost	660	30,716	522	31,898
Accumulated depreciation	(570)	(972)	(242)	(1,784)
Net book value	90	29,744	280	30,114
December 31, 2014				
Opening net book value	90	29,744	280	30,114
Additions	17	222	53	292
Disposals, net	-	(18,197)	-	(18,197)
Depreciation	(56)	(11,358)	(109)	(11,523)
Net book value	51	411	224	686
At December 31, 2014				
Cost	677	12,741	575	13,993
Accumulated depreciation	(626)	(12,330)	(351)	(13,307)
Net book value	51	411	224	686

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

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

b) Intangible assets

December 31, 2015	**Software**
Opening net book value	**3,390**
Additions	**1,776**
Disposals, net	**-**
Amortisation charge	**(1,716)**
Net book value	**3,450**
At December 31, 2015	
Cost	**11,791**
Accumulated amortisation	**(8,341)**
Net book value	**3,450**

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

11. Property and equipment and intangible assets (continued)

December 31, 2014	**Software**
Opening net book value	3,426
Additions	1,801
Disposals, net	-
Amortisation charge	(1,837)
Net book value	**3,390**

At December 31, 2014

Cost	10,015
Accumulated amortisation	(6,625)
Net book value	**3,390**

12. Borrowings

	2015			2014		
	Interest rates per annum (%)	**Balance in original currency (thousands)**	**TL**	Interest rates per annum (%)	Balance in original currency (thousands)	TL
Domestic borrowings						
Fixed rate borrowings:						
EUR	**2.20**	**112,055**	**356,065**	-	-	-
US$	**2.80**	**101,067**	**293,862**	3.20	209,206	485,126
TL	**13.50**	**8,006**	**8,006**	11.40	179,340	179,340
Floating rate borrowings:						
EUR	**2.30**	**49,864**	**158,447**	2.70	4,023	11,347
US$	**3.20**	**9,017**	**26,217**	2.90	30,203	70,038
Total domestic borrowings			**842,597**			745,851
Foreign borrowings						
Fixed rate borrowings:						
EUR	**2.80**	**157,837**	**501,543**	2.40	286,375	807,777
US$	**3.10**	**78,198**	**227,368**	2.90	118,314	274,358
TL	**14.0**	**20,023**	**20,023**	10.90	29,131	29,131
CHF	**1.20**	**5,328**	**15,598**	1.20	6,316	14,778
Floating rate borrowings:						
EUR	**2.30**	**768,386**	**2,441,623**	2.30	458,242	1,292,562
US$	**3.00**	**298,263**	**867,229**	3.00	200,502	464,945
CHF	**0.70**	**25,079**	**73,425**	0.70	29,212	68,347
Total foreign borrowings			**4,146,809**			2,951,898
Total borrowings			**4,989,406**			3,697,749

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

12. Borrowings (continued)

	2015	2014
Short term bank borrowings	**28,029**	208,471
Short term portion of long term borrowings	**2,114,982**	1,717,820
Total short term borrowings	**2,143,011**	1,926,291
Long term borrowings	**2,846,395**	1,771,458
Total long term borrowings	**2,846,395**	1,771,458
Total borrowings	**4,989,406**	3,697,749

Payment terms of the borrowings as as follows:

	2015	2014
To be paid within 1 year	**2,143,011**	1,926,291
To be paid between 1-2 years	**2,183,929**	1,024,869
To be paid between 2-3 years	**234,093**	353,348
To be paid between 3-4 years	**167,594**	154,513
To be paid between 4-5 years	**149,615**	110,948
To be paid between 5-6 years	**67,370**	95,889
To be paid between 6-7 years	**23,494**	25,705
To be paid after 7 years	**20,300**	6,186
	4,989,406	3,697,749

13. Securities Issued

	2015	2014
Debt securities issued	**494,384**	173,550
	494,384	173,550

Securities	**Nominal**	**Currency**	**Issue Date**	**Maturity Date**	**Simple Rate**	**Compound Rate**	**Rate Type**
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

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

14. Advances received

Advances received are related with the amounts received from customers regarding the financial leasing agreements. Advances received with respect to new financial leasing agreements at December 31, 2015 amount to TL 59,738 (2014: TL 62,034).

15. Other liabilities and accounts payable

	2015	2014
Provision for personnel performance bonus	**2,250**	2,640
Expense accruals	**2,167**	2,230
Provision for unused annual vacation	**1,362**	1,300
Withholding taxes and duties payable	**6,822**	682
	12,601	6,852

Accounts payable:

Accounts payable 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 523,518 is shorter than 1 year. (As of December 31, 2014, maturity of trade payables amounting to TL 202,427 is shorter than 1 year)

16. Reserve for employment termination benefits

	2015	2014
Reserve for employment termination benefits	**783**	710

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age. Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of full TL 4,093 as of December 31, 2015 (2014: full TL 3,541) for each year of service. The liability is not funded, as there is no funding requirement.

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

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

	2015	2014
Discount rate (%)	**4.6**	3.5
Turnover rate to estimate the probability of retirement (%)	**9.36**	9.25

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

16. Reserve for employment termination benefits (continued)

Additionally, the principal actuarial assumption is that the maximum liability for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL 4,093 (January 1, 2015: full TL 3,541) which is effective from January 1, 2016, has been taken into consideration in calculating the reserve for employee benefits of the Company.

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

	2015	2014
At January 1	**710**	552
Paid during the year	**(285)**	(90)
Service cost	**326**	215
Interest cost	**32**	33
Actuarial gain/(loss)	**-**	-
At December 31	**783**	710

17. Taxation

	2015	2014
Corporate taxes payable	**54,828**	45,413
Minus: Prepaid taxes	**(47,035)**	(1,243)
Corporate tax payable, net	**7,793**	44,170

	2015	2014
Current tax charge	**(53,754)**	(45,013)
Deferred tax income	**11,706**	10,793
	(42,048)	(34,220)

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 January 1, 2006. Corporation tax rate in Turkey starting from January 1, 2006 is 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 utilized within the scope of Income Tax Law transitional article 61).

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

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

17. Taxation (continued)

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 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 which 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.

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

	2015	2014
Profit before taxes(*)	**210,565**	167,929
Theoretical tax expense with 20% tax rate	**(42,113)**	(33,586)
Tax-free income and non-deductible expenses(net)	**65**	(634)
Current year tax expense	**(42,048)**	(34,220)

(*) Excluding net income gained from associates.

Exemption for investment allowance

Investment allowance applied for several years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was abolished with law no. 5479 dated 8 April 2006. However, in accordance with temporary law no. 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts existing as of December 31, 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 January 1, 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 December 31, 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to January 1, 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 December 31, 2005 (including provisions related to tax rate).

17. Taxation (continued)

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 December 31, 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 December 31, 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 January 8, 2011. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette.

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.

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 taxes:

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

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

17. Taxation (continued)

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, 2011, 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, 2012 since Boğaziçi 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 2014, the amount previously recognized as tax deposit account was closed, added to the current corporate tax charge as income and reversed from deferred tax assets.

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

	Total temporary differences		Deferred income tax assets/(liabilities)	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Deferred tax assets				
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
Unused investment allowance		-		-
Difference between carrying value and tax base of property, equipment and intangible assets	**106**	301	**21**	60
Other	**2,250**	3,443	**450**	668
Deferred tax assets			**56,946**	**42,688**
Deferred tax liabilities				
Valuation difference on financial liabilities	**(39,516)**	(21,761)	**(7,903)**	(4,352)
Difference between carrying value and tax base of property, equipment and intangible assets	**-**	-		-
Income accrual on lease receivables	**4,789**	(13)	**958**	(3)
Valuation differences of derivative financial Instruments	**(424)**	(613)	**(85)**	(123)
Difference between carrying value and tax base of financial leases	**-**	-		-
Deferred tax liabilities			**(7,030)**	**(4,478)**
Deferred tax assets - net			**49,916**	**38,210**

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

17. Taxation (continued)

Movement of the deferred tax assets / (liabilities) for the year is as follows:

	December 31, 2015	December 31, 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) classified at equity		-
Deferred tax asset/(liability) as of December 31	**49,916**	38,210

18. Share capital

At December 31, 2015 the Company's authorized share capital consists of 389,927,705 shares with a par value of TL1 each (2014: 389,927,705 shares with a par value of TL1 each).

Adjustment to share capital represents the restatement effect of cash contributions to share capital in year-end equivalent purchasing power.

At December 31, 2015 and 2014, the share capital is as follows:

		2015		2014
	Shares (%)	**TL**	Shares (%)	TL
Yapı ve Kredi Bankası A.Ş.	**99,99**	**389,904**	99.99	389,903
Other	**0,01**	**24**	0.01	25
	100.00	**389,928**	100.00	389,928
Adjustment to share capital		**(31,017)**		(31,017)
		358,911		358,911

19. Retained earnings and legal reserves

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

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.

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

19. Retained earnings and legal reserves (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.

At December 31, 2015 and 2014 reserves held by the Company in the statutory financial statements which are not allowed to be distributed in accordance with TCC regulations is as follows:

	2015	2014
Legal reserves	**78,228**	78,228

20. Other income/(expense)

	2015	2014
Income from profit of an associate	**27,781**	19,343
Income from profit of an associate	**27,781**	19,343
Operating lease income	**-**	12,144
Fixed asset sales gain, net	**4,910**	1,619
Income/(expense) on legal cases, net	**(1,978)**	(2,089)
Other	**639**	316
Other income/(expense), net	**3,571**	11,990

21. Operating expenses

	January 1 - December 31, 2015	January 1- December 31, 2014
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
Computer maintenance and repair expenses	**833**	788
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
	35,808	44,506

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

22. Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business.

a) Balances with related parties

	2015	2014
Assets		
Due from banks		
Shareholders		
- Demand deposits		
Yapı ve Kredi Bankası A.Ş.	**7,797**	7,567
Other related parties		
Yapı Kredi Bank Nederland N.V.	**2**	2
Shareholders		
- Time deposits		
Yapı ve Kredi Bankası A.Ş.	**10,539**	9,657
	18,338	17,226

	2015	2014
Net investment in direct finance leases		
Other related parties		
Demir Export A.Ş. – Fernas İnş. A.Ş. Adi Ortaklığı(*)	**194,741**	179,687
Karsan Otomotıv San. Ve Tıc. 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 Hizmetleri A.Ş.	**6,177**	5,789
Heksagon Mühendislik Ve Tasarım A.Ş.	**5,035**	6,349
Sirena Marıne Malta Ltd	**4,745**	6,328
Setur Antalya Marina İşletmeciliği A.Ş	**1,948**	2,116
Ferrocom Mad.San.Ve Tic.A.Ş.	**-**	5,532
Other	**8**	-
	365,181	325,796

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

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

22. Transactions and balances with related parties (continued)

	2015	2014
Other assets		
Other related parties		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	15
	-	15
Liabilities		
Borrowings		
Other related parties		
Unicredit Bank Austria AG	**2,405,761**	1,710,264
Unicredit Bank AG	**91,141**	93,355
	2,496,902	1,803,619

	2015	2014
Trade payables		
Associates		
Allianz Yaşam ve Emeklilik A.Ş.	**6,058**	5,578
Other related parties		
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
	6,388	5,838
Contingent liabilities		
Guarantee letters		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**5,304**	18,985
	5,304	18,985
Derivative financial instruments		
Foreign currency forward transactions (buy)		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**269,322**	49,599
Foreign currency forward transactions (sell)		
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**268,432**	49,484
	537,754	99,083

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

22. Transactions and balances with related parties (continued)

b) Transactions with related parties

Interest income from direct finance leases	**2015**	2014
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**-**	15
Other related parties		
Demir Export A.Ş. – Fernas İnş. A.Ş. Adi Ortaklığı	**12,110**	17,927
Koç Üniversitesi	**6,316**	1,376
Karsan Otomotıv San. Ve Tıc. A.Ş.	**4,914**	4,377
Demir Export A.Ş.	**2,692**	686
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**610**	540
Heksagon Mühendislik Ve Tasarım A.Ş.	**321**	446
Moment Eğitim Araştırma Sağlık Hizm.Ve Tic.A.Ş	**273**	101
Sirena Marıne Malta Ltd	**200**	248
Setur Antalya Marina İşletmeciliği A.Ş	**100**	124
Ferrocom Mad.San.Ve Tic.A.Ş.	**-**	237
Haremlik Gıda Dek.Ve Ekipmanları San.Tic.Ltd.Şti.	**-**	4
Callus Bilgi ve İletişim	**-**	1
	27,536	26,082

Interest income on bank deposits	**2015**	2014
Shareholders		
Yapı Kredi Bankası A.Ş.	**668**	270
Yapı ve Kredi Malta	**7**	-
	675	270

Commission expenses	**2015**	2014
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**305**	379
	305	379

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

22. Transactions and balances with related parties (continued)

Service expenses	**2015**	2014
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**919**	1,051
Associates		
Allianz Yaşam ve Emeklilik A.Ş	**19**	29
Other related parties		
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
	4,696	4,089

Interest expense on borrowings	**2015**	2014
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**393**	5,182
Other related parties		
Unicredit Bank Austria AG	**54,462**	44,063
Unicredit Bank AG	**1,896**	2,150
	56,751	51,395

Rent expenses	**2015**	2014
Shareholders		
Yapı ve Kredi Bankası A.Ş.	**1,105**	742
Associates		
Allianz Yaşam ve Emeklilik A.Ş	**-**	11
	1,105	753

Dividend income	**2015**	2014
Associates		
Allianz Yaşam ve Emeklilik A.Ş. (*)	**17,137**	15,941
	6	9
Other related parties		
Yapı Kredi Faktoring A.Ş.		
Yapı Kredi Yatırım Menkul Değerler A.Ş.	**1**	2
	17,144	15,952

(*) 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

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

23. Commitments and contingent liabilities

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at December 31, 2015 and 2014.

Commitments under derivative financial instruments:

		2015		2014
	Original currency	**TL**	Original currency	TL
Forward currency purchases				
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
		269,322		213,999
Forward currency sales				
USD	92,301	268,432	2,850	6,609
EUR	-	-	73,200	206,476
CHF	-	-	-	-
GBP	-	-	-	-
		268,432		213,085
Total contract amount		**537,754**		427,084

Other commitments:

The Company has given guarantee letters to government organizations, customs authorities and banks amounting to TL 50,795 (2014: TL 20,517).

Legal proceedings:

Provisions for legal proceedings as of December 31, 2015 and 2014 are as follows:

	2015	2014
Provision for open legal cases	**18,781**	16,807
	18,781	16,807

The Company has provided for a total provision of TL 18,781 against certain open legal cases as of December 31, 2015 (2014: TL 16,807).

The movement of the provision for legal cases is as follows:

	2015	2014
January 1	**16,807**	15,204
Paid	**(4)**	(486)
Current year provision	**1,978**	2,089
December 31	**18,781**	16,807

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

24. Earnings and dividends per share

	2015	2014
Current year net income	**196,298**	153,052
Weighted average number of shares during the year (1 full TL nominal value)	**389,927,705**	389,927,705
Earnings per share (full TL)	**0.5034**	0.3925

	2015	2014
Dividends paid	-	-
Weighted average number of shares during the year (1 full TL nominal values)	**389,927,705**	389,927,705
Dividends per share (full TL)	**-**	-

25. 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.