



Alternatif Finansal Kiralama A.Ş.
Financial Statements
As at and for the year ended
31 December 2015 With
Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

29 February 2016

*This report includes "independent auditors' report"
comprising 2 pages and "financial statements
together with their explanatory notes" comprising
38 pages.*

Alternatif Finansal Kiralama AŞ

Table of contents:

Independent auditors' report
Statement of financial position
Statement of profit or loss and other comprehensive income
Statement of changes in equity
Statement of cash flows



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

Independent Auditors' Report

To the Board of Directors of Alternatif Finansal Kiralama Anonim Şirketi:

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

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 the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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 principles 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 opinion.



Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Alternatif Finansal Kiralama Anonim Şirketi as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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


Murat Alsan
Partner

29 February 2016
İstanbul, TÜRKİYE

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS.....	4
NOTES TO THE FINANCIAL STATEMENTS	5-38
NOTE 1 GENERAL INFORMATION.....	5
NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	5-12
NOTE 3 FINANCIAL RISK MANAGEMENT.....	13-19
NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	20
NOTE 5 CASH AND CASH EQUIVALENTS.....	20
NOTE 6 DERIVATIVE FINANCIAL INSTRUMENTS.....	21
NOTE 7 AVAILABLE FOR SALE INVESTMENT SECURITIES.....	21
NOTE 8 INVESTMENT IN DIRECT FINANCE LEASES	22-24
NOTE 9 PROPERTY AND EQUIPMENT	25
NOTE 10 INTANGIBLE ASSETS	26
NOTE 11 OTHER ASSETS AND PREPAID EXPENSES.....	27
NOTE 12 FUNDS BORROWED	27
NOTE 13 DEBT SECURITIES IN ISSUE.....	28
NOTE 14 ACCOUNTS PAYABLE	28
NOTE 15 OTHER LIABILITIES.....	29
NOTE 16 TAXATION	29-31
NOTE 17 OTHER PROVISIONS	32
NOTE 18 RESERVE FOR EMPLOYMENT TERMINATION BENEFITS	32-33
NOTE 19 SHARE CAPITAL	33
NOTE 20 RETAINED EARNINGS AND LEGAL RESERVES.....	33
NOTE 21 MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES.....	34
NOTE 22 SALARIES AND EMPLOYEE BENEFITS.....	34
NOTE 23 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	34-37
NOTE 24 OTHER INCOME / (EXPENSES), NET	38
NOTE 25 COMMITMENTS AND CONTINGENT LIABILITIES	38
NOTE 26 POST BALANCE SHEET EVENTS	38

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

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

	Notes	2015	2014
ASSETS			
Cash and cash equivalents	5	31,868	6,493
Available for sale investment securities	7	-	2
Derivative financial instruments	6	-	1,451
Investment in direct finance leases	8	1,031,355	658,748
Other assets and prepaid expenses	11	28,660	20,572
Property and equipment, net	9	1,220	1,873
Intangible assets, net	10	580	622
Deferred income tax assets, net	16	19,888	22,637
Total assets		1,113,571	712,398
LIABILITIES AND EQUITY			
Funds borrowed	12	822,518	519,709
Debt securities in issue	13	142,088	93,959
Accounts payable	14	13,613	8,547
Derivative financial instruments	6	1,463	-
Other liabilities	15	16,991	9,934
Other provisions	17	41	94
Reserve for employment termination benefits	18	393	265
Total liabilities		997,107	632,508
Equity			
Share capital	19	36,477	14,940
Legal reserves		2,750	2,342
Retained earnings		77,237	62,608
Total equity		116,464	79,890
Total liabilities and equity		1,113,571	712,398

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Notes	2015	2014
Interest income from direct finance leases		73,121	54,406
Interest income on placements and transactions with banks		598	586
Total interest income		73,719	54,992
Interest expense on funds borrowed		(28,609)	(24,505)
Interest expense on debt securities in issue		(11,653)	(7,983)
Net interest income		33,457	22,504
Impairment loss on finance lease receivables	8	(5,467)	(5,590)
Foreign exchange gains and (losses), net		2,386	3,759
Other income/(expense), net	24	(380)	344
Operating profit		29,996	21,017
Marketing, general and administrative expenses	21	(3,560)	(3,658)
Salaries and employee benefits	22	(8,299)	(7,315)
Depreciation and amortisation expenses	9,10	(351)	(317)
Profit before income tax		17,786	9,727
Taxation on income	16	(2,749)	(529)
Net profit for the year		15,037	9,198
Other comprehensive income		-	-
Total comprehensive income for the year		15,037	9,198

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Notes	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2014		14,940	2,342	53,410	70,692
Total comprehensive income for the year		-	-	9,198	9,198
Balance at 31 December 2014		14,940	2,342	62,608	79,890
Balance at 1 January 2015		14,940	2,342	62,608	79,890
Transfers		21,537	408	(408)	21,537
Total comprehensive income for the year		-	-	15,037	15,037
Balance at 31 December 2015		36,477	2,750	77,237	116,464

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 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		15,037	9,198	
Adjustments for:				
Depreciation and amortisation	9,10	351	321	
Provision for employment termination benefits	18	147	35	
Provision reversal of unused vacation		-	62	
Provision for personnel bonus	15	1,560	1,080	
Provision for impaired receivables	8	5,467	5,590	
Deferred tax income	16	2,749	529	
Interest received		73,719	54,992	
Interest paid		(45,685)	(32,488)	
Unrealised foreign currency losses		(3,161)	(1,956)	
Measurement of derivative financial instrument of fair value		2,914	(2,286)	
Net cash provided by/(used in) operating activities before changes in operating assets and liabilities		53,098	35,077	
Net increase in investment in direct finance leases		(449,151)	(153,599)	
Net decrease in other assets		(8,089)	2,363	
Net (increase)/decrease in accounts payable		5,066	1,414	
Net (increase)/decrease in other liabilities		7,057	(3,092)	
Employment termination benefits paid	18	19	-	
Personnel bonus paid		160	(1,056)	
Net cash provided by operating activities		(444,938)	(153,970)	
Cash flows from investing activities				
Purchase of property and equipment	9	(226)	(728)	
Purchase of intangible assets	10	(247)	(177)	
Proceedings from sale of property and equipment	9	823	383	
Net cash (used in) investing activities		350	(522)	
Cash flows from financing activities				
Proceeds (repayments) from funds borrowed		344,031	64,406	
Debt securities in issue		48,129	43,840	
Proceeds from issue of share capital		21,537	-	
Net cash (used in) financing activities		413,697	108,246	
Net decrease/(increase) in cash and cash equivalents		22,207	(11,169)	
Effect of exchange rate changes on cash and cash equivalents		3,161	1,956	
Cash and cash equivalents at beginning of year	5	6,493	15,706	
Cash and cash equivalents at end of year		5	31,861	6,493

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 1 - GENERAL INFORMATION

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

The financial statements of the Company are authorized for issue by the Board of Directors on 29 February 2016.

As of 31 December 2015, the Company has 55 employees (2014: 57).

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

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

The Company’s major shareholder is Alternatifbank A.Ş., and the ultimate parent enterprises of the Company is Commercial Bank of Qatar (Q.S.C.).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial statements

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

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

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

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

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for the effects of hyperinflation

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

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

Change in accounting policies, accounting estimates and errors

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

Related parties

For the purpose of these financial statements, the shareholders, key management personnel and Board members, Alternatifbank, Commercial Bank of Qatar (Q.S.C.), Anadolu Group and Yazıcılar Holding Group and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 23).

Due from other banks

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

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

Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. 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, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised 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 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 (Note 7).

Interest earned whilst holding investment securities is reported as interest income. Dividends on available for sale equity instruments are recognized in profit and loss when the Company has the right to receive any payment.

All regular way purchases and sales of investment securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Company.

Accounting for leases (where the Company is a lessor)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Accounting for leases (where the Company is a lessee)

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

Allowance for impairment of lease receivables

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

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

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) the Company granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial lease receivable because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial lease receivable since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial lease receivable in the Company, including:
 - (i) adverse changes in the payment status of borrowers in the; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the Company.

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for impairment of lease receivables (continued)

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

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

Property and equipment

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

Buildings	50 years
Equipment, furniture and fixtures	5 years

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

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

Intangible assets

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

Financial liabilities

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

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

a. Income taxes currently payable

Income taxes (“corporation tax”) currently payable are calculated based in accordance with the Turkish tax legislation (Note 16).

Taxes other than on income are recorded within other income / (expense) (Note 24).

b. Deferred income taxes

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

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

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

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

Provisions

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

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

Reserve for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service (Note 18).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for employment termination benefits (continued)

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

Accounts payable

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

Revenue recognition

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

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

Interest income and expense

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

Foreign currency transactions

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

Reporting of cash flows

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

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

Share capital

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

Subsequent Events

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

Comparatives

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

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these financial statements. Among those new standards, the following are expected to have effect on the financial statements of the Company.

IFRS 9 Financial Instruments

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Market risk

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

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

b. Credit risk

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

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

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

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

2015	Assets	%	Liabilities	%
Turkey	1,109,785	99.66	704,584	70.66
European countries	3,093	0.28	164,581	16.51
Other	693	0.06	127,942	12.83
	1,113,571	100	997,107	100
2014	Assets	%	Liabilities	%
Turkey	708,457	99.45	403,876	63.85
European countries	1,299	0.18	120,860	19.11
Other	2,642	0.37	107,772	17.04
	712,398	100	632,508	100

Maximum exposure to credit risk

	2015	2014
Credit risk exposures relating to balance sheet items:		
Due from banks	31,868	6,493
Investment in direct finance leases, net	1,031,355	658,748
Insurance receivables	1,632	934

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk

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

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk (continued)

2014	Foreign Currency				Total
	USD	EUR	Total	TL	
Assets					
Cash and cash equivalents	642	5,675	6,317	176	6,493
Available for sale investment securities	-	-	-	2	2
Derivative financial instruments	1,451	-	1,451	-	1,451
Investment in direct finance leases	208,198	258,955	467,153	191,595	658,748
Other assets and prepaid expenses	4,371	6,953	11,324	9,248	20,572
Property and equipment, net	-	-	-	1,873	1,873
Intangible assets, net	-	-	-	622	622
Deferred income tax assets, net	-	-	-	22,637	22,637
Total assets	214,662	271,583	486,245	226,153	712,398
Liabilities					
Funds borrowed	184,557	267,853	452,410	67,299	519,709
Debt securities in issue	-	-	-	93,959	93,959
Accounts payable	1,910	2,226	4,136	4,411	8,547
Other liabilities	1,958	2,006	3,964	5,970	9,934
Other provisions	-	-	-	94	94
Reserve for employment termination benefits	-	-	-	265	265
Total liabilities	188,425	272,085	460,510	171,998	632,508
Net balance sheet position	26,237	(502)	25,735	54,155	79,890
Net off-balance sheet position	(24,645)	-	(24,645)	27,285	2,640
Financial derivative assets	-	-	-	27,285	27,285
Financial derivative liabilities	24,645	-	24,645	-	24,645

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

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

	2015		2014	
	Profit and loss	Equity	Profit and loss	Equity
USD impact	(113)	(113)	159	159
EUR impact	(71)	(71)	(50)	(50)
Total	(184)	(184)	109	109

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d. Liquidity risk

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

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

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

2015	Up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Funds borrowed	134,362	561,270	146,152	-	841,784
Debts securities in issue	65,760	80,000	-	-	145,760
Total liabilities	200,122	641,270	146,152	-	987,544
Cash and cash equivalents	28,243	-	-	3,625	31,868
Investment in direct finance leases, net	120,774	288,280	760,486	21,755	1,191,295
Assets held for managing liquidity risk (contractual maturity dates)	149,017	288,280	760,486	25,380	1,223,163
2014	Up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Funds borrowed	118,868	160,144	259,715	-	538,727
Debts securities in issue	-	98,959	-	-	98,959
Total liabilities	118,868	259,103	259,715	-	637,686
Cash and cash equivalents	6,180	-	-	313	6,493
Investment in direct finance leases, net	87,216	209,156	449,483	22,140	767,995
Assets held for managing liquidity risk (contractual maturity dates)	93,396	209,156	449,483	22,453	774,488

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk

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

Assets	2015 (%)			2014 (%)		
	USD	EUR	TL	USD	EUR	TL
Cash and cash equivalents	1.75	1.50	13.34	2.00	1.75	9.00
Investment in direct finance leases	7.06	5.12	14.02	7.54	6.41	13.81
Liabilities						
Funds borrowed	3.20	2.83	11.79	3.64	3.39	11.75
Debt securities in issue	-	-	11.86	-	-	10.60

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk (continued)

2014	Up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	6,180	-	-	313	6,493
Available for sale investment securities	-	-	-	2	2
Derivative financial instruments	-	-	-	1,451	1,451
Investment in direct finance leases	73,605	176,491	386,512	22,140	658,748
Other assets and prepaid expenses	-	-	-	20,572	20,572
Property and equipment, net	-	-	-	1,873	1,873
Intangible assets, net	-	-	-	622	622
Deferred income tax assets, net	-	-	-	22,637	22,637
Total assets	79,785	176,491	386,512	69,610	712,398
Liabilities					
Funds borrowed	371,918	134,976	12,815	-	519,709
Debt securities in issue	-	93,959	-	-	93,959
Accounts payable	-	-	-	8,547	8,547
Other liabilities	-	-	-	9,934	9,934
Other provisions	-	-	-	94	94
Reserve for employment termination benefits	-	-	-	265	265
Total liabilities	371,918	228,935	12,815	18,840	632,508
Net re-pricing gap	(292,133)	(52,444)	373,697	50,770	79,890

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company’s profit for the year ended 31 December 2015 would decrease/increase by TL 1,642 (2014: decrease/increase by TL 1,022). This is mainly attributable to the Company’s exposure to interest rates on its variable rate funds borrowed.

f. Operational risk

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

g. Fair value of financial instruments

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

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

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

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

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

	2015	2014
Financial Assets		
Net investment in direct finance leases - Carrying amount	1,031,355	658,748
Net investment in direct finance leases - Fair value	1,061,563	672,987
Financial Liabilities		
Funds borrowed - Carrying amount	822,518	519,709
Funds borrowed - Fair value	827,217	521,558
Debt securities in issue - Carrying amount	142,088	93,959
Debt securities in issue - Fair value	142,088	93,959

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
- Derivatives	-	1,463	-	1,463
Total liabilities	-	1,463	-	1,463
31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
- Derivatives	-	1,451	-	1,451
Total assets	-	1,451	-	1,451

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

h. Capital management

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

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

i. 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.

j. Deferred income tax asset recognition

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	2015	2014
Demand deposits	3,247	76
Time deposits	4,866	100
Total TL denominated demand and time deposits at banks	8,113	176
Foreign currency denominated demand deposits at banks	378	237
Foreign currency denominated time deposits at banks	23,377	6,080
Total foreign currency denominated demand and time deposit at banks	23,755	6,317
Total demand and time deposits at banks	31,868	6,493

For the purposes of cash flow statements, cash and cash equivalents amounting to TL 31,861 (2014: TL 6,493) and comprised from due from banks excluding accrued interest.

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes the following derivative instruments:

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

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

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

	2014	
	Contract/notional Amount	Fair values Assets Liabilities
Derivatives held for trading		
Swap purchase / sale transactions	51,930	1,451 -
Total derivative assets/ (liabilities) held for trading	51,930	1,451 -

NOTE 7 - AVAILABLE FOR SALE INVESTMENT SECURITIES

	2015		2014	
	Share	Amount	Share	Amount
Listed equity securities				
Alternatif Yatırım Ortaklığı A.Ş.	-	-	<1%	2
Total		-		2

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES

	2015	2014
Gross investment in direct finance leases	1,160,238	741,164
Invoiced lease receivables	9,302	4,691
Gross finance lease receivables	1,169,540	745,855
Unearned finance income	(159,940)	(109,247)
Finance lease receivables	1,009,600	636,608
Impaired lease receivables	51,132	55,192
Provision for impaired lease receivables	(29,377)	(33,052)
Finance lease receivables, net	1,031,355	658,748

At 31 December 2015 and 2014, finance lease receivables according to its interest variability is as follows:

	2015	2014
Fixed rate	830,947	636,608
Floating rate	178,653	-
Finance lease receivables	1,009,600	636,608

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

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

Period end	2014	2014
	Gross	Net
31 December 2015	296,372	250,097
31 December 2016	195,546	168,173
31 December 2017	117,708	102,888
31 December 2018	58,315	50,391
31 December 2019 and after	77,914	65,059
	745,855	636,608

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

Finance lease receivables can be analysed as follows:

	2015	2014
Neither past due nor impaired	1,000,298	631,917
Past due but not impaired	9,302	4,691
Impaired	51,132	55,192
Gross	1,060,732	691,800
Less: allowances for impairment	(29,377)	(33,052)
Net finance lease receivables	1,031,355	658,748

As at 31 December 2015, 16,865 of the total collaterals (2014: TL 24,063) are related with the impaired finance lease receivables amounting to TL 51,132 (2014: TL 55,192).

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

	2015		2014	
	Invoiced Amount	Remaining Principal	Invoiced Amount	Remaining Principal
0-30 days	3,028	81,220	2,789	45,452
31-60 days	4,831	110,154	1,379	9,839
61-90 days	1,443	8,322	523	3,354
	9,302	199,696	4,691	58,645

The ageing of impaired finance lease receivables is as follows:

	2015	2014
91-150 days	3,785	1,276
151-240 days	3,803	1,271
241-365 days	3,307	4,294
366 days and over	40,237	48,351
	51,132	55,192

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

	2015	2014
At 1 January	33,052	27,462
Impairment expense during the year	7,800	8,168
Recoveries of amounts previously provided for (including foreign exchange differences)	(2,333)	(2,578)
Write-off (*)	(9,142)	-
At 31 December	29,377	33,052

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 8 - INVESTMENT IN DIRECT FINANCE LEASES (Continued)

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

	2015	%	2014	%
Construction	196,204	20	166,170	26
Other Production Industry	195,740	19	66,865	11
Textile	149,587	15	91,055	14
Metal Processing	145,712	14	97,942	15
Transportation and Warehousing	99,764	10	92,246	14
Wholesaling and Retailing	85,197	8	4,672	1
Agriculture	31,655	3	23,026	4
Mining	30,586	3	29,982	5
Other Services	27,837	3	24,686	4
Food, Beverage & Tobacco	18,255	2	20,168	3
Health	17,761	2	11,976	2
Electricity and Gas	7,762	1	538	-
Real Estate Brokerage	2,785	-	5,153	1
Tourism	755	-	2,124	-
Education	-	-	5	-
	1,009,600	100	636,608	100

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

As of 31 December 2015 neither past due nor impaired finance lease receivables amounting to TL 12,416 (2014: TL 18,064) and past due but not impaired receivables amounting to TL 2,481 (2014: TL 361) have been renegotiated, rescheduled or revised.

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

As of 31 December 2015 and 2014, the Company obtained the following collaterals from its customers except the goods subjected to finance lease agreements:

	2015	2014
Transfer of rights of receivables	156,949	28,658
Mortgages	141,998	159,619
Pledged assets	35,996	29,404
Buyback guarantees	15,568	12,665
Life insurance	13,051	14,227
Guarantee letters	9,653	9,539
Cash blockage	4,898	3,497
Cheques received	752	801
Guarantee notes	284	247
	379,149	258,657

Investment in direct finance leases are further analysed as a part of the balance sheet in the notes: related party transactions (Note 23) and financial risk management (Note 3).

ALTERNATİF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

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

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2015, net book value	1,695	178	1,873
Additions	181	45	226
Disposals	(817)	(6)	(823)
Depreciation charge for the year	(3)	(59)	(62)
Depreciation effects of disposals	3	3	6
31 December 2015	1,059	161	1,220
31 December 2014			
Cost	1,711	873	2,584
Accumulated depreciation	(16)	(695)	(711)
Net book value	1,695	178	1,873
31 December 2015			
Cost	1,075	912	1,987
Accumulated depreciation	(16)	(751)	(767)
Net book value	1,059	161	1,220
	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2014, net book value	1,466	112	1,578
Additions	615	113	728
Disposals	(383)	-	(383)
Depreciation charge for the year	(3)	(47)	(50)
31 December 2014	1,695	178	1,873
31 December 2013			
Cost	1,479	760	2,239
Accumulated depreciation	(13)	(648)	(661)
Net book value	1,466	112	1,578
31 December 2014			
Cost	1,711	873	2,584
Accumulated depreciation	(16)	(695)	(711)
Net book value	1,695	178	1,873

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 10 - INTANGIBLE ASSETS

	Total
1 January 2015, net book value	622
Additions	247
Amortisation charge for the year	(289)
31 December 2015	580
31 December 2014	
Cost	1,824
Accumulated amortisation	(1,202)
Net book value	622
31 December 2015	
Cost	2,071
Accumulated amortisation	(1,491)
Net book value	580
	Total
1 January 2014, net book value	712
Additions	177
Amortisation charge for the year	(267)
31 December 2014	622
31 December 2013	
Cost	1,647
Accumulated amortisation	(935)
Net book value	712
31 December 2014	
Cost	1,824
Accumulated amortisation	(1,202)
Net book value	622

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 11 - OTHER ASSETS AND PREPAID EXPENSES

	2015	2014
Equipment to be leased	19,547	13,997
Prepaid expenses	6,277	5,282
Receivables from insurance policies	1,632	934
Prepaid taxes	105	105
Other	1,099	254
Total	28,660	20,572

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.

NOTE 12 - FUNDS BORROWED

		2015			2014		
		Original Amount	TL Equivalent	Interest Rate (%)	Original Amount	TL Equivalent	Interest Rate (%)
Short-term		684,226			276,174		
Fixed interest	EUR	88,388	280,861	2.69	50,009	141,062	3.60
	USD	63,153	183,622	2.87	32,395	75,121	3.94
	TL	104,479	104,479	11.79	54,484	54,484	11.48
Floating interest	EUR	17,973	57,111	2.94	1,952	5,507	2.68
	USD	20,000	58,153	3.41	-	-	-
Medium/long - term		138,292			243,535		
Fixed interest	EUR	18,092	57,489	3.36	18,229	51,418	3.42
	USD	-	-	-	7,093	16,448	2.85
	TL	-	-	-	12,815	12,815	12.90
Floating interest	EUR	6,911	21,960	2.92	24,769	69,866	3.01
	USD	20,238	58,843	4.04	40,100	92,988	3.53
Total		822,518			519,709		

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

	2015		2014	
	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate
2016	-	-	72,107	96,618
2017	9,659	80,803	8,574	66,236
2018	47,830	-	-	-
Total	57,489	80,803	80,681	162,854

ALTERNATİF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

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

NOTE 13 - DEBT SECURITIES IN ISSUE

	2015	2014
Bonds issued	142,088	46,374
Treasury bills issued	-	47,585
	142,088	93,959

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

31 December 2015

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

31 December 2014

Type	ISIN Code	Nominal Amount Issued	Maturity Date	Amount	Interest Rate	Interest Payment Term
Treasury bill	TRSALFK61519	50,000	30 June 2015	47,585	10.26	On maturity date
Bond	TRFALFK91513	50,000	15 September 2015	46,374	10.95	On maturity date
		100,000		93,959		

Coupon interest rates of the bonds and treasury bills issued by the Company in 2014 and 2015 are fixed.

	2015			2014		
	Original Amount	TL Equivalent	Interest Rate (%)	Original Amount	TL Equivalent	Interest Rate (%)
Short-term		142,088			93,959	
Fixed interest	TL	142,088	142,088	93,959	93,959	10.60
Total		142,088			93,959	

NOTE 14 - ACCOUNTS PAYABLE

	2015	2014
Payables to suppliers	6,711	2,798
Insurance policy payables	6,680	5,646
Other	222	103
Total	13,613	8,547

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 15 - OTHER LIABILITIES

	2015	2014
Advances received	10,784	6,266
Prepayments from customers	2,891	1,253
Provision for personnel performance bonus	1,560	1,080
Value Added Tax ("VAT") payable	1,209	840
Provision for unused annual vacation	247	247
Other taxes payable	245	217
Other	55	31
Total	16,991	9,934

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

NOTE 16 - TAXATION

Components of income tax expenses for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
Deferred tax expense	(2,749)	(529)
	(2,749)	(529)

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20% (2013: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilised within the scope of Income Tax Law transitional article 61).

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

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

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities according to inflation adjustments. In accordance with the aforementioned law's provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not met for the years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 16 – TAXATION (Continued)

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

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

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

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

As of 31 December 2014, there is no current year tax loss, as a result there is no corporation tax expense.

Exemption for investment allowance

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

- a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.
- b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

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

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

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

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 16 – TAXATION (Continued)

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

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

Deferred taxes:

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

Based on the decision of the Constitutional Court mentioned above, the Company Management recognized deferred tax assets on the unused investment allowance amounting to TL 14,069 which has been calculated based on its best estimates.

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

	Cumulative timing differences		Deferred income tax assets	
	2015	2014	2015	2014
Unused investment allowances without stoppage	70,347	80,070	14,069	16,014
Unused investment allowances with stoppage	25,237	23,904	50	48
Provision for impaired receivables	24,555	32,317	4,911	6,464
Provision for personnel unused vacation, bonus provision, and employment termination benefits	2,200	1,592	440	318
Unrecognized revenue from management fees	1,643	1,072	329	214
Accrued income on derivative transactions	1,463	-	293	-
Legal provision	41	94	8	19
Prior period loss	-	172	-	34
Income accrual on lease receivables	-	56	-	11
Other	539	144	108	29
Deferred income tax assets			20,208	23,151
Income accrual on lease receivables				
Accrued income on derivative transactions	-	(1,451)	-	(290)
Unrecognized expense from branch commission payments	(1,254)	(731)	(251)	(146)
Difference between carrying value and tax base of property and equipment and intangibles	(349)	(390)	(69)	(78)
Deferred income tax liabilities			(320)	(514)
Deferred tax assets, net			19,888	22,637

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 17 - OTHER PROVISIONS

	2015	2014
Legal provisions	41	94
Total	41	94

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

NOTE 18 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

	2015	2014
Reserve for employee termination benefits	393	265
	393	265

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

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

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

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

	2015	2014
Discount rate (%)	3.18	3.77
Turnover rate to estimate the probability of retirement (%)	5.00	6.00

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 18 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2015	2014
1 January	265	230
Service cost	137	30
Interest cost	10	5
Paid during the year	(19)	-
31 December	393	265

NOTE 19 - SHARE CAPITAL

At 31 December 2015, the Company's authorised share capital consists of 5,000,000,000 shares with a par value of Kuruş 1 each (2014: 2,846,250,000 shares with a par value of Kuruş 1 each).

As of 31 December 2015, the Company's historical subscribed and issued share capital was TL 50,000 (historical terms) (31 December 2014: TL 28,463). The composition of shareholders and their respective percentages of ownership can be summarized as follows:

	2015		2014	
	%	Amount	%	Amount
Alternatifbank A.Ş	100	50,000	100	28,463
Other (*)	-	-	-	-
Total in historical TL	100	50,000	100	28,463
Restatement effect		(13,523)		(13,523)
		36,477		14,940

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

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

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

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

NOTE 20 - RETAINED EARNINGS AND LEGAL RESERVES

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

Dividends Paid and Proposed:

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

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 21 - MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Consultancy expenses	1,130	1,315
Transportation expenses	786	795
Rent expenses	478	471
Sundry taxes	259	238
Office expenses	256	263
Information technology system expenses	218	120
Communication expenses	189	168
Representation expenses	168	117
Printing and stationary expenses	52	55
Other expenses	24	116
	3,560	3,658

NOTE 22 - SALARIES AND EMPLOYEE BENEFITS

	2015	2014
Wages and salaries	5,360	5,068
Bonuses	1,720	1,176
Employer's share of social security premiums	671	629
Other fringe benefits	401	407
Provision for employment termination benefits	147	35
	8,299	7,315

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Alternatifbank A.Ş. (the Shareholder Company) which owns 100 % of the Company's shares (In 2013 the company is controlled by Alternatifbank A.Ş. which owns 100% of the company's shares). The ultimate owner of the Company is The Commercial Bank of Qatar (Q.S.C.). For the purpose of these financial statements, the Shareholder Company, and their affiliated companies are referred to as "related parties". Related parties also include individuals that are principal owners, management and members of the Company's Board of Directors and their families.

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(a) Balances with related parties (continued):

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

	2015	2014
Due from banks		
Demand deposits		
Alternatifbank A.Ş.	3,259	125
Time deposits		
Alternatifbank A.Ş.	28,243	6,180
	31,502	6,305
Investments in direct finance leases, net		
AEP Anadolu Etap Penkon G. ve Tar. Ür. San. ve Tic. A.Ş.	21,377	17,347
Anadolu Bilişim Hizmetleri A.Ş.	2,927	1,130
	24,304	18,477
Borrowing		
The Commercial Bank of Qatar (Q.S.C.)	127,941	107,772
United Arab Bank P.J.S.C.	58,843	46,855
Alternatifbank A.Ş.	55,299	-
	242,083	154,627
Other liabilities		
Anadolu Motor Üretim ve Paz. A.Ş.	-	13
	-	13
Sales to asset management companies		
Artı Varlık Yönetimi A.Ş.	16,524	-
	16,524	-

The Company has made operating lease agreements as lessee for vehicles with related party Çelik Motor Ticaret A.Ş. as of 31 December 2015 and 2014, total remaining commitment is as follows:

	2015	2014
Up to one year	385	366
One year to five years	63	456
	448	822

ALTERNATİF FİNANSAL KİRALAMA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**(b) Transactions with related parties:**

	2015	2014
Interest income from direct finance leases		
AEP Anadolu Etap Penkon G. ve Tar. Ür. San. ve Tic. A.Ş.	1,228	1,153
Anadolu Bilişim Hizmetleri A.Ş.	433	123
	1,661	1,276
Income from asset sales		
Artı Varlık Yönetimi A.Ş.	125	-
	125	-
Interest income on placements and transactions with banks		
Alternatifbank A.Ş.	544	585
	544	585
Interest expense on funds borrowed		
The Commercial Bank of Qatar (Q.S.C.)	4,389	3,861
United Arab Bank P.J.S.C.	2,937	1,415
Alternatifbank A.Ş.	868	-
	8,194	5,276
Service expenses		
Anadolu Endüstri Holding A.Ş.	637	637
Çelik Motor Ticaret A.Ş.	407	394
Alternatifbank A.Ş.	310	206
Anadolu Motor Üretim ve Paz. A.Ş.	33	127
Efestur Turizm İşletmeleri A.Ş.	33	86
Anadolu Bilişim Hizmetleri A.Ş.	11	16
Migros Ticaret A.Ş.	11	-
	1,442	1,466
Commission expenses		
The Commercial Bank of Qatar (Q.S.C.)	670	543
Alternatifbank A.Ş.	443	249
Alternatif Yatırım A.Ş.	430	-
United Arab Bank P.J.S.C.	52	30
	1,595	822

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(c) Off-balance sheet items

	2015	2014
Guarantee letters		
Alternatifbank A.Ş.	1,642	1,911
	1,642	1,911
Letters of credits		
Alternatifbank A.Ş.	152	282
	152	282

As of 31 December 2015, the Company has time deposits amounting to USD 6,925, EUR 1,020 and TL 4,860 at related party bank Alternatifbank A.Ş. with an average interest rate of 1.75 , %1.50 ve %13.34 % respectively (31 December 2014 : USD 250, EUR 1,950 and TL 100 at related party bank - Alternatifbank A.Ş. with an average interest rate of 2.00 , %1.75 ve %9.00 % respectively). Also the Company has demand deposits at related party bank (Alternatifbank A.Ş) amounting to USD 26, EUR 22 and TL 3,114 (31 December 2014: USD 6 and EUR 33 and TL 19).

The Company has made operating lease agreements as lessee for vehicles with related party Çelik Motor Ticaret A.Ş. as of 31 December 2015, total remaining commitment is amounting to TL 448 (2014: TL 822).

(d) Key Management's Remuneration:

As of 31 December 2015, the executive members and key management personnel of the Company's management received and accrued salaries and bonuses total amounting to TL 1,640 (2014: TL 1,493).

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

NOTE 24 - OTHER INCOME / (EXPENSES), NET

	2015	2014
Commission income, net	1,992	1,493
Bank charges and commissions	(1,858)	(1,169)
Sundry expenses	(267)	(448)
Legal provision	-	(54)
Other	(247)	522
	(380)	344

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

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES

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

TL 407 and TL 394 of rent expenses were reflected as of 31 December 2015 and 2014 respectively in the income statements due to the operating lease agreement for vehicles.

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

	2015	2014
Next 1 year	385	366
1 year through 5 years	63	456
Total	448	822

Other commitments:

At 31 December 2015, the Company obtained letters of credits and guarantee letters amounting to TL 34,644 (2014: TL 21,010) and submitted to various public authorities.

NOTE 26 - POST BALANCE SHEET EVENTS

None.