



*Vakıf Leasing*

# ACTIVITY REPORT 2016







## INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS

### To The Board of Directors of Vakıf Finansal Kiralama Anonim Şirketi; Report on Annual Activity Report of Board of Directors within the scope of External Audit Guidelines

1. We have audited annual activity report of Vakıf Leasing Inc. ("Company"), and its subsidiaries (hereafter referred as "Group") for the accounting period ending on 31 December, 2016.

#### Responsibility of Board of Directors for the Annual Activity Report

2. Company's management is responsible for preparation of annual activity report, which coincides with consolidated financial statements in accordance with Turkish Commercial Code ("TCC") under article 514 of law number 6102, and which reflects provisions of "Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1)" ("Communiqué") of Capital Markets Board ("CMB"), and for assurance of internal control required for preparation of such an activity report.

#### Responsibility of Independent Auditor

3. Our responsibility is to issue an opinion based on the independent audit we carried out in accordance to article 397 of TCC and Communiqué, in order to evaluate whether the financial information in this activity report coincides with consolidated financial statements of the independent auditors report of Group, dated 18 February, 2015.

We carried out an independent audit in accordance to External Audit Standards, which is a part of Turkish Auditing Standards issued by Public Oversight Accounting and Auditing Standards Authority. These standards ensure reconciliation to ethical provisions and executions and assure that independent audit and financial information within this activity report coincide with consolidated financial statements.

Independent audit involves application of audit procedures in order to obtain audit evidence about historical financial data. The selection of such procedures is based on professional judgment of independent auditor.

We believe that audit evidence we obtain while an independent audit is sufficient and appropriate to provide a basis for an audit opinion.



Opinion

4. As a result of our assessment, we found no evidence of inconsistency regarding the information stated in audited financial data of Board of Directors and consolidated financial statements.

Other liabilities arising from legislation

5. In accordance with the third paragraph of Article 402 of Turkish Commercial Code, law number 6102; there was no evidence that need to be reported about that Vakıf Leasing Inc. cannot continue on activities in the foreseeable future within the framework of BDS 570 "continuity of business".

**PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**

  
**Didem Demer Kaya, SMMM**  
**Sorumlu Denetçi**

**İstanbul, 1 Mart 2017**

# The Right Power You Need !



**Grow your goals with Vakıf Leasing.**

With 28 years of experience, Vakıf Leasing offers leasing advantages in a special and innovative manner, adding value to your productions and turning your opportunities into profitable.



**Vakıf Leasing**  
Size Doğru Gelecek



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*Vakıf Leasing  
In its 28<sup>th</sup> Year*



MESSAGE FROM  
CHAIRMAN

## MESSAGE FROM CHAIRMAN



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***In spite of the negativities in the domestic and foreign markets, the Turkish economy has grown continuously in the second half of the year 2016, 27 quarters of which have been positively separated from other developing countries. The Turkish economy, which grew by 2.5 times the developing countries except China and India with 3.9% growth in the first half of 2016 with the support of domestic demand, the 15 July coup attempt in the second half of 2016, tourism contraction, terrorist attacks and weak foreign demand By 1.8%.***

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In spite of the negativities in the domestic and foreign markets, the Turkish economy has grown continuously in the second half of the year 2016, 27 quarters of which have been positively separated from other developing countries. The Turkish economy, which grew by 2.5 times the developing countries except China and India with 3.9% growth in the first half of 2016 with the support of domestic demand, the 15 July coup attempt in the second half of 2016, tourism contraction, terrorist attacks and weak foreign demand By 1.8%.

In this conjuncture, the financial leasing sector, which has been in our financial system since about 30 years and has contributed significantly to the development of our country's economy, especially SMEs, by mediating fixed assets investment of every size enterprise from its foundation, realized USD 6.1 billion transaction volume, Production and investment directly by financing the foundation of our economy has created one of the basic feet.

The financial leasing sector continues to finance real economies in 2016 despite the many negative impacts that continue to exist in the global economy and our country's geography, and continues to be a permanent support for growth through strong economic policies implemented in Turkey.

The legal regulations introduced in the last few years with significant steps taken in the last few years have contributed to economic stability by positively influencing the development of the sector in the financial leasing sector, in which seven of every ten customers are SMEs and the penetration rate of the sector is 6.8%.

Established in 1988 under the leadership of Vakıfbank, our Company will continue to contribute to the strengthening of the Turkish economy by using the confidence and experience of being the first actors of the sector.

Having responded to the capital investment demands of our country's economy, our Company continues to play an active role in production and employment, mediating investments in small and medium-sized enterprises, especially those with limited access to resources.

Our company will continue to contribute to the strengthening of the Turkish economy and to be one of the important financial actors of our country, by maintaining its predictive approach to development without compromising its service understanding in 2017 with its strong equity structure and partners.

On behalf of our Board of Directors, I would like to thank our customers, shareholders, economic and social stakeholders for their support and I wish all of our employees a strong performance and self-sacrifice.

Best Regards,

  
Şeref AKSAÇ  
Chairman of the Board



MESSAGE OF THE  
DEPUTY GENERAL MANAGER



Vakifleasing founded by Main shareholder Vakıfbank in 1988, continues to contribute to the economy of our country with its strong financial structure and customer-focused service understanding. In 2016, Vakifleasing continued its activity in the sector by taking advantage of the dynamism and power it acquired from Vakıfbank.

In the financial leasing sector, one of the most important actors of the non-banking financial sector, our company continued to rely on its shareholders in the direction of sustainable growth strategy without compromising its asset quality by using its resources in line with the needs of economic development.

In addition to providing current customer loyalty and loyalty, our company has added a large number of new customers to its portfolio in 2016 and has adapted to the conditions in the competitive market. Our dominant shareholder Vakıfbank has been involved in SMEs and project financing primarily through its synergy with more than 900 branch networks, adhering to its growth strategy.

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In spite of the ongoing problems in the world economy and treacherous coup attempts and terrorist incidents in our country, in 2016, the total assets of our Company increased by 12% compared to the previous year to TL 1.7 billion and financial leasing receivables increased by 16% , Its own resources reached 170 million TL with an increase of 18% and achieved a net profit of TL 23.3 million as a result of the year of successful operations by holding the preliminary plan for the profitability required for healthy growth.

Our primary goal in 2017 is to strengthen our market share in the sector together with effective risk management by diversifying fund resources that we have achieved with a contemporary and customer-based approach that focuses on success as in past years and has a conscious understanding of responsibility.

We would like to thank our colleagues who have a great deal of effort in this achievement table and our customers who have confidence in us and wish to reach even greater success together with each passing year while presenting our activity reports and financial statements for the year 2016, I wish the year will add value to our country's economy, sector, and our company.

Best Regards,

Özgür SELÇUK

**Member of Corporate Governance Committee  
Deputy General Manager**



MEMBER OF THE  
BOARDS



*Left to Right*

**Alper ERSOY**  
Member of the Board

**Prof.Dr.Şükrü KARATEPE**  
Member of the Board

**Özgür SELÇUK**  
Deputy General Manager

**Şeref AKSAÇ**  
Chairman of the Board

**Yakup ŞİMŞEK**  
Member of the Board, Deputy Chairman

**Talat KARAPINAR**  
Member of the Board

**İbrahim Halil ÇİFTÇİ**  
Member of the Board



**EXECUTIVE  
BOARD MEMBERS AND  
THEIR PERSONEL  
BACKGROUND**

EXECUTIVE BOARD MEMBERS AND  
THEIR PERSONEL BACKGROUND

**Şeref AKSAÇ**  
Chairman of the Board

(01.04.2015 - ...)

He was born in Bayburt in 1956. He graduated Istanbul Academy of Economics and Commercial Sciences, Faculty of Political Sciences, Department of Public Administration in 1979. Starting his professional career in 1982 as a Deputy Inspector at T.C. Ziraat Bankası A.Ş., Aksaç was promoted to become an Inspector in 1986. He performed duties as Istanbul Branch Deputy Manager between 1990 and 1993 and as a Manager in various branches of the Bank from 1993 to 2003. He was assigned as the Vice General Manager Responsible for Human Resources between 2003 and 2005. In addition to these positions, he worked as the member of Board of Supervisors at Başak Sigorta and of Board of Directors at Türkmen Turkish Joint-Stock Commercial Bank and Ziraat Yatırım ve Menkul Değerler. While Aksaç held a position at Ziraat Hayat ve Emeklilik A.Ş. as Sales and Marketing Vice General Manager and Deputy General Manager in August 2012, he was assigned as the General Manager of Ziraat Hayat ve Emeklilik A.Ş. as of March 2013. He is married and a father of one. On 30.04.2014 he was elected as the Member of Board of Directors at the Extraordinary General Meeting of T. Vakıflar Bankası T.A.O. Also performing a duty as a Member of Credit Committee and the Committee of Accounting at T.Vakıflar Bankası T.A.O., Şeref AKSAÇ has preserved its position as the Board Chairman of our Company since 01.04.2015 and has been working as the Vice President of the Board at Vakıf Emeklilik A.Ş.



**Yakup ŞİMŞEK**  
Member of the Board, Deputy Chairman

(09.09.2016 - ...)

He was born in Diyarbakır Kulp in 1970. Yakup Şimşek graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration in 1992. He started his banking career in 1996 as assistant inspector at T. Vakıflar Bankası T.A.O., where he held positions of Istanbul Regional Commercial Credits Directorate, Head Office Commercial Credits Directorate, Inspection Board Presidency, Eastern Anatolia Region Directorate, Southeastern Anatolia Regional Directorate and Cash Management Transactions Presidency. Between 2006 and 2008, Vakıf Finansal Kiralama A.Ş. Şimşek served as a Member of the Board of Directors of Vakıf Factoring and Credit Registry Bureau as a Member of the General Directorate and Board of Directors and as a Member of the Board of Directors of Vakıf Portfolio between March 2015 and August 2016. As of 25.08.2016, Yakup Şimşek was appointed as Assistant General Manager. He is married with two children and speaks English. Yakup ŞİMŞEK has been the Deputy Chairman of the Board of Directors since 09.09.2016.



**Alper ERSOY**  
Member of the Board

(12.04.2016 - ...)

He was born in İzmir in 1978. Alper ERSOY is a graduate of ITU Department of Business Engineering in 2000. T.Vakıflar Bankası T.A.O. Alper ERSOY, who started as "Assistant Inspector" in the Chairmanship of the Board of Inspectors, respectively, is a member of T.Vakıflar Bankası T.A.O. Deputy Director at the Validesultan Branch, Head of Product Management at the General Directorate, Directorate of Agricultural Credits. He is still serving as VakıfBank-Individual and SME Credits President. He is married and has one child. He speaks English. It has the SMMM document. Alper ERSOY, who has been a member of the Board of Directors since 12.04.2016, is also a member of the Corporate Governance Committee and Riskin Early Detection Committee.



**Prof. Dr. Şükrü KARATEPE**  
Member of the Board

(29.03.2012 - ...)

Graduating from Ankara Faculty of Law in 1973, Şükrü KARATEPE became a Doctor of Administrative Law in 1983, Associate Professor of Constitution in 1989 and a Professor in 2012. He worked as a Council Member of Faculty of Economic and Administrative Sciences and Head of the Department of Public Administration at Ege University, Kayseri Metropolitan Municipality Mayor, Chairman of the Board of Electricity Corporation Of Kayseri and Surroundings, Member of Board of Supervisors at the companies affiliated to Erdemir Group and Board Member at Vakıf Yatırım Menkul Değerler A.Ş. Elected as the Board Member of Vakıf Yatırım Menkul Değerler A.Ş. on March 29, 2012, Şükrü KARATEPE is a Member at the Committee of Supervisors. Additionally, Şükrü KARATEPE currently works as the Senior Advisor to the President.



## EXECUTIVE BOARD MEMBERS AND THEIR PERSONEL BACKGROUND



**İbrahim Halil ÇİFTÇİ**  
Member of the Board

(29.03.2012 - ...)

İbrahim Halil ÇİFTÇİ who graduated from the department of Business Administration, Middle East Technical University, was respectively the auditor in the committee of inspector of İş Bankası in between 1974-2001, the vice director of 2nd Credits Regional Directorate, the director of 2nd Credits Regional Directorate, the regional director of Istanbul, the director of Taksim branch and Galata branch. Between 1987 and 2008, ÇİFTÇİ was a member of the executive boards of Trakya İplik San. A.Ş., Man Motor San. A.Ş., Topkapı Şişe Cam Cam San. A.Ş., Anadolu Cam San. A.Ş., Anadolu Sigorta A.Ş., Şişecam Fabrikaları A.Ş., İş Girişim A.Ş. and İş Factoring A.Ş. . İbrahim Halil ÇİFTÇİ was the general director of İş Finansal Kiralama A.Ş. between 2001-2009 and the vice chairman of the executive board of Financial Leasing Association in between 2004 and 2009. He who was appointed as a member of Vakıf Finansal Kiralama A.Ş in 29.03.2013, is also the member of the Corporate Governance Board and the Early Detection of Risk Committee. Halil İbrahim ÇİFTÇİ is the vice president of Economic Research Foundation and the member of the executive board of İstanbul Üniversitesi Teknokent A.Ş.



**Telat KARAPINAR**  
Member of the Board

(30.04.2012 - ...)

Telat KARAPINAR who graduated from the faculty of law, İstanbul University in 1992, was self-employed lawyer in between 1994-2002. Telat KARAPINAR who was the deputy in 22nd period of the Grand National Assembly of Turkey, has been being a member of the executive board of Vakıf Finansal Kiralama A.Ş. since 16.04.2014.



**Özgür SELÇUK**

Member of the Board - Deputy General Manager

(05.08.2016 - ...)

Özgür SELÇUK, who started his professional career as an Assistant Inspector at the Board of Inspectors of the Turkish Commercial Bank in 1991, served as Assistant Manager and Group Manager at the same Bank as Inspector and General Directorate of Loans. In November 1997, he started to work as the Head of the Credits at our Company and was appointed to the Assistant General Manager in January 2003. Since 05.08.2016 Özgür SELÇUK has been working as Deputy General Manager in our company and graduated from METU Department of Economics.



*Vakıf Leasing  
In its 28<sup>th</sup> Year*



THE MANAGEMENT



**Özgür SELÇUK**

Deputy General Manager /  
Assistant General Manager



**Mehmet İlkey COŞKUN**  
Group Manager



**Yılmaz Arslan AYDIN**  
Group Manager



**Emre AYDEDE**  
Group Manager



**Tolga AKOCAK**  
Marketing Manager



**Gonca YADİGAR**  
Marketing Manager



**Mustafa ÇOLAK**  
Marketing Manager



**Ahmet Erdoğan  
NEHROZOĞLU**  
Ankara Branch Manager



**Ferruh ATALAY**  
Adana Branch Manager



**Levent DEMİRCİ**  
Bursa Branch Manager



**Bora KIRGIZ**  
İzmir Branch Manager



**Murat KURTTAŞ**  
Antalya Branch Manager



**Melda AKGÜN**  
Insurance and Operations Manager



**Cengiz KURT**  
Finance Manager



**Mustafa SARITAŞ**  
Information Technology Manager



**Hülya YILDIRIM**  
Asset and Risk Management Manager



**Sadık Çağlar KAYNAK**  
Internal Control Manager



## GENERAL INFORMATION REGARDING COMPANY

GENERAL INFORMATION  
REGARDING COMPANY

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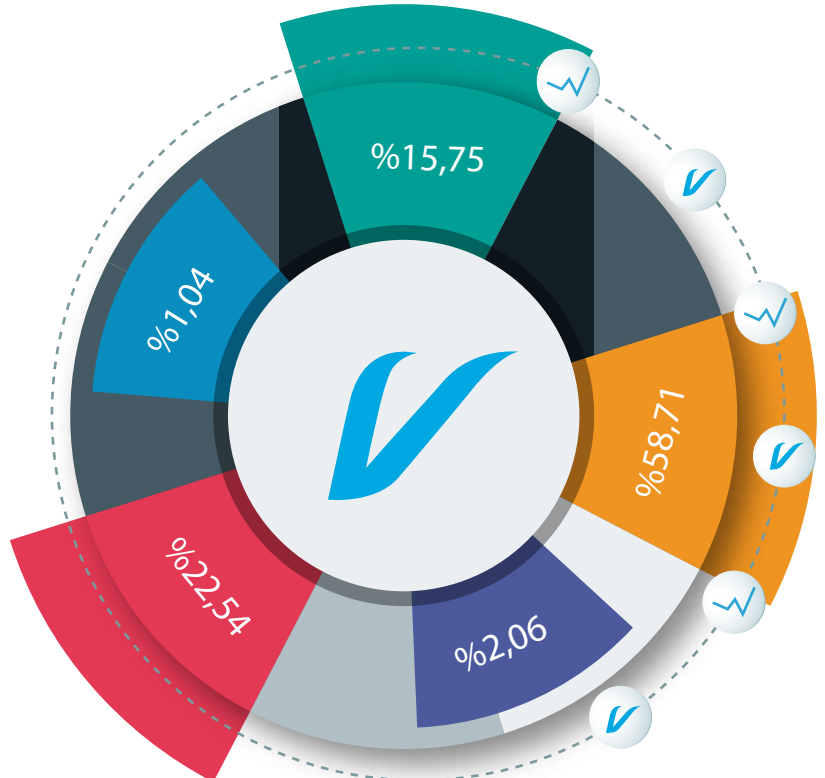
• Date of Establishment	15/09/1988
• Activity Area	Financial Leasing
• Company Headquarters	İstanbul
• Paid in Capital	87.000 TL
• Number of Employees	54
• Board Chairman	Şeref AKSAÇ
• General Manager Deputy	Özgür SELÇUK
• Independent Auditing Firm	Başaran Nas Independent Auditor and independent Accountant Public Accountant Inc.
• Address - Corporate Headquarters	Büyükdere Av. Matbuat Street Gazeteciler Site No: 13 Esentepe/Şişli/İstanbul
• Telephone	+90 (212) 337 67 67 - (Santral)
• Trade Registry Number	248616
• Fax	+90 (212) 337 67 99
• Website	www.vakifleasing.com.tr

## AVAILABLE FOR SALE FINANCIAL ASSETS

- Vakıf Insurance Intermediary Services Ltd.
- Vakıf Factoring Services Inc.
- Vakıf Marketing Ind. and Trade Inc.
- Vakıf Energy and Mining Inc.
- Doğu Investment Holding Inc.
- Vakıf Investment Securities, Inc.
- World Vakıf UBB. Co. Ltd. (In liquidation)

## PARTNERSHIP STRUCTURE

	%	Bin TL
• T.Vakıflar Bankası TAO	% 58,71	51,080
• Güneş Insurance Inc.	% 15,65	13,615
• T. Vakıflar Bankası T.A.O. Employees and Serv. Retirement Fund Provident Fund Fondation	% 2,06	1,794
• VakıfBank Staff Private Social Security Services Foundation	% 1,04	904
• Public Offering	% 22,54	19,607
<b>Total</b>	<b>% 100,00</b>	<b>87,000</b>





CORPORATE  
IDENTITY

## CORPORATE IDENTITY- History / Milestones



Vakıf Leasing was established on 15 September, 1988 under the title of VAKIF FİNANSAL KİRALAMA A.Ş. as a subsidiary of Vakıfbank. It was quoted on Istanbul Stock Market in 1991 and became the first publicly-traded leasing company.

Having successfully operated for 28 years, Vakıf Leasing continues to be one of the assets of Turkey by contributing economic and employment growth. Providing advantage in leasing to its investors due to its deterministic, assured and progressive approach, Vakıf Leasing takes firm steps towards the future by help of its experience in making right decisions at right time.

Vakıf Leasing has a wide range of expertise, especially in investments of real estate, energy, technology, transport and tourism.

The most remarkable indicator of the innovative approach of Vakıf Leasing is that it is the first company providing leasing services to sectors like aircraft, aviation; or wind energy.

Vakıf Leasing has branches in Ankara, Adana, Izmir and Bursa and carries on its extensive operations by providing service with its almost 900 Vakıfbank branches all over the country, and with its broad customer portfolio and service network.

**2016**

Vakıf Leasing has reached an asset size of TRY 1,686,534 Thousand and net profit of TRY 23,284 Thousand.

**2014**

Vakıf Leasing reached at 289,848 USD endorsement in 2014.

**1991**

Vakıf Leasing was the first leasing public

**1988**

Vakıf Leasing was established



✓2016

CORPORATE IDENTITY - Our Vision - Our Mission  
Our Values - Our Codes of Conduct

## OUR VISION

*To be a **Leader Company**, which is the first choice of investors in the Leasing sector by providing the optimal financial opportunities in customer investments; and which aims for utmost customer satisfaction and service quality.*



## OUR MISSION

*To create **continuous value** for our customers, employees and shareholders by development of a successful, modern and customer-oriented approach.*



## OUR VALUES

*High-quality service based on information and creativity;*

*Rapid and effective decision-making;*

*A strong sense of responsibility on a long lasting development approach*

*Open communication based on mutual trust,*

*Employees who devoted to success and team spirit,*

*Commitment to ethical and professional codes of conduct*



## OUR CODES OF CONDUCT

*High-quality service based on information and creativity;*

*Rapid and effective decision-making;*

*A strong sense of responsibility on a long lasting development approach*

*Open communication based on mutual trust,*

*Employees who devoted to success and team spirit,*

*Commitment to ethical and professional codes of conduct*



*Vakıf Leasing  
In its 28<sup>th</sup> Year*



**VAKIF  
FINANCIAL LEASING INC.  
CORPORATE  
GOVERNANCE  
COMPLIANCE REPORT**

**CHAPTER I – CORPORATE GOVERNANCE COMPLIANCE STATEMENT**

Vakıf Finansal Kiralama A.Ş. ("Vakıf Leasing" or "Company") is affiliated to the corporate governance guidelines designated in accordance with the Law on Financial leasing, Factoring and Financing Companies, capital market legislations and Turkish Commercial Code and relevant regulations to regulate the establishment and operating principles of and related regulations, and pays utmost attention to the implementation of these principles. It has adopted concepts of equality, transparency, accountability, and responsibility of Corporate Governance Principles ("Principles") published by Capital Market Board ("CMB").

The company is in concordance with the following principles of Corporate Governance Principles included in Communiqué on Corporate Governance No. II-17.1, published in the Official Gazette No. 28871 dated 3 January, 2014:

a-) Company fully complies with following principles: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12), (4.5.13.), (4.6.2.) and (4.6.3.).

Duty, authorization and responsibility of "Directorate of Investor Relations", which performs operations as the Directorate of Financial Affairs and Investor Affairs, were revised in accordance with framework stated in Article 11 of Communiqué on Corporate Governance and thereby ensured full compliance with the relevant legislation.

b-) About non-mandatory principles;

There are no female members in the Board of Directors of the Company. Neither target time nor ratio has been determined for the existence rate of females within Board of Directors. Therefore, compliance with the advisory principle 4.3.9 is out of question. There has been no conflict of interest among stakeholders up to now due to nonfulfillment of the mentioned principle.

**CHAPTER II - STAKEHOLDERS****2.1 Investor Relations Chapter**

Directorate of Investor Relations operates under Deputy General Manager Özgür SELÇUK, for performance of tasks of Directorate of Investor Relations as part of the Directorate of Financial Affairs and Investor Relations.

Directorate of Financial Affairs and Investor Relations, which manages relationships with institutional investors, rating agencies, and shareholders, makes presentation of execution of all activities to the Board, in addition to presentation of comparative financial analysis with competitors quarterly.

The license of section manager is as shown below;

Name/Surname	Title	License
Özgür SELÇUK	Deputy General Manager	Corporate Governance Rating
Serves as a member of the Corporate Governance Committee in accordance to paragraph 2 of Article 11 of Communiqué on Corporate Governance.		

Staff involved to carry out tasks of Directorate of Investor Relations within Directorate of Financial Affairs and Investor Relations is as shown below;

Name - Surname	Title	Phone Number	E-Mail address
Özgür SELÇUK	Deputy General Manager	0212 337 67 67	O.SELCUK@vakifleasing.com.tr
Mehmet İlkey COŞKUN	Group Manager	0212 337 67 67	I.COSKUN@vakifleasing.com.tr
Aslı KEKEÇ	Coordinator	0212 337 67 67	A.KEKEC@vakifleasing.com.tr
Neslihan YILDIZLI	Specialist	0212 337 67 67	N.YILDIZLI@vakifleasing.com.tr
Fatma HAFIZOĞLU	Specialist	0212 337 67 67	F.HAFIZOGLU@vakifleasing.com.tr

Main duties and responsibilities of Directorate of Investor Relations are as follows;

- Ensure to keep records of the shareholders safe and current,
- Respond to written requests of shareholders regarding the company, excluding publicly undisclosed, confidential information and trade secrets related to the Company,
- Ensure that the General Assembly meetings are held in accordance with the standing legislation; Articles of Association or other internal arrangements,
- Issue necessary documents for shareholders to make use of during the General Assembly,
- Ensure that voting records are kept and reports regarding the results are sent to shareholders,
- Supervise and monitor any kind issues regarding public disclosure, including legislation and the company's disclosure policy.

During 2016 Directorate of Investor Relations;

-organized that the Ordinary General Meeting in 2015 was held according to scope and method required by the Relevant Law, Capital Market Law, Communiqué on Corporate Governance, Articles of Association and other legislations.

VAKIF FINANCIAL LEASING INC. CORPORATE  
GOVERNANCE COMPLIANCE REPORT

## 2.2 Utilization of Shareholders' Right to Information

Questions addressed to the Department of Investor Relations by shareholders are first consulted to top authority on the matter and then are responded either written or by call, except for confidential information and trade secrets regarding the Company.

In 2016, no information requests are delivered to the Investor Relations Department while questions asked on call were replied as required. Information and developments concerning shareholders, regarding Company, such as stock transactions, capital increase, dividend taking operations, general meeting, financial reports, disclosures or etc. are regularly transmitted to the parties either by website, by phone or via mail. In addition, the status of stocks of domestic shareholders in operating cycle, information requests on share transactions after conversion of existing shares or death of a shareholder are sent, if requested in written form. On the other hand, request for the appointment of a special auditor is not regulated as an individual right in the Articles of Association and no such demand was made during the concerned activity period.

## 2.3 General Assembly Meetings

General Assembly Meeting on the 2015 activity period of our Company was held at the head office, on April 1, 2015, with the participation by shareholder representatives, the Commissioner from the Ministry of Customs and Trade, and holders of 77.62% of total shares.

Company held the Ordinary General Assembly Meeting in 2016 in accordance with the provisions of "Regulations on the General Assembly to be held in Electronic Media in Incorporated Company" and "Communiqué on General Assembly System to be applied in the General Assembly of Incorporated Company". Thus, stakeholders had the opportunity to participate in the General Assembly meetings electronically, to make suggestions, to declare their views and to vote.

In order to inform the shareholder, letter of invitation, agenda, sample of power of attorney and information required for voting in the General Assembly were announced to public prior to General Assembly meetings, via Public Disclosure Platform, Turkey Trade Registry Gazette and at least two daily newspapers that are published throughout Turkey in accordance with relevant legislations; besides, these documents were also published on the website of Company. The calls for e-General Assembly, which allows participation through electronic media, and which gives possibility to make recommendations;

to announce views or to vote in General Assembly Meeting of Company, are made through CRA system at least 21 days before, excluding days of meetings. In addition, such documents are sent via mail to registered current addresses of shareholders.

Bank Balance Sheet and Profit & Loss Statement, Board of Directors' Annual Report, Auditor's Report of fiscal year 2014 and Report of the Independent External Auditors were issued before General Assembly and are available for surveillance of our shareholders before meeting, in Company's Headquarters or on CRA system. In addition, letter of invitation, agenda and samples of power of attorney for the General Assembly might be obtained upon request of the stakeholders. Those shareholders, who have right to attend the General Assembly, and who fulfilled required procedures for participation, attended the Annual General Meeting in 2016.

On announcement and invitation letters issued prior to the General Assembly:

- Date, time and place of the meeting,
- Agenda of the meeting,
- By which state body it is held (Company Board of Directors),
- Annual Report and addresses where balance, profit and loss statements will be presented for examination by partners (General Directorate) for ordinary meeting announcements,
- samples of power of attorney for those unable to attend the meeting themselves are announced.

Activity Report included documents, such as Company activities, information of executives, company balance sheets, balance sheet footnotes, Independent Auditors' Report, or Report on Compliance with Corporate Governance Principles. Activity Report is presented to shareholders upon request of Directorate of Investor Relations, before or after General Assembly.

Regardless their share, all shareholders have the right to take the floor, to express their opinion and to ask questions regarding issues of agenda during Ordinary General Assembly. The questions of shareholders, who participated Ordinary General Assembly meeting on April 12, 2016, either physically or electronically; their requests and thoughts; the answers of Chairman of the meeting and Council Board were recorded as minutes throughout General Assembly Meeting. General Assembly meeting minutes and attachments were delivered to shareholders and were announced to the public by Public Disclosure Platform, Turkey Trade Registry Gazette, and e-Company Information Portal and e-General Assembly Electronics General Assembly System in accordance with relevant legislation after the General Assembly, and also were posted on the website of the Company.

Since approval of majority of independent Board Members were not achieved, in 2016, the decision by the General Assembly was not required.

In accordance with the last topic of the agenda, shareholders and other invitees used their right o ask questions, after receiving satisfying responses by company managers in return, they expressed their good wishes.

There exists no relevance, which may cause a conflict of interest, between shareholders, Board Members, Administrative Managers or their spouses, blood relatives or second-degree relatives with Company or its subsidiaries. In addition, it is clearly understood that certain party did not transact a commercial business in operation field neither on their own nor on someone else's account and that they did not carry out any transaction with another shareholder in terms of unlimited partnership dealing with the same type of commercial business.

In accordance with the last topic of the agenda, shareholders and other invitees used their right o ask questions, after receiving satisfying responses by company managers in return, they expressed their good wishes.

## 2.4 Voting and Minority Rights

Provisions relating to voting rights of shareholders and to use of these rights are described in Articles of Association of Company.

Those, who have or represent ten shares at the General Assembly, have right of one vote. Those, who have more than ten shares, have right to vote according to a number, which is determined according to the above ratio without being subject to restrictions.

No reciprocal shareholding is present within capital of Company. The use of minority rights is subject to Turkish Commercial Code, Capital Market Law, relevant legislations; communiqués and resolutions of CMB.

## 2.5 Profit Share Right

There exists no privilege regarding participation in profit of The Company. The profit distribution policy of Company was redefined according to Capital Market Legislation, provisions of Turkish Commercial Code, tax legislation and other related legislation provisions.

Profit distribution proposal of Company's Board of Directors, which was prepared for submission to the General Assembly for approval; Any profit distribution proposal made by Board of Directors for submission of approval of the General Assembly is prepared in such a way to protect delicate balance between shareholder expectations; the profitability status of Company and need for future growth.

Accordingly, "As per Articles of Association, it is agreed to make a first dividend payment at the rates and amounts specified by the Capital Markets Board in case of any distributable profit."

In Articles of Association, there exists no regulation provision regarding distribution of an advance dividend.

Every year, Board of Directors presents a proposal regarding profit sharing to General Assembly and to shareholders, together with activity report prior to the General Assembly. The proposal regarding profit sharing of the Board of Directors is discussed and resolved in General Assembly. Decisions taken in 2016 regarding profit sharing for 2015 were implemented and necessary notifications were made to the authorities. Relevant decisions were also announced to public through the Public Disclosure Platform on the very same day.

## 2.6 Assignment of Shares

There exists no provision in Articles of Association, which restricts the assignment of shares. According to Article 7 of Articles of Association, all Company shares are registered, and might be assigned in accordance with the provisions of the related legislation.

## CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 Corporate Website and Content

You may have access to website of Company, with alternatives in Turkish or English: [www.vakifleasing.com.tr](http://www.vakifleasing.com.tr).

Website of Company is compatible with the principles regarding corporate website of Communiqué on Corporate Governance (II-17.1) numbered (2.1.1), (2.1.2) and (2.1.3), issued on January 3, 2014, by the CMB.

### 3.2 Activity Report

Activity Report of the Company is issued in accordance with the principles regarding annual report of Communiqué on Corporate Governance (II-17.1), with article number (2.2.1) and (2.2.2), published on January 3, 2014 by the CMB.



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

### CHAPTER IV - STAKEHOLDERS

#### 4.1 Informing of Stakeholders

Vakifleasing stakeholders are regularly informed through activity reports, news and statements on website about issues regarding stakeholders.

In order to ensure accurate and reliable information flow, the information disclosed in financial statements, published in every quarter, are shared with investors through the website; or are announced in PDP. Any questions or demands of investors are responded via phone and email.

#### 4.2 Participation Stakeholders' in Management

In our Company, there exists two different models concerning the contribution of stakeholders to management:

**Committee Meeting:** Decisions that are taken in regular committee meetings are implemented by our company.

**Proposal System:** Via this system, employees have possibility to submit their recommendations regarding improvement and development of Company in every respect, and appropriate recommendations are taken into consideration.

Moreover, in order to inform employees regarding the general status of the Company and to receive their recommendations, "Weekly General Assessment Meetings" are organized, where financial structure and performance data of Company are evaluated with employees.

#### 4.3 Human Resources Policy

Our Human Resources Policy is conducted within the framework of personnel regulations, which entered in force in 2005. In addition, we perform career planning and development. Our company plays a major role in the success and development of the sector. Vakif Leasing places importance particularly on education and thus, provides equipment necessary for efficient operation to its employees, considering its employees as its major capital. It works with employees who make researches, and who have visionary, creative and problem solving qualities.

All employees at our Company have a notion of working with team spirit and a high level of innovative creativity. In Vakif Leasing, recruitments and promotions are carried out by decisions given by Board of Directors within the framework of Personnel Regulations. There exists no discrimination in any means among our employees of Company, and our employees are equal under any circumstance.

#### 4.4 Ethics and Social Responsibility

- Full compliance with the regulations issued by the law.
- Honesty, transparency and accountability in the relationship with the customer- seller-creditor.
- Operating by taking into account the grounds of economic growth, in addition to profitability.
- Respect to confidential information and privacy to keep secrets.
- Respect to common interest of the sector in order not to create an unfair competition

Vakif Leasing is aware of its social responsibilities towards its customers, employees and society; and strives for fulfilling these responsibilities in the best possible way. It obeys all the regulations regarding the business life; stands behind the commitments it announces to public; gives confidence; encourages its employees towards honest and ethical conduct; takes all the precautions necessary for the security of its premises, does not conduct deceptive promotional or marketing activities; and obeys and encourages regulations prohibiting discrimination. Vakif Leasing strives for solving the customer problems quickly, covers the significant part of its employees' health expenses and continuously aims for increasing its service quality.

### CHAPTER V - BOARD OF DIRECTORS

#### 5.1 Structure and Formation of the Board of Directors

The structure of the Board of Directors is defined as follows according to Article 8 of Articles of Association:

"The company's operations and management are conducted by a Board of Directors consisting of at least five members, including General Manager. Every year, Board of Directors chooses a Chairman among the members and a Deputy Chairman to deputize him in his absence. Chairman of the Board and General Manager cannot be the same person. All members of Board, excluding General Manager, are elected by shareholders represented in General Assembly in accordance with the provisions of the Turkish Commercial Code. The majority of Board Members are not responsible from daily activities. Non-ordinary Board Members are elected from the candidates who could conduct his/her work independently without any influence according to Capital Markets Board. General Manager and Deputy General Manager are ordinary members of the Board of Directors. General Manager and his Deputy should have a bachelor degree and should be experienced in finance or business administration for at least seven years.

NAME / SURNAME	POSITION	STARTING DATE OF THIS POSITION
Şeref AKSAÇ	Chairman of the Board	01/04/2015
Yakup ŞİMŞEK	Deputy Chairman of the Board	09/09/2016
Alper ERSOY	Member of the Board	12/04/2016
	Member of Corporate Governance Committee	09/09/2016
	Early Identification of Risk Committee Member	09/09/2016
Şükrü KARATEPE	Independent Member of the Board	29/03/2012
	Member of the Audit Committee - Chariman	11/04/2012
Telat KARAPINAR	Member of the Board	30/04/2012
İbrahim Halil ÇİFTÇİ	Member of the Board	29/03/2012
	Corporate Governance Committee - Chariman	11/04/2012
	Early Identification of Risk Committee - Chairman	30/04/2013
	Member of the Audit Committee	11/04/2012
Özgür SELÇUK	Deputy General Manager	05/08/2016

There exists no executive assignment of Chairman of the Board of Directors. Deputy General Manager Özgür SELÇUK is executive member in the Board of Directors.

Personal background of Members of Board of Directors are published in the Activity Report. Pursuant to statement with serial IV article no. 56 of Corporate Governance Principles of CMB concerning establishment of a Corporate Governance Committee, election of two independent members is foreseen. Şükrü KARATEPE and İbrahim Halil ÇİFTÇİ fulfill requirements for being an Independent Member in accordance with articles 4.3.6 and 4.3.7 of Corporate Governance Principles of CMB. Their declarations of independence corresponding relevant legislation; Articles of Association and relevant communiqué were presented in report of April 1, 2016 & April 11, 2016. Independent Members were presented to Board of Directors on April 11, 2016.

No circumstance, which invalidates the declaration of independence of independent members of Board of Directors; or independence of Members within relevant operating cycle, is encountered.



## VAKIF FINANCIAL LEASING INC. CORPORATE GOVERNANCE COMPLIANCE REPORT

### Partnerships and tasks of members of Board of Directors outside company:

NAME / SURNAME	GROUP COMPANIES THAT HAS ROLE	POSITION
Yakup ŞİMŞEK	T.Vakıflar Bankası T.A.O.	Assistant General Manager
Alper ERSOY	T.Vakıflar Bankası T.A.O.	Head of individual and SME lenders

### 5.2 Activity Principles of Board of Directors

General Assembly regarding activities of the Company is held either in headquarters of Company; or in a location, where majority of Board Members request. However, General Assembly should gather at least once on a monthly basis. Though not gathered acknowledgedly, presence of all members at the meeting place on a given day and time does not prejudice to the validity of Assembly. Those who have right to participate in the General Assembly may participate via an electronic media in accordance with Article 1527 of the Turkish Commercial Code. Company may install a system that allow stakeholders to participate and to vote through electronic media in accordance with the provisions of Communiqué on General Assembly; and also may purchase service from systems formed with this purpose. In General Assembly to be held, it is ensured that stakeholders use their rights that are set forth in the relevant legislation within framework of Communiqué provisions via a system established in accordance with this provision of Articles of Association or through a system offering support services. Turkish Commercial Code shall apply for quorum regarding General Assembly.

The agenda of General Assembly is determined according to provisions and authority stipulated in the Articles of Association. 30 General Assembly meetings were held between January 1, 2016 and December 31, 2016. General Assembly regarding activities of Company is held either in headquarters of Company; or in a location, where majority of Board Members request. However, General Assembly should gather at least once on a monthly basis.

Turkish Commercial Code shall apply for quorum regarding General Assembly. The task of informing and communicating Board Members is carried about by General Manager Secretary. Decisions taken that need be disclosed to the public are announced immediately after meeting.

All members actively take part in meetings held on following issues:

- Identification of operation fields of Company, approval of business and financing plans;
- Summoning for Ordinary or Extraordinary General Assembly and its organization;
- Confirmation of annual report to be submitted in General Assembly;
- Selection of the Chairman, Deputy Chairman of Board and appointment of new members;
- Establishment of administrative units or termination of its activities;
- Appointment or dismissal of the CEO/General Manager;
- Establishment of committees;
- Integration, distribution, reorganization, sale either of Company or of 10% of shares; or investments for an amount over 10 %, expenses exceeding 10% of total share;
- Determination of Company's dividend policy, or profit share;
- Capital increase or decrease.

### 5.3 Number, Structure and Independence of Committees Formed Within Board of Directors

Establishment of an audit Committee consisting of two members (President- Şükrü KARATEPE, Member- İbrahim Halil ÇİFTÇİ), a Corporate Management Committee of three members (President - İbrahim Halil ÇİFTÇİ, Member – Alper Ersoy, Member - Özgür SELÇUK) and Early Detection Committee of Risk of two members (President- İbrahim Halil ÇİFTÇİ, Member – Alper Ersoy) are held in accordance with Communiqué on Corporate Governance, which requests this establishment in order to fulfill the duties and responsibilities of General Assembly for publicly traded companies.

There are six members in our Board of Directors. And Board Members might be member of more than one committee, since the number of members of committees related the Board of Directors are more than the number of members of Board of Directors, in accordance with principles stated in the CMB Corporate Governance principles and the BRSA.

#### 5.4 Risk Management and Internal Control Mechanism

##### - Internal Control:

Internal control mechanism, which is in service directly under the Board, serves with the objective to perform controls effectively and to develop a control system that covers risks in all areas, and to report results periodically to the Audit Committee.

It controls whether Company's operations, systems and processes are carried out in accordance with regulations, management strategies and policies and leasing practices, while carrying out a systemic and disciplined approach regarding workflows, duties and responsibilities of employees and taking necessary steps for risk assessment; or prevention.

While presenting an opinion concerning development of internal regulations and practices of Company, it provides independent and objective assurance and consulting services in order to enrich and improve activities, with an objective to improve Company's corporate efficacy governance.

In order to prevent the damage that could affect achievement to Company goals, establishment of an internal control system is foreseen for defining, evaluation, monitoring, managing of potential credit, market and operational risks that may affect Company's assets and for using such results during decision mechanism.

Internal Control Manager fulfills its duties as Exclusively Compliance Officer, which ensures that necessary measures in compliance with legislation of Financial Crimes Research Board are taken; realization of supervision and establishment of communication with Board.

##### - Risk management:

Risk Management consists of two members elected from Board of Directors. Directorate of Risk Management carries on its activities within the framework of national legislation and international regulations and standards through Members of Committee for the Early Detection of Risks. Directorate of Risk Management submits its report periodically to Committee for the Early Identification of Risks.

#### 5.5 The Company's Strategic Goals

The strategic goals formed by our managers are evaluated at the end of each year and targets are approved for following year. In addition, Board of Directors evaluate achievement to set goals.

#### 5.6 Financial Rights

During Ordinary General Assembly meeting, on April 12, 2016, it was decided to pay 3,500 TLs monthly to members of Board of Directors.

There exists no other fee or other rights granted to Members of Board. Wages and benefits for members of the Board are not determined by their performance. Company is not insured against damages caused by a Board Member throughout his duty term.

Company has not given any loan or credit to any Board member; or there exists not any warrant or guarantee such as a compensation is given in benefit of a third party or per a third party given as a personal debt.

In accordance with Corporate Governance Principles, all other benefits ensured by fees paid to senior executives in addition to Members of Board of Directors are disclosed to public through activity report. However, statement is made not on the basis of a person, but on the basis of Board of Directors and senior manager distinction.

Our Company has paid gross wage of 312 thousand TLs to Board members and 683 thousand TLs to General Manager and Deputy General Manager in 2016.

  
İbrahim Halil ÇİFTÇİ  
Kurumsal Yönetim Komitesi Başkanı  
Chairman of Corporate Governance Committee

  
Özgür SELÇUK  
Kurumsal Yönetim Komitesi Üyesi  
Genel Müdür Vekili  
Member of Corporate Governance Committee  
Deputy General Manager

  
Alper ERSOY  
Kurumsal Yönetim Komitesi Üyesi  
Member of Corporate Governance Committee

DECLARATIONS OF INDEPENDENCY UNDER SCOPE OF THE  
NOTIFICATION ON DETERMINATION AND  
IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES**VAKIF LEASING INC.  
İSTANBUL****HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUÉ ON  
CORPORATE GOVERNANCE**

I hereby declare, acknowledge and undertake that

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

ç) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

d) I am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,

e) I am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

f) I am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

g) I have not conducted membership of board of directors more than a term of six years in the last ten years, from Board of Directors.

h) I am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

i) I have not been registered and announced as a board member representing a legal entity.

In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.

01.04.2016

  
**İbrahim Halil ÇİFTÇİ**  
Bağımsız Yönetim Kurulu Üyesi  
Independent Member of  
Board of Directors

**VAKIF LEASING INC.  
İSTANBUL**

**HERE IS MY DECLARATION OF INDEPENDENCE WITHIN THE SCOPE OF THE COMMUNIQUÉ ON  
CORPORATE GOVERNANCE**

I hereby declare, acknowledge and undertake that

a) I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

b) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,

c) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,

ç) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

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In case of the emergence of a condition violating this independence, I will immediately inform the board of directors for the change to be declared to the public by me and I will resign from my duties as the member of board of directors and others as the principle requires since I will lose independence under such circumstance.

11.04.2016

  
Prof. Dr. Şükrü KARATEPE  
Bağımsız Yönetim Kurulu Üyesi  
Independent Member of  
Board of Directors



### ***The Affiliation Report Prepared As Per Article 199 of Turkish Commercial Code***

As per article 199 of Turkish Commercial Code no 6102, which was enforced in 1 July, 2012, the report on relations of Vakıf Financial Leasing Inc. and its controlling shareholder T.Vakıflar Bankası T.A.O., and affiliated partnerships for the previous year of operation has been compiled. Under frame of the information presented to our Board of Director, it has been concluded that in all the transaction conducted between Vakıf Financial Leasing Inc., and with its controlling shareholder in and affiliated companies in 2016, pursuant to the conditions and terms being known to us by the time of transaction was made, or measure was taken or refrained to be taken, a proper counter action was performed in all transaction and that there is no measures taken or refrained to be taken, which could damage the company and thus, there has been no transaction or measure which may be required offsetting under this frame.

**EXPLANATIONS ON THE CORPORATE GOVERNANCE COMMITTEE (II-17.1)**

- In 2016, the Company has increased its paid-in capital from 65,000 Thousand TL to 87,000 Thousand TL. The amount raised is met from the year 2015. The Company has obtained permission from the Capital Markets Board regarding the increase of the registered capital ceiling to 300,000 Thousand TL in 2016. With the partnership structure in 2016, there has been no change in the organizational scheme.

- There is no research and development activity in 2016.

- During the accounting period of 2016, PwC Independent Audit and Serbest Muhasebeci Mali Müşavirlik A.Ş. Limited independent auditing on 30.06.2016 and independent auditing on 31.12.2016. In addition to this, within the framework of the full taxation of corporations, the company financial statements are prepared by NSR Yeminli Mali Müşavirlik A.Ş. Through tax audits on a quarterly basis.

- There are no legal proceedings in any ongoing lawsuit against the Company that may have a negative effect on the Company's financial position and results of operations.

- There are no administrative and judicial sanctions imposed on the members of the company and the management body due to practices contrary to the provisions of the legislation.

- No extraordinary general assembly meeting was held during the year.

- The company does not have its own shares acquired.

- Vakıf Leasing's gross receipts decreased by 10,10% compared to the previous year in 2016 and decreased from 250,894 thousand USD to 225,545 thousand USD. 412 transactions in 2015 were realized as 502 transactions in 2016 with an increase of 21.84%.

According to the contract information activated by Vakıf Leasing, the transaction amount of USD 222,675 thousand in 2015 decreased by 8,57% in 2016 and realized as USD 203,589 thousand. While the number of active contracts was 388 in 2015, it increased by 25.77% to 488 in 2016.

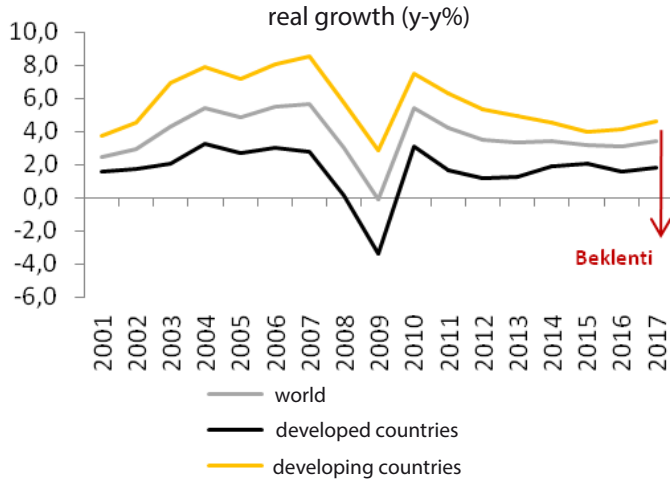
While aiming to grow disciplinedly, the Company did not compromise on the strategy of creating a high quality portfolio and the prevalence of the transaction volume it realized while acting selective in growth in order to manage the increasing profit margin pressure efficiently and balancedly.

- As of the end of 2016, the paid-in capital of the Company is TL 87 million and there are no findings or opinions regarding the capital being unrequited and the Company being plundered.



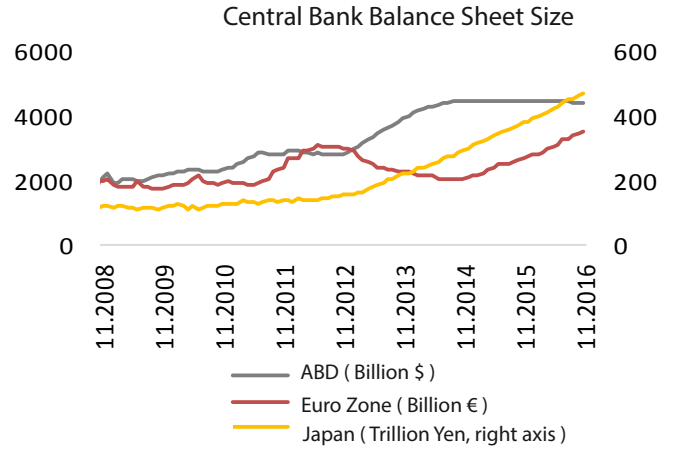
GENERAL OVERVIEW  
ON 2016 ECONOMY AND  
FINANCIAL LEASING

## GLOBAL ECONOMY

*Moderate growth in global economy continues*

The global economy, which grew by 3.2% in 2015, is expected to finish 2016 with a growth of 3.1% compared to the IMF expectation. At the beginning of the developed economies, the US economy grew by 3.5% in the third quarter of 2016. Thus, while the US economy has achieved the fastest growth in the last two years, the increase in consumer and public spending has been influential in this performance. The 4th quarter growth in the US economy is expected to be 2.2% below the high 3rd quarter growth rate and close the year with 1.6% growth. The US is expected to complete the year 2017 with a growth rate of 2.2% with the support of expansionary fiscal policies expected to be implemented by new president Trump. Euro Zone's growth of 0.3% in the third quarter indicated that the economic activity in the region has a relatively positive outlook despite Brexit's decision. Political uncertainties in the Eurozone that are expected to finish 2016 with a growth rate of 1.7% in the upcoming period and the policies implemented by new president Trump in the US are likely to put pressure on the growth of the regional economy, which is growing with exports, and it is expected to finish 2017 with a growth rate of 1.5%. The Japanese economy, on the other hand, posted a 0.3% growth in the third quarter, slightly below expectations. The Chinese economy, which has a very important place in the growth performance of the global economy, showed that economic activity remained stable in the third quarter, growing by 6.7%, just like the other two quarters. The Chinese economy is expected to finish 2016 with a growth rate of 6.6%. In 2017, US President Trump's anticipated tariff tariffs and protectionist trade policies for countries like China and Mexico are expected to complete with growth of 6.2%, which is relatively low compared to 2016, with adverse effects on China, which has an important role in the economy of exports. On the other hand, the OECD's global economic outlook released earlier forecasted a 3% global growth rate for 2016, down to 2.9% and a 2013 growth rate of 3.3%.

*Japan and the European Central Bank expanding money  
US Central Bank tightens while  
Continued to monitor monetary policy.*



Following the global crisis, expanding monetary policies have generally been applied to developed economies such as the US, Europe and Japan. In 2014 and 2015, the monetary policies of developed country central banks began to be diverged. The US Federal Reserve (Fed) has announced its decision to terminate the third quantitative easing program (QE3), which was launched in September 2012, in May 2013, and concluded on October 29, 2014. In December 2015, the Fed made a decision to increase interest rates for the first time after about 10 years. The Fed raised the policy interest rate by 0.25 percentage points to 0,25%-0,50% band from 0%-0.25% band. Speaking after the meeting, Fed Chairman Janet Yellen said that four interest rates could increase in 2016. However, in 2016, the Fed has only made one interest rate increase, at the last meeting of the year. Fed Chairman Yellen, who has raised the interest rate by 0.25 percentage point at the December meeting, said that he revised the interest rate increase expectation of 2, which was previously 2 for 2017, to 3. In addition, Yellen added that the gradual increase in interest rates will continue. In 2017, the most widely spoken Central Bank is expected to be the Fed. However, it should be said that the final decisions of the Fed will be effective in the policies of other Central Banks. Also, the misguided policies of the new US president Trump, scheduled for follow-up on January 20th, will have an impact on the Fed's decisions. In this context, the manner in which the Fed, which is beginning to tighten its monetary tightening, will follow closely in terms of both the US economy and the global economy.

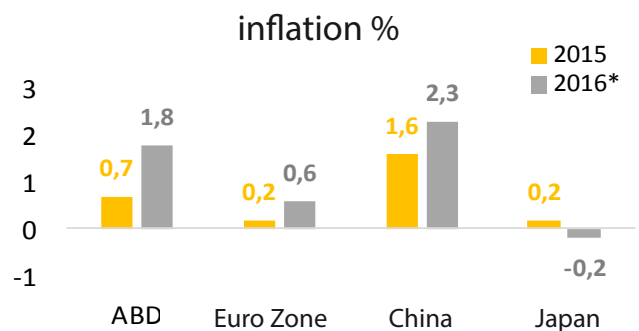
The European Central Bank (ECB) is continuing its expansionary monetary policy to support economic activity. The ECB, which was the first to apply negative interest in June 2014, reduced the deposit rate, which was already in the negative territory and applied to the banks at the March 2016 meeting, by 10 basis points to 0.40%. The ECB also reduces the size of its securities purchase program, which aims to reduce the borrowing costs and support the economy, from 60 billion euro to 80 billion euro. Speaking after the meeting, ECB President Mario Draghi announced that the ECB will buy bonds until March 2017. At the last meeting of December 2016, the ECB decided to keep the interest rate constant while the asset purchasing amount, which was 80 billion euro, will continue at the same level until March 2017, and purchases continuing until December 2017 will be 60 billion euro To the level. It will be followed curiously by 2017 if the ECB, which has already begun to reduce the amount of asset purchases, regards the policy as partial tightening, if it will abolish the monetary expansion in 2017.

In Japan, where deflationary pressures continue, the Bank of Japan (BoJ) has announced that it will continue to implement its expanding monetary policy until it reaches the inflation level of 2%. At the beginning of the year, BoJ unexpectedly pulled the interest rate to a negative level for the accounts the banks held at the central bank in January meeting. BoJ announced at its meeting on September 21 that it decided to control the yield curve by changing the frame of the monetary policy, as well as continuing the qualitative and quantitative monetary expansion program. BoJ said that the target could be reached in 2018 by shifting the forecast timing to reach the inflation target at the November meeting. It is expected that BoJ will continue its expansionist policy in 2017, stating that it will use asset purchases to control long-term Treasury interest rates by giving up its monetary base target. The Japanese government, which is currently buying bonds, is thought to have a debt ratio of over 200%, and the fact that the desired correction in the economy has not been achieved despite bond purchases that have been going on for a long time creates uneasiness on investors. An increase in the rate of interest, which is close to 0%, may cause the government to be nervous about the ability to pay debts. However, the fact that the majority of the country's debtors, especially pension funds, are in the hands of the domestic investor, can be considered as a factor to reduce the worries about the country risk.

The volatility in the financial markets that began in China at the beginning of the year and the depreciation of the Chinese currency also increased the risk perception in global markets. The Chinese economy has had the lowest growth performance since 1990 with 5.9% growth in 2015.

In the third quarter of 2016, China's economy grew by 6.7%, boosting expectations for the government's annual growth target. At the end of the year, however, the Bank of China's (PBOC) tightening monetary conditions to reduce collateral and protect local currency also contributed to the increased pressure on the market. China's reserves, which declined by about \$ 600 billion to \$ 3.3 trillion from \$ 3.9 trillion in 2015, continued to decline in 2016 as well. While China's foreign exchange reserves are the world's largest, they have gone to the PBOC foreign exchange reserves in order to stop some of the hard losses experienced in the Yuan, which had fallen to the lowest level of the last five years in January 2016 due to the sharp increases in overnight interest rates in China. A situation similar to that experienced at the beginning of the year took place at the end of 2016, and concerns about the use of the Central Bank's reserves have come to the fore again. In 2017, the pressure on the Chinese currency and hence on the already dangerous Chinese reserves may increase. However, it should not be forgotten that in 2016 the possible scenario will be left at a significant point in the current situation in the face of a possible new reserve. In the period when Yuan depreciated sharply in 2016 and the Chinese dollar reserves were soon overtaken by a significant amount, the Fed was slow to raise interest rates, considering global conditions. However, as the new President Trump's plans to implement the measure in the US on January 20, 2017, the Fed will not be able to raise such low interest rates and thus the appreciation of the dollar will gain even more, worries over China's reserves about the upcoming turnaround.

***Although inflation in the United States has converged to the Fed's target, other developed country economies continue to struggle with deflation.***



Developed country economies continued to struggle with the problem of deflation in 2016. Unlike other countries that implement expanding monetary policy, the US economy, which started to follow a tightening monetary policy in 2014, is expected to approach the inflation rate of 2%, which is the Fed's target level at year-end at the end of 2015. The Euro Zone inflation rate, which was realized as 0.2% in 2015, is expected to complete the 2016 year at 0.6%. Despite concerns about the region's deflation, it is likely that the inflation rate will be more positive in 2016 than in the previous year. In Japan, inflation is expected to decline by 0.2% at the end of 2016, which ended 2015 with an increase of 0.2%. Thus, the expectation that Japan's annual inflation rate will be negative for the first time since 2012 indicates that deflationary pressures are still continuing despite the introduction of negative interest rates in early 2016.

#### ***Britain took the decision to leave the EU (Brexit).***

Unlike the expectation of the referendum in the UK on 23 June, the decision to leave the EU resulted in sales in global markets. While the sterling was depreciating, sales were taking place in emerging markets as investors turned to safe haven investment vehicles. This situation led to an increase in the expectation that the US Federal Reserve will postpone the interest rate increase. However, the fact that the markets are focused on the Fed's expectations in the short run instead of focusing on the possible negative reflections of Brexit on the longer run limits the negative impact of the referendum in the first place. In contrast, the UK currency pound was one of the most depreciated currencies in 2016. The depreciation of the currency has continued, especially as the details of how the UK's disintegration process developed in the European Union became clearer. For this reason, the sterling lost about 7% from July to the end of the year. There is a possibility that the separation process lasts for 2 years and in this process, especially the London finance center, may cause permanent damage to the continuing UK economy. Moreover, the splitting of Britain's decision to split up in other Member States is seen as an important risk for the European Union.

#### ***In the US, presidential elections have boosted volatility in global markets.***

After Donald Trump won the presidential elections in the US, as the markets did not anticipate, there were severe fluctuations in global markets. While the dollar index and US bond yields have risen sharply, there have also been emerging emerging market developments. If Trump's defensive foreign trade and effective fiscal policies are outweighed by the promises of election, it is likely that inflationary pressures will be seen by rising prices in the US. This leads to the expectation that the Fed will be able to increase interest rates faster in the upcoming periods.

#### ***Oil prices started to move upwards.***

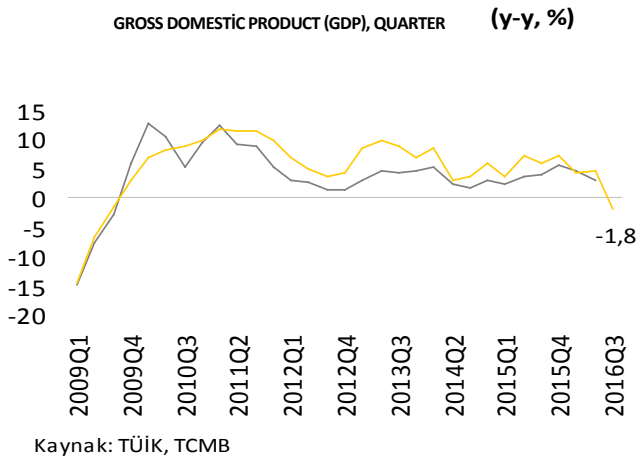
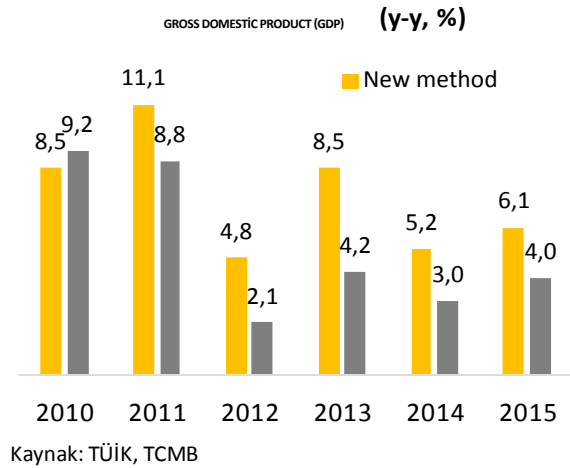
Oil prices, which experienced a sharp decline in 2014 and continued to decline in 2015, recovered in 2016 and surpassed \$ 50 / barrel. While the supply surplus was effective in the decline of oil prices, the news about the freezing of the oil production amount in February 2016 was influential on the increase of the prices again. However, in April, Qatar's capital, Doha, ended an upturn in prices that could not be reached at an agreement on production freezing at a meeting between the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC producers. The OPEC members who worked to freeze the production level in order to put an end to this halving of oil prices in the last two years and to raise prices again in September, held an informal meeting in Algeria in September. At the meeting, one of the biggest producers of oil, Russian Energy Secretary Alexander Novak, said that the freezing of the production level could be negotiated at the official meeting of OPEC, which again prevented the upturn in the prices that could not be made. Although the producers agreed to limit the production of oil, the fluctuations in oil prices affected the fact that concrete steps could not be taken during this period. On November 30, 2016, OPEC member countries gathered in Vienna to take a decision to reduce their oil production levels by 1.2 million barrels a day. Given that global growth is slow, there are doubts that OPEC's oil producing countries will abide by the decisions made to reduce supply, and rock gas producers who end their production activities by taking advantage of the recent low prices, It can be said that the rise in oil prices will be limited in 2017 when it is thought that they will be rejoined.



## 2016 GLOBAL ECONOMY IN THE WORLD AND TURKEY

## TURKISH ECONOMY

**Turkey's economy in the third quarter of 2016**  
**Decreased by 1.8%.**



Gross domestic product (GDP) grew by 4.5% in the first two quarters of 2016 with the support of household consumption expenditures. In the third quarter of the year, growth was negative for the first time since 2009 compared to the same period of last year and the Turkish economy shrank by 1.8%. Seasonally and calendar-adjusted GDP contracted by 2.7% in the third quarter compared to the previous quarter. The third quarter saw the lowest growth rate after the first quarter of 2009 with seasonally adjusted and calendar adjusted figures. Household spending in the third quarter and the decline in investments were the determining factor in the negative growth, while public spending was the only spending component that affected growth. Despite the sharpest increase in public spending since 1999, this increase has not compensated for the negative impact of other items. The Turkish economy grew 2.2% in the first nine months of 2016, losing momentum compared to the same period last year.

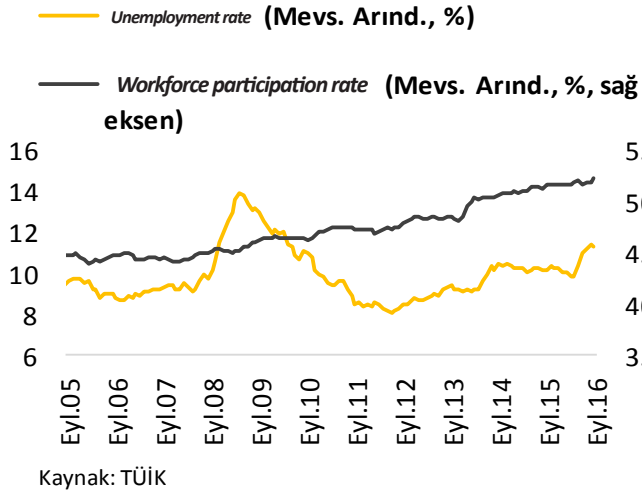
Looking at the growth of the sectors on the basis of the other sectors, agriculture, industry and services sectors in the third quarter of the year is seen to shrink. In the first three quarters of 2016, the tourism and agriculture sectors were negatively affected by the problems with Russia. However, the fact that relations with Russia have begun to re-normalize will lead to a reduction in the negative effects both in the last quarter of the year and in the coming year. The construction sector, which contributed positively to growth in the first two quarters of 2016, continued to make a positive contribution to growth in the third quarter of the year.

In the third quarter of 2016, TURKSTAT has revised the national income calculation and revised past growth figures. The first quarter growth of 2016 was down from 4.7% to 4.5%, while the second quarter growth increased from 3.1% to 4.5%. The uptrend in the national economy seems to be positive in that it may be effective in reducing the current account deficit / GDP and budget deficit / GDP ratio. On the other hand, in the last quarter of the year, preliminary data on economic activity signals recovery. Loan disbursements in the banking sector in the fourth quarter and restrictions on installment restrictions on credit cards, thus positively affecting growth by increasing household consumption, especially by increasing individual credit volume. In addition, this could lead to an increase in finance and insurance activities. However, industrial production, one of the most important forerunner indicators of growth, has risen slightly in October from low levels, and the increase in public spending will continue, leading to some recovery in the fourth quarter. However, the positive contribution of industrial production to growth in the last period with the high effect of lead effect can be limited to a certain extent. According to the Medium Term Program forecast published by the Republic of Turkey Ministry of Development, the Turkish economy is expected to grow by 3.2% in 2016 and 4.4% in 2017.

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*In the calculation of the Gross Domestic Product (GDP), the new calculation method has been passed by the third quarter of 2016. With the new calculation method, the base year of 1998 has been changed to 2009.*

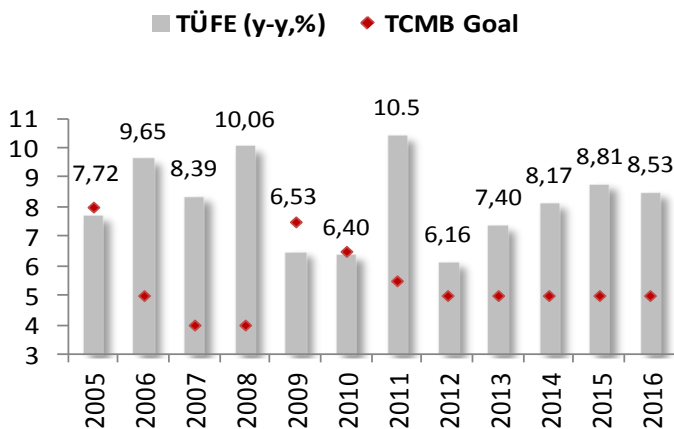
### Unemployment rate in January-September 2016 10.5% respectively.



The average rate of unemployment, which was 10.2 in the first nine months of 2015, rose to 10.5% in the same period of 2016. The seasonally adjusted unemployment rate, which was 10.2% in the January-September period of 2015, rose to 10.6% in the same period of 2016. The slowdown experienced in economic activity in 2016 has been influential in the increase in the unemployment rate. By October 2015, employment growth was achieved in the industrial and service sectors excluding agriculture according to seasonally adjusted figures.

The expected increase in growth in 2017 is predicted to play a role in reducing unemployment. The increase in labor force in recent years, especially due to the increase in the participation of women, will continue in 2017, which will limit the decrease in unemployment rate.

### Inflation ended 2016 at 8.53%.



Inflation, which ended the year 2015 at 8.8%, ended 2016 with 8.53% above the OVP estimate of 7.5%. In particular, the decline in inflation in the first half of the year, the rise in food prices below the historical average in 2016, the calm course of the exchange rate and the low oil prices were effective. However, in the last quarter of the year, there was a rise in the wages, a rise in the prices of SCT before the new year, and an increase in the inflation due to the increase in the prices of oil and food. In addition to the increase in exchange rates in 2016, commodity prices were determinative of the increase in the producer index of currencies, and the fluctuating producer prices index reached 9.94% at year-end. In the upcoming period, the movement in food prices as well as the movements in exchange rates may have an impact on inflation. In addition, due to the measures taken within the scope of Food and Agricultural Product Monitoring Committee (Food Committee), it is predicted that food inflation will be realized at low levels according to the historical averages in 2017.

In this context, if there is a low course in food prices and a decrease in exchange rate volatility, there is a possibility that a favorable course will be observed in 2017 compared to 2016 in inflation. It is possible that there will be a slight technical decline in the first month of 2017, but inflation is likely to turn up in the next few months and inflation is expected to decline to 6.5% in 2017 under the Medium Term Program (2017-2019).

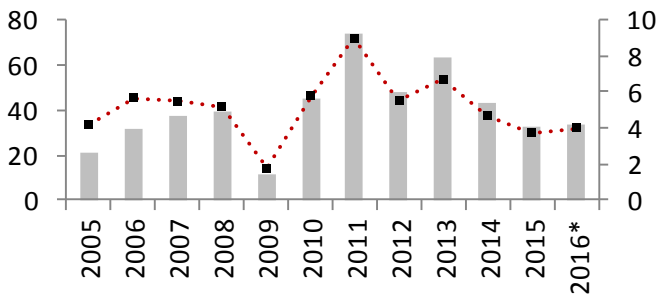
### Foreign trade deficit declined to USD 50.4 billion in January-November 2016.

Foreign trade deficit, which was 57.2 billion dollars in January-November 2015, decreased 50.4 billion dollars in the same period of 2016. The annual foreign trade deficit, which was \$ 65.7 billion in November 2015, was \$ 56.6 billion in November 2016. The improvement in exports was more effective than imports. The decline in energy imports due to the favorable impact of lower oil prices on oil prices continued to make a slight contribution to the decline in the annual foreign trade deficit. Moreover, weak domestic demand has also been influential in the decline in annual foreign trade. However, in the same period, exports declined due to the ongoing economic problems in countries with significant trading partners and the decline in the EUR / USD parity.

The downturn in energy prices as of January 2016 indicates that the positive base effect of energy prices on the foreign trade deficit will decline in 2017. However, stabilization at \$ 50 / barrel despite rising oil prices will have an impact on the continuation of the contribution of energy prices to foreign trade deficits. As a result of the decisions made by the public authorities, the revival of internal demand in 2017 will create some upward pressure on the foreign trade deficit. On the other hand, the normalization of our relations with Russia, which is an important foreign trade partner, can positively affect our foreign trade openness. However, the integration of Iran into global trade with the removal of embargoes on Iran will also have an impact on the development of our commercial relations with Iran. The decline in imports that could have occurred in 2017 if the upward trend started in the currencies as of October 2016 continues in 2017, could have a contraction effect on foreign trade deficit. Positive developments in commercial relations and the rise in foreign exchange rates may be positive in 2017, but there is a possibility that the foreign trade deficit will increase slightly in 2017 due to the negative impact of energy prices.

**The current account deficit stood at \$ 26.5 billion in January-October 2016 due to the recovery in foreign trade.**

Current account deficit (year, milyar \$)

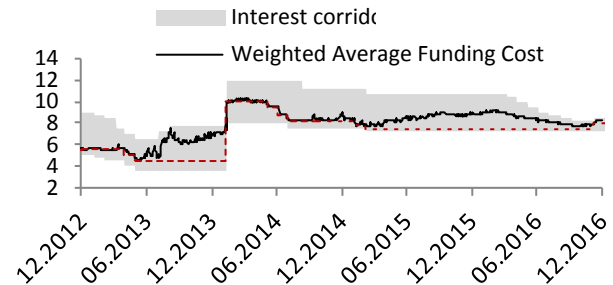


The current account deficit, which was \$ 41.4 billion in the January-October period of 2015, decreased by \$ 26.5 billion in the same period of 2016. The annual current account deficit, which stood at \$ 32.3 billion in GDP and 3.8% in GDP in 2015, fell to US \$ 33.8 billion in October 2016, compared to the 12-month cumulative figures.

In the first ten months of 2016, the contraction in terms of foreign trade in the recovery in the current account deficit was decisive. The decrease in energy imports, especially due to the low course effect of oil prices, has made a significant contribution to improving the current account deficit. Moreover, the contraction in global trade volume has been a decisive factor in the decline in imports. Foreign trade developments in the January-October period of 2016 supported the narrowing of the current account deficit compared to the same period of the previous year, and the decline in net service revenues and the outflow of foreign exchange due to income negatively affected the current account balance. In the decline in net service revenues, the decrease in the number of tourists entering the country due to the problems experienced in the environment economies is decisive, while the profit transfers due to the foreign exchange outflow due to income balance were effective.

There is a possibility that the rise in energy prices will have an upward effect on the current account deficit in the foreign trade channel in 2017. However, the normalization of relations with Russia will have a positive effect on commercial relations and tourism, and the development of commercial relations with Iran will limit the negative effect of energy prices. As a result of the decisions taken by the public authorities, the exchange rate increase in the last months of 2016 may limit the increase in imports and current account deficits, although the revival of domestic demand in 2017 is likely to create some pressure on the current account deficit, especially through imports. For this reason, it is expected that the rise in current account deficit in 2017 will be limited.

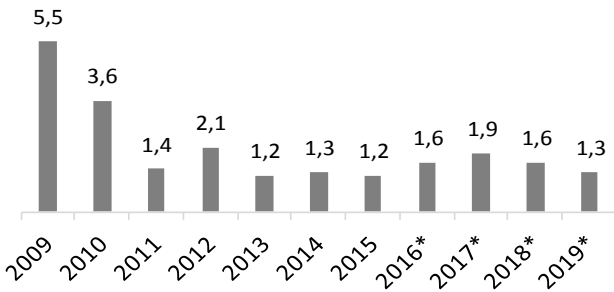
TCMB interest rates (%)



The Central Bank of the Republic of Turkey (CBRT) continued to use interest and non-interest instruments together in 2016, following a policy of price stability as well as financial stability. In the period of March-September 2016, the CBRT cut the marginal funding rate by a total of 250 basis points, which is the upper band of the interest rate corridor. At the November meeting, the CBT increased the policy rate by 50 basis points, citing the inflationist pressure of the exchange rate movements created by the global market and the uncertainty experienced in the global economy, and raised the marginal rate of funding, which is the upper band of the interest rate corridor, by 25 basis points, To 8.50. Thus, after the harsh interest rate hike in January 2014, the CBT, which had interest rate cuts at intervals, increased its policy rate for the first time in November. In addition, the CBRT has adopted the required reserve ratios as well as the interest rate hikes it has made in order to intervene in the wake-up activity. In this context, it is expected that the policies to be followed by the CBRT in the upcoming period will be affected by the global market conditions and the exchange rate as well as the inflation outlook due to the currency exchange rate. On the other hand, the US Federal Reserve (Fed) will continue to increase interest rates gradually in 2017 after the second interest rate increase in December 2016. In the US, loose fiscal policies promised by new President Donald Trump have begun to be bought at high-interest rates, in a way that will cause upward pressure on prices and thus the Fed will tighten faster. This situation has caused rapid increases in the US dollar and interest rates, and this situation will continue for a while. This situation is expected to affect the CBRT's monetary policy in the upcoming period.

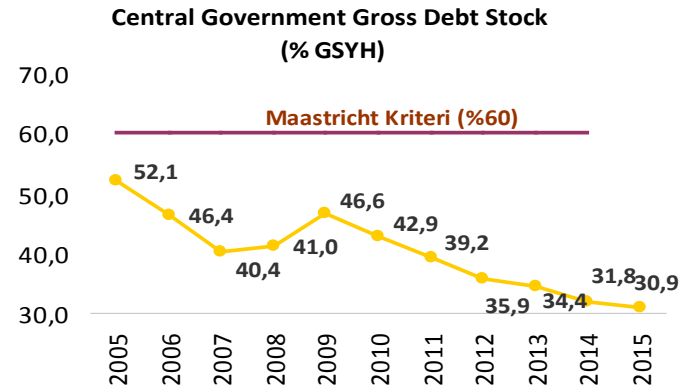
**The Central Government Budget gave a deficit of 2.1 billion TL in January-November 2016 period.**

Central Government budget deficit/GSYH (%)

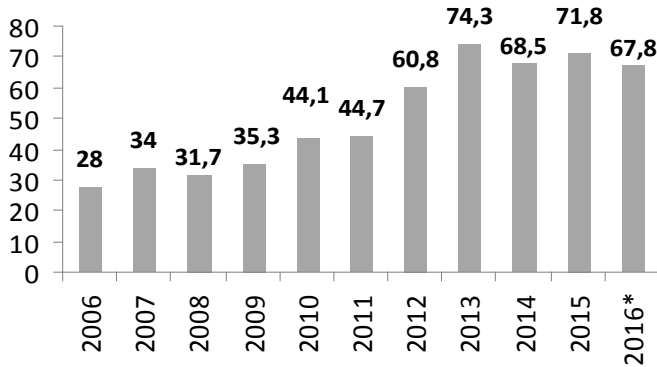


The central government budget, which had a deficit of 5.4 billion TL in January-November 2015 period, had a deficit of 2.1 billion TL in January-November 2016 period. Budget revenues of 441 billion 793 million TL in January-November 2015 period have increased by 15.1% to 508 billion 583 million TL in the same period of the same year. Budget expenditures, which were 447 billion 222 million TL in January-November 2015 period, have been realized as 510 billion 702 million TL in the same period of 2016 with an increase of 14.2%. It is expected that the ratio of central government budget deficit to GDP, which is 1.2% in 2015, will be realized as 1.6% in 2016 within the Medium Term Program (2017-2019). As it is expected that government spending will increase in order to support economic activity, it is expected that the ratio of central government budget deficit to GDP in 2017 will be 1.9% within the Medium Term Program (2017-2019). On the other hand, in the first 11 months of 2016, the primary surplus increased by 1% compared to the same period of the previous year. It is foreseen that the primary surplus which is important in terms of debt management will be realized as TL 26.3 billion in 2016.

#### Central Government Gross Debt



Central government gross debt stake of TL 676.9 billion in November 2015 was TL 751.8 billion as of November 2016. TL 468.2 billion of the debt stock consists of TL denominated debt and FX denominated debt amounting to TL 283.6 billion. Given the ratio of debt to GDP in the framework of the Maastricht Critique, which is also referred to as "the EU's Financial Rule", it appears that there has been a steady decline since 2009, especially since 2009. The fact that the mentioned ratio is below the Maastricht Criteria indicates the fiscal policies implemented in Turkey, which receives investment grade credit, and the progress in public administration.

**Domestic borrowing valley**

Looking at the year 2016, the average monthly cost of fixed-rate domestic borrowing in November rose to 10.1% from 9.5% in December 2015. The average cumulative valuation of cash domestic borrowing, which was 71.8 months in 2015, was 67.8 months in November 2016. On the other hand, in order to expand the investor base and diversify borrowing instruments, the export of rent certificates, which were first exported in 2012 and started to be regularly exported on the domestic market since 2013, continued in 2016 as well. In this framework, in February, July, September and November, a total of TL 6.26 billion rent certificates were issued in the internal market.

**2016 YILINDA VAKIF LEASING**

In 2016, Vakif Leasing's endorsement decreased by 10,10% compared to the previous year, from 250,894 thousand USD to 225,545 thousand USD. The figure of 412 transactions in 2015 was 502 units with an increase of 21.84% in 2016.

The total amount of Vakif Leasing's active contracts in 2016 decreased by 8,57% compared to the previous year and decreased from 222,675 thousand USD to 203,589 thousand USD. The number of active contracts, which amounted to 388 in 2015, increased by 25.77% to 488 in 2016.

One thousand USD-Vakif Leasing			increase %
Period	2016	2015	Artış %
First 3-month period	32,709	72,140	-54,66
Second 3-month period	50,195	47,976	4,63
Third 3-month period	49,840	50,598	-1,50
Fourth 3-month period	70,845	45,253	56,55
<b>TOTAL</b>	<b>203,589</b>	<b>222,675</b>	<b>-8,57</b>
<b>Number of contracts</b>	<b>488</b>	<b>388</b>	<b>25,77</b>



## GENERAL ASSESSMENT

Being one of the first players of the Turkish leasing sector and maintaining its pioneering role in the use, promotion and improvement of Financial Leasing products since 1988, Vakıf Leasing achieved an effective trading volume of 204 Million dollars in 2016.

Vakıf Leasing is aiming to act as a financial intermediary between SMEs, which constitute a significant part of its customer portfolio and investors in the commercial segment, and aims to continue its path by increasing its market share in the sector and to increase the company's development in a competitive and dynamic environment.

In 2016, the Sales and Back Charge product contributed to the transaction volume of Vakıf Leasing in parallel with the sector. In the coming period, Vakıf Leasing aims to concentrate on real estate, business and construction machinery in line with its sustainable targets and aims to increase its market share in investment preferences in 2017 as well.

With nearly 30 years of experience, sectoral knowledge and solution-focused employees and alternative financing options have brought a great deal of activity to our company as well as the sector. The "Selling and Re-Leasing" tool, which is especially preferred by firms that have a need for capital and have the aim of expanding their business, can strengthen their equity as well as make their credibility higher.

With a transaction volume of USD 204 million in 2016, Vakıf Leasing will increase its assets by 12% to 1,687 Million TL, its leasing receivables by 17% to 1.5 billion TL and its shareholders' To 170 million TL, and has maintained its growth trend.

Our company, which does not have any concentration in any sector but aims to be popular in the credibility of customers in every sector, especially in SMEs, aims to increase its market share in investment preferences over the years.

At the beginning of our targets for 2017, our transaction volume is a healthy growth when Turkey's domestic market growth and commercial credit demand are taken into consideration. Taking back the corporate strength of more than 900 branches of Vakıfbank, it continues to work extensively with a broad customer portfolio and service network throughout the country.

Vakıf Leasing is represented on branch basis in Ankara, İzmir, Adana, Bursa and Antalya in order to provide fast and responsive service to its investors. It plans to realize its target with the development of branch network and personnel support throughout Turkey. Among our goals for 2016, a healthy growth takes the first place considering our trading volume, Turkey's domestic market growth and demands for commercial loans.

In order to provide on-premise service and quick response for its investors, Vakıf Leasing is represented by its branches in Ankara, İzmir, Adana, Bursa, Antalya and Gebze, and plans to achieve this goal with the extension of its branch network throughout Turkey and personnel support.



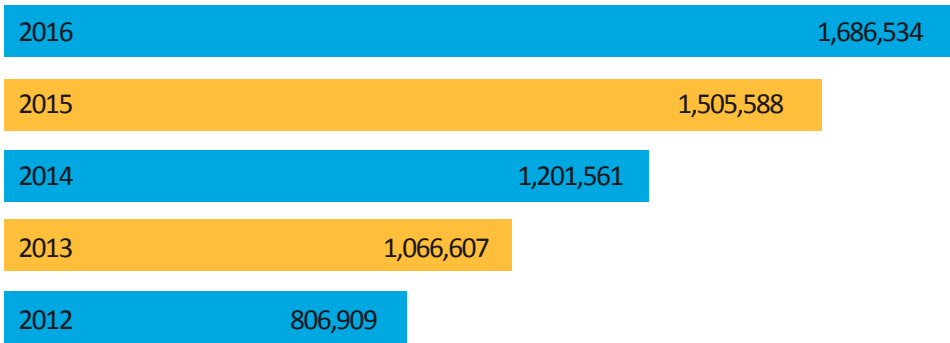
*Vakıf Leasing  
In its 28<sup>th</sup> Year*



PRIMARY  
FINANCIAL INDICATORS  
AND RATIOS

## PRIMARY FINANCIAL INDICATORS

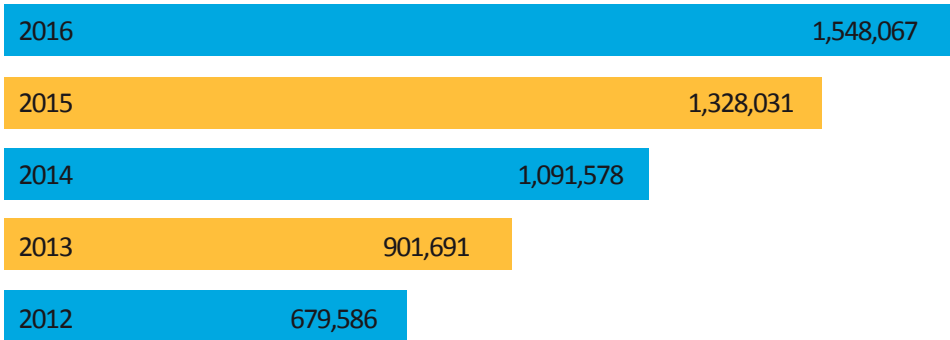
## TOTAL ASSETS (THOUSAND TL)



+%12

Total assets of Vakıf Leasing raised to 1,686,534 with a 12 % increase when it is compared to the last year.

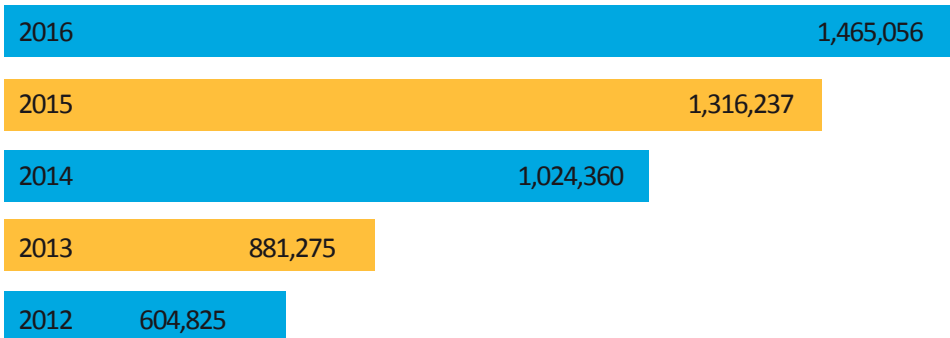
## LEASING RECEIVABLES (THOUSAND TL)



+%16.6

Total leasing receivables of Vakıf Leasing raised to 1,548,067 with a 16.6% increase when it is compared to the last year.

## CREDITS OBTAINED



+%11.3

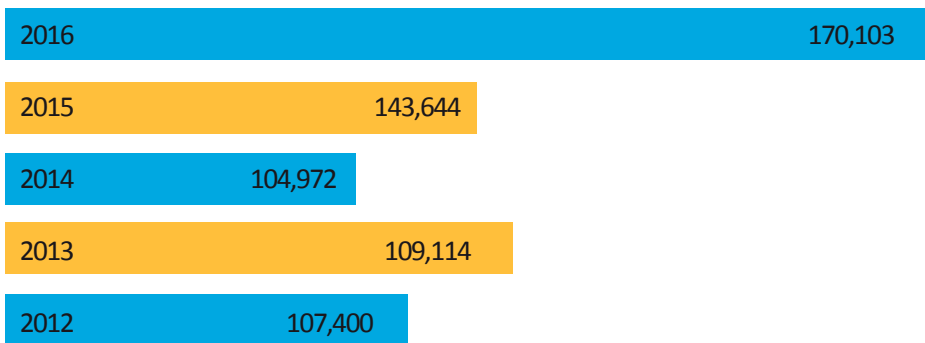
Total credits obtained of Vakıf Leasing raised to 1,465,056 with a 11.3 % increase when it is compared to the last year.



## PRIMARY FINANCIAL INDICATORS AND RATIOS

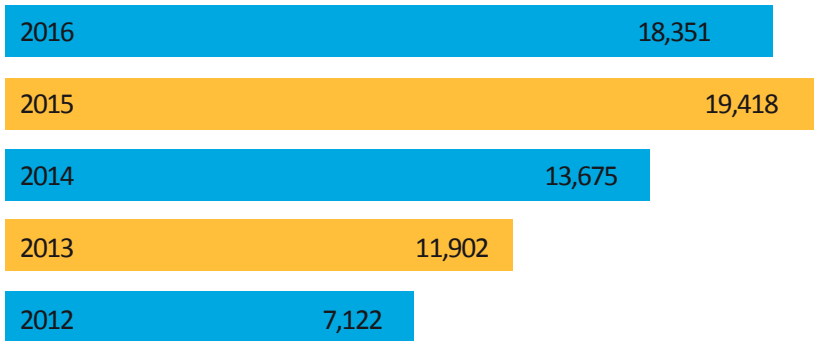
## PRIMARY FINANCIAL INDICATORS

## SHAREHOLDERS' EQUITY (THOUSAND TRY)

**+%18.4**

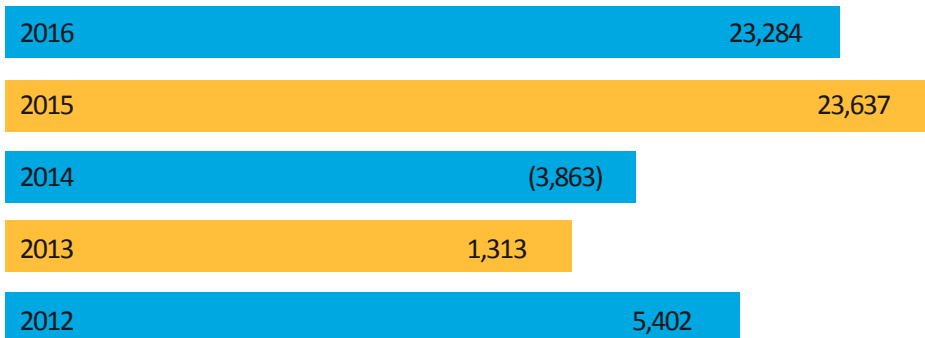
Total shareholders' equity of Vakıf Leasing became 170,103 TRY with a +18.4 % increase when it is compared to the last year.

## GROSS PROFIT/LOSS (THOUSAND TL)

**-%5.5**

The gross profit of Vakıf Leasing raised to 18,351 TRY with a -5.5 % decrease when it is compared to the last year

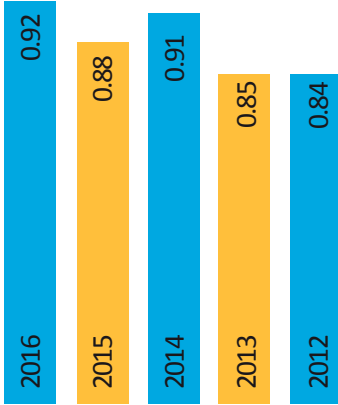
## NET PROFIT (THOUSAND TRY)

**-%1.5**

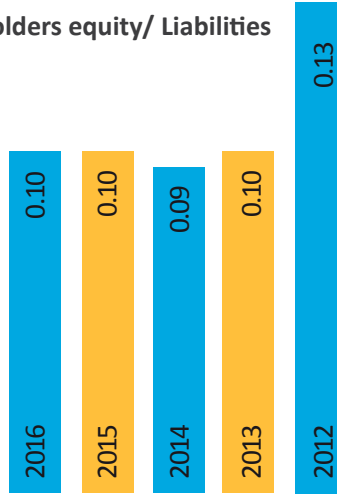
Net profit of Vakıf Leasing became (23,284) TRY with a -1.5 % decrease when it is compared to the last year.

PRIMARY RATIOS

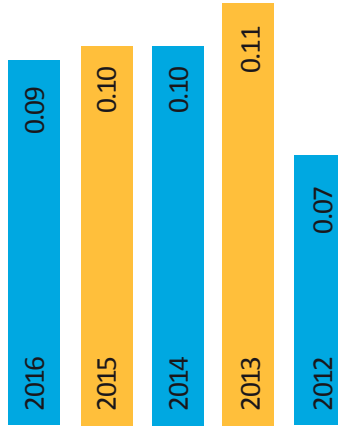
Net Rental Receivables / Assets



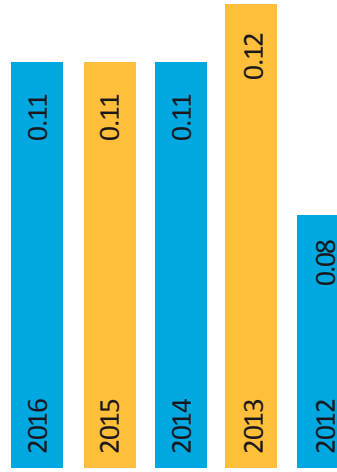
Shareholders equity/ Liabilities



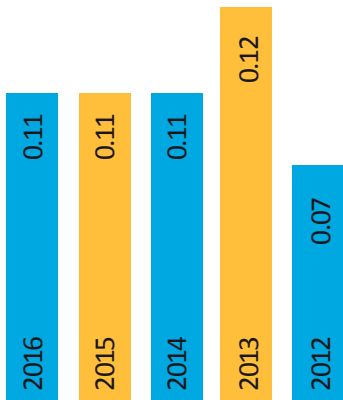
Gross non-performing loans/  
(Gross loans+ Gross non-performing loans)



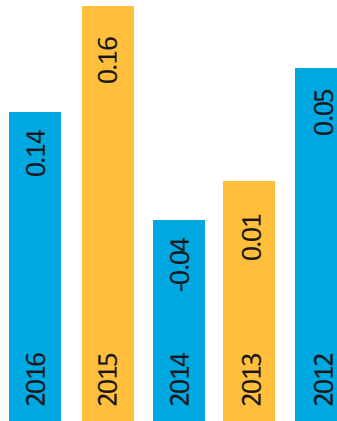
Gross non-performing loans/  
(Gross loans+ Gross non-performing loans)



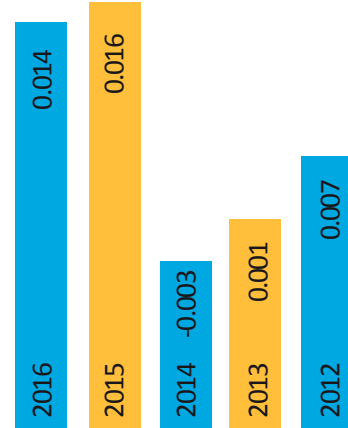
Gross non-performing loans



Net Profit/ shareholders' equity



Net profit / Assets





PRESS  
STATEMENT



JCR Eurasia Rating

"Global Knowledge Supported by Local Experience"

## PRESS RELEASE

Istanbul – March 09, 2017

## JCR Eurasia Rating

has reviewed and affirmed the credit ratings of  
**Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure**  
 as 'BBB+ (Trk)' on the Long Term National Scale  
 and as 'BBB-' on the Long Term International Scale,  
 and assigned a 'Stable' outlook for all grades.

JCR Eurasia Rating has reviewed and affirmed the investment grade credit ratings of "Vakıf Finansal Kiralama A.Ş. and its subsidiary's consolidated structure" as 'BBB+ (Trk)' on the Long Term National Scale and as "A-2 (Trk)" on the Short Term National Scale, and assigned a 'Stable' outlook for all grades. On the other hand, the Long Term International Foreign and Local Currency Ratings have been affirmed at the country ceiling level of 'BBB-'. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency	: BBB- / (Stable Outlook)
Long Term International Local Currency	: BBB- / (Stable Outlook)
Long Term National Local Rating	: BBB+ (Trk) / (Stable Outlook)
Short Term International Foreign Currency	: A-3 / (Stable Outlook)
Short Term International Local Currency	: A-3 / (Stable Outlook)
Short Term National Local Rating	: A-2 (Trk) / (Stable Outlook)
Sponsor Support	: 2
Stand Alone	: AB

The Turkish Leasing Sector, dominated by the bank shared companies and with more associative activities with the banking sector compared to other countries, maintained its contribution to the development of the national economy through supporting the capital investments of small and medium size enterprises (SMEs) with high growth potential operating in an increasingly competitive market in the globalization era and having difficulties in the processes of credit access with relatively limited equity and renewal of technological infrastructure to increase competitiveness. The performance of the sector, which is directly correlated with investor risk appetite, has continued its positive development regarding asset size through supportive regulations on tax rates and ongoing contributions of increased product diversity despite the highly volatile market conditions caused by pressure of global and domestic uncertainties. As such, the significant decline in sector growth, exercised after 2007 due to the abolition of provided tax advantages and global crisis, again turned into a growth trend through the contribution of restored tax advantages for certain product classes and the product range increasingly diversified through the introduction of instruments such as 'operational leasing' and 'sell and lease back'. The sector carries the potential to grow its asset size in the future through the increasing preference of funding through leasing by companies in all scales, the increasing share of leasing in the procurement of machinery and equipment of major public infrastructure projects, the possible contributions of 'credit guarantee fund' practices and the comparatively low penetration level.

Vakıf Finansal Kiralama A.Ş., having a high compliance level with corporate governance practices within the scope of its publicly listed shareholding structure, carries out its operations mainly focused on SMEs and investors in the commercial segment through its headquarters, five branches, over 900 branches of its parent company, Vakıfbank, representing the qualified shareholder and its consolidated subsidiary, Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi (Vakıf Sigorta). The Company which has a short-term weighted borrowing structure despite displaying a better composition than the sector average, managed to balance the risk level associated with liquidity position through its broad funding sources utilizing the advantages of being a bank related company, aimed to contribute to liquidity management and risk position and created opportunity for future growth through the envisaged debt instrument issuance in the short-term which is compatible with its current balance sheet composition. Although the Company exhibited a decreasing market share trend over the last five years, it improved its customer base and lowered the credit risk on its activities through the rising number of contracts and the decreased average contract value.

The comparatively low equity levels derived from robust shareholding structure and ease of access to funding sources, representing the inherent features of bank-related companies, also hold true for Vakıf Leasing. On the other hand, the Company improved its equity level against the deteriorating sector figure thanks to satisfactory internal equity generation capacity achieved over the last two years and the management strategy envisaging to support the equity level through the retention of generated internal resources. Although the continuously above sector NPL ratio and the cumulative effect of doubtful receivables positioned above equity suppressed the asset quality, the Company managed to relieve the stated pressure through its high collateral and collectability levels and generated a positive contribution potential on future profitability ratios through realized and envisaged collections in the current period. Within these considerations, the sustainability of internal resource generation capacity together with its contribution to equity level, probable effects of collection potential from doubtful receivables on profitability and the possible pressure of challenging and competitive market conditions on asset quality emerged as the issues to be monitored closely.

The Company's Sponsor Support Grade has been affirmed as (2) based on JCR Eurasia Rating's notation scale taking into consideration the willingness of the shareholders to supply long term liquidity and equity should the need arise along with the experience to provide effective operational support. On the other hand, taking into account the Company's organizational structure, asset size, market efficiency, corporate governance practices and past track record, we, as JCR Eurasia Rating, are of the opinion that Vakıf Finansal Kiralama A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it maintains the efficiency in the market. Within this context, the Stand Alone Grade of the Company has been determined as (AB) in the JCR Eurasia Rating notation system.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst Mr.Gokhan IYIGUN.

JCR EURASIA RATING  
 Administrative Board



VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2016



**CONVENIENCE TRANSLATION INTO ENGLISH  
OF THE INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of Vakıf Finansal Kiralama A.Ş.:

**Report on the Consolidated Financial Statements**

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

**Management's Responsibility for the Consolidated Financial Statements**

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Independent Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

**Independent Auditor's Opinion:**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vakıf Finansal Kiralama A.Ş. and its subsidiary as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

**Report on Other Legal and Regulatory Requirements**

In accordance with subparagraph 4, Article 398 of the Turkish Commercial Code ("TCC") No. 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 9 February 2017.

In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

**Additional Paragraph for Convenience Translation:**

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Mücavirlik A.Ş.

  
Didem Demer Kaya, SMMM  
Partner

İstanbul, 9 February 2017

**CONVENIENCE TRANSLATION INTO ENGLISH  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2016**

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**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED FINANCIAL POSITION STATEMENT  
AT 31 DECEMBER 2016 (BALANCE SHEET)**

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

ASSETS	Note	Audited Current Period (31 December 2016)			Audited Prior period (31 December 2015)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND CASH EQUIVALENTS and CENTRAL BANK</b>		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		-	-	-	-	-	-
2.1 Financial Assets Held for Trading		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
<b>III. BANKS</b>	5	2,525	14,156	16,681	1,232	54,426	55,658
<b>IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	6	5,793	-	5,793	4,961	-	4,961
<b>VI. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
6.1 Discounted Factoring Receivables		-	-	-	-	-	-
6.1.1 Domestic		-	-	-	-	-	-
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		-	-	-	-	-	-
6.2 Other Factoring Receivables		-	-	-	-	-	-
6.2.1 Domestic		-	-	-	-	-	-
6.2.2 Foreign		-	-	-	-	-	-
<b>VII. FINANCE LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Commercial Instalment Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>	7	365,867	1,182,200	1,548,067	320,564	1,007,467	1,328,031
8.1 Receivables from Leasing Transactions		351,073	1,149,060	1,500,133	310,804	987,501	1,298,305
8.1.1 Financial Lease Receivables		452,001	1,290,485	1,742,486	393,693	1,115,021	1,508,714
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		(100,928)	(141,425)	(242,353)	(82,889)	(127,520)	(210,409)
8.2 Assets to Be Leased		5,784	7,550	13,334	7,358	7,354	14,712
8.3 Advances Given for Leasing Transactions		9,010	25,590	34,600	2,402	12,612	15,014
<b>IX. OTHER RECEIVABLES</b>		8,275	285	8,560	4,723	11	4,734
<b>X. DOUBTFUL RECEIVABLES</b>	7	22,728	43,064	65,792	25,180	41,215	66,395
10.1 Doubtful Factoring Receivables		-	-	-	-	-	-
10.2 Doubtful Finance Loans		-	-	-	-	-	-
10.3 Doubtful Lease Receivables		40,080	142,715	182,795	40,639	123,928	164,567
10.4 Specific Provisions (-)		(17,352)	(99,651)	(117,003)	(15,459)	(82,713)	(98,172)
<b>XI. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>		-	-	-	-	-	-
<b>XIII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV. INVESTMENTS IN ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>	8	21,189	-	21,189	19,096	-	19,096
<b>XVII. INTANGIBLE ASSETS (Net)</b>	9	618	-	618	1,002	-	1,002
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		618	-	618	1,002	-	1,002
<b>XVIII. PREPAID EXPENSES</b>	13	171	3,383	3,554	255	3,871	4,126
<b>XIX. CURRENT PERIOD TAX ASSET</b>		35	-	35	40	-	40
<b>XX. DEFERRED TAX ASSETS</b>	11	15,955	-	15,955	21,504	-	21,504
<b>XXI. OTHER ASSETS</b>	12	82	-	82	41	-	41
<b>SUBTOTAL</b>		443,238	1,243,088	1,686,326	398,598	1,106,990	1,505,588
<b>XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	10	208	-	208	-	-	-
22.1 Held for resale		208	-	208	-	-	-
22.2 Discontinued Operations		-	-	-	-	-	-
<b>TOTAL ASSETS</b>		443,446	1,243,088	1,686,534	398,598	1,106,990	1,505,588

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2****VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED FINANCIAL POSITION STATEMENT  
AT 31 DECEMBER 2016 (BALANCE SHEET)**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Note	Audited Current Period (31 December 2016)			Audited Previous Period (31 December 2015)		
		TL	FC	Total	TL	FC	Total
<b>I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>		-	-	-	13,673	-	13,673
<b>II. FUNDS BORROWED</b>	14	305,347	1,159,709	1,465,056	359,011	957,226	1,316,237
<b>III. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IV. LEASE OBLIGATIONS</b>		-	-	-	-	-	-
4.1 Finance Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>V. DEBT SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset-Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	15	9,787	10,248	20,035	4,814	5,240	10,054
<b>VII. OTHER LIABILITIES</b>	16	10,897	12,265	23,162	6,547	9,322	15,869
<b>VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT.</b>		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Net Foreign Investment Hedges		-	-	-	-	-	-
<b>IX. TAXES AND DUTIES PAYABLE</b>	11	2,095	-	2,095	654	-	654
<b>X. PROVISIONS</b>	17	3,310	-	3,310	3,229	-	3,229
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves For Employee Benefits		3,310	-	3,310	3,229	-	3,229
10.3 Other Provisions		-	-	-	-	-	-
<b>XI. DEFERRED INCOME</b>		1,207	1,566	2,773	833	1,381	2,214
<b>XII. CURRENT PERIOD TAX LIABILITY</b>	11	-	-	-	14	-	14
<b>XIII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>SUBTOTAL</b>		332,643	1,183,788	1,516,431	388,775	973,169	1,361,944
<b>XV. PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1 Held For Sale		-	-	-	-	-	-
15.2 Discontinued Operations		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		170,103	-	170,103	143,644	-	143,644
16.1 Paid-in Capital	18	87,000	-	87,000	65,000	-	65,000
16.2 Capital Reserves		353	-	353	353	-	353
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		353	-	353	353	-	353
16.3 Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		17,418	-	17,418	14,992	-	14,992
16.4 Accumulated Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		3,468	-	3,468	2,678	-	2,678
16.5 Profit Reserves		38,510	-	38,510	36,873	-	36,873
16.5.1 Legal Reserves		5,110	-	5,110	3,910	-	3,910
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		33,400	-	33,400	32,963	-	32,963
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		23,284	-	23,284	23,637	-	23,637
16.6.1 Prior Periods Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period Profit/Loss		23,284	-	23,284	23,637	-	23,637
16.7 Non-Controlling Interests		70	-	70	111	-	111
<b>TOTAL LIABILITIES AND EQUITY</b>		502,746	1,183,788	1,686,534	532,419	973,169	1,505,588

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2016

CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED OFF-BALANCE SHEET ITEMS  
AT 31 DECEMBER 2016 (BALANCE SHEET)

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

OFF-BALANCE SHEET ITEMS	Note	Audited			Audited		
		Current Period			Prior Period		
		(31 December 2016)			(31 December 2015)		
		TL	FC	Total	TL	FC	Total
<b>I. IRREVOCABLE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>II. REVOCABLE FACTORING TRANSACTIONS</b>		-	-	-	-	-	-
<b>III. COLLATERALS RECEIVED</b>	23	3,538,223	11,221,415	14,759,638	287,105	369,193	656,298
<b>IV. COLLATERALS GIVEN</b>		-	-	-	-	-	-
<b>V. COMMITMENTS</b>	23	60,613	251,852	312,465	59,551	187,917	247,468
5.1 Irrevocable Commitments		11,637	41,513	53,150	12,078	17,062	29,140
5.2 Revocable Commitments		48,976	210,339	259,315	47,473	170,855	218,328
5.2.1 Lease Commitments		48,976	210,339	259,315	47,473	170,855	218,328
5.2.1.1 Finance Lease Commitments		48,976	210,339	259,315	47,473	170,855	218,328
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL INSTRUMENTS</b>	23	-	-	-	92,385	101,303	193,688
6.1 Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-	-	-	-
6.2 Derivative Financial Instruments Held For Trading		-	-	-	92,385	101,303	193,688
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		-	-	-	92,385	101,303	193,688
6.2.3 Put/call options		-	-	-	-	-	-
6.2.4 Futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
<b>VII. ITEMS HELD IN CUSTODY</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		3,598,836	11,473,267	15,072,103	439,041	658,413	1,097,454

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,****VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT OR LOSS STATEMENT AT 31 DECEMBER 2016**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	Audited Current Period (31 December 2016)	Audited Previous Period (31 December 2015)
<b>I. INCOME AND EXPENSE ITEMS</b>			
<b>I. OPERATING INCOME</b>		<b>112,585</b>	<b>104,690</b>
<b>II. FACTORING INCOME</b>			
1.1 Factoring Interest Income		-	-
1.1.1 Discounted		-	-
1.1.2 Other		-	-
1.2 Factoring Commission Income		-	-
1.2.1 Discounted		-	-
1.2.2 Other		-	-
<b>III. INCOME FROM FINANCING LOANS</b>			
1.3 Interest income from financing loans		-	-
1.4 Fees and commissions received from financing loans		-	-
<b>IV. LEASE INCOME</b>		<b>112,585</b>	<b>104,690</b>
1.5 Finance Lease Income		110,415	102,832
1.6 Operational Lease Income		-	-
1.7 Fees and Commission Income on Lease Operations		2,170	1,864
<b>V. FINANCING EXPENSES (-)</b>		<b>(78,909)</b>	<b>(71,260)</b>
2.1 Interest Expense on Funds Borrowed		(76,708)	(70,048)
2.2 Interest Expense on Factoring Payables		-	-
2.3 Interest Expense of Finance Leasing Expenses		-	-
2.4 Interest Expense on Securities Issued		-	-
2.5 Other Interest Expenses		(127)	(182)
2.6 Fees and Commissions Paid		(2,074)	(1,030)
<b>VI. GROSS PROFIT / LOSS (I+II)</b>		<b>33,676</b>	<b>33,430</b>
<b>VII. OPERATING EXPENSES (-)</b>	<b>19</b>	<b>(15,325)</b>	<b>(14,018)</b>
4.1 Personnel Expenses		(9,394)	(8,685)
4.2 Reserve for employee termination benefits		(357)	(315)
4.3 Development and Research Expenses		-	-
4.4 General administrative expenses		(5,574)	(5,018)
4.5 Others		-	-
<b>VIII. GROSS OPERATING INCOME/LOSS (III+IV)</b>		<b>18,351</b>	<b>19,412</b>
<b>IX. OTHER OPERATING INCOME</b>	<b>20</b>	<b>33,361</b>	<b>39,762</b>
6.1 Interest Income on Bank Deposits		106	280
6.2 Interest Income on Reverse Repurchase Agreements		-	-
6.3 Interest Income on Securities Portfolio		-	-
6.3.1 Interest Income on Financial Assets Held for Trading		-	-
6.3.2 Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
6.3.3 Interest Income on Financial Assets Available For Sale		-	-
6.3.4 Interest Income on Financial Assets Held to Maturity		-	-
6.4 Dividend Income		-	-
6.5 Trading Account Income		1,012	-
6.5.1 Income From Derivative Financial Instruments		1,012	-
6.5.2 Other		-	-
6.6 Foreign Exchange Gains		19,125	32,490
6.7 Others		13,118	6,993
<b>X. PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)</b>	<b>7</b>	<b>(22,488)</b>	<b>(15,599)</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>20</b>	<b>(565)</b>	<b>(15,099)</b>
8.1 Impairment Losses on Securities Portfolio		(3)	-
8.1.1 Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-
8.1.2 Impairment Losses on Financial Assets Available For Sale		(3)	-
8.1.3 Impairment Losses on Financial Assets Held to Maturity		-	-
8.2 Impairment Losses on Non-Current Assets		-	-
8.2.1 Impairment Losses on Tangible Assets		-	-
8.2.2 Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
8.2.3 Impairment Losses on Goodwill		-	-
8.2.4 Impairment Losses on Other Intangible Assets		-	-
8.2.5 Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
8.3 Losses From Derivative Financial Instruments		-	(14,909)
8.4 Foreign Exchange Losses		-	-
8.5 Other		(562)	(190)
<b>XII. NET OPERATING PROFIT / LOSS (V+...+VIII)</b>		<b>28,659</b>	<b>28,522</b>
<b>XIII. INCOME RESULTED FROM MERGER</b>			
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			
<b>XV. PROFIT FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XII)</b>		<b>28,659</b>	<b>28,522</b>
<b>XVI. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (+)</b>	<b>11</b>	<b>(5,378)</b>	<b>(4,844)</b>
13.1 Current Tax Charge	11	-	(78)
13.2 Deferred Tax Charge (-)		(5,378)	(4,766)
13.3 Deferred Tax Benefit (+)		-	-
<b>XVII. NET PROFIT FROM CONTINUING OPERATIONS (XVI+XVII)</b>		<b>23,281</b>	<b>23,678</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>			
15.1 Income from Assets Held for Sale		-	-
15.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
15.3 Other Income from Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			
16.1 Expense on Assets Held for Sale		-	-
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
16.3 Other Expenses from Discontinued Operations		-	-
<b>XX. PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)</b>			
<b>XXI. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (+)</b>			
18.1 Current Tax Charge		-	-
18.2 Deferred Tax Charge (-)		-	-
18.3 Deferred Tax Benefit (+)		-	-
<b>XXII. NET PROFIT FROM DISCONTINUED OPERATIONS (XXI+XXII)</b>			
<b>XXIII. UNCONTROLLABLE PROFIT OR LOSS</b>		<b>3</b>	<b>(42)</b>
<b>XXIV. NET PROFIT FOR THE PERIOD (XVII+XXIII)</b>		<b>23,284</b>	<b>23,637</b>
<b>EARNINGS PER SHARE</b>	<b>21</b>	<b>0.0026</b>	<b>0.0034</b>
Earnings Per Share from Continued Operations		0.0026	0.0034
Earnings Per Share from Discontinued Operations		-	-
<b>DILUTED EARNINGS PER SHARE</b>			

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2016

CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
STATEMENT AT 31 DECEMBER 2016

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT		Audited Current Period (31 December 2016)	Audited Previous Period (31 December 2015)
	Note		
<b>I. CURRENT PERIOD PROFIT/LOSS</b>		<b>23,281</b>	<b>23,679</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>		<b>3,216</b>	<b>15,027</b>
<b>2.1 Items that will not be Reclassified to Profit or Loss</b>		<b>2,426</b>	<b>14,916</b>
2.1.1 Tangible Assets Revaluation Increases/Decreases		2,540	15,900
2.1.2 Intangible Assets Revaluation Increases/Decreases		-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	17	15	(56)
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss		(129)	(928)
2.1.5.1 Current Tax Income/Expense		-	-
2.1.5.2 Deferred Tax Income/Expense		(129)	(928)
<b>2.2 Items that may be Reclassified subsequently to Profit or Loss</b>		<b>790</b>	<b>111</b>
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions		-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales		832	111
2.2.3 Cash Flow Hedge Income/Losses		-	-
2.2.4 Net Investment Hedge Income/Losses		-	-
2.2.5 Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss		-	-
2.2.6 Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss		(42)	-
2.2.6.1 Current Tax Income/Expense		-	-
2.2.6.2 Deferred Tax Income/Expense		(42)	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II) (*)</b>		<b>26,497</b>	<b>38,706</b>

(\*) Minority interests are not included.

CONVENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

**VAKİF FİNANSAL KİRALAMA A.Ş.**  
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

STATEMENTS OF CHANGES IN EQUITY																	
	Period	Paid in Capital	Capital Reserves	Share Premiums	Share Contributions	Share Profits	Other Reserves	Accumulated other comprehensive income or losses and to be reclassified under profit or loss statement						Total Equity			
								1	2	3	4	5	6		Profit Reserves	Legal Reserves	Status Reserves
PERIOD PERIOD																	
I.	Period Beginning Balance (31 December 2014)	62,000	-	-	-	-	353	-	-	-	-	-	-	-	-	-	103,353
II.	Period Ending Balance (31 December 2015)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	New Balance (31 Dec)	62,000	-	-	-	-	353	-	-	-	-	-	-	-	-	-	103,353
VII.	Total Comprehensive Income	-	-	-	-	-	353	-	-	-	-	-	-	-	-	-	103,353
VIII.	Balance at End of Period	-	-	-	-	-	353	-	-	-	-	-	-	-	-	-	103,353
IX.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIV.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVI.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVIII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIX.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXX.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXI.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXIII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXIV.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXV.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXVI.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXVII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXVIII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXXIX.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XL.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLI.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLIII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLIV.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLV.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLVI.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLVII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLVIII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XLIX.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.I.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.II.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.III.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.IV.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.V.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.VI.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.VII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.VIII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.IX.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.X.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XI.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XIII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XIV.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XV.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XVI.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XVII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XVIII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XIX.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XX.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXI.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXIII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXIV.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXV.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXVI.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXVII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXVIII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXIX.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXX.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXI.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXIII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXIV.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXVI.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXVII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXVIII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XXXIX.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XL.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLI.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLIII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLIV.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLV.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLVI.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLVII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLVIII.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.XLVIX.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.L.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LI.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LIII.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LIV.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LV.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LVI.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LVII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LVIII.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LIX.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LX.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXI.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXIII.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXIV.	New Balance (31 Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXVI.	Balance at End of Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXVII.	Changes in Accounting Policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXVIII.	Effects of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.LXIX.	Effects of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-							

1. The accumulated revaluation increases losses on property and equipment.
  2. The accumulated revaluation gains losses in defined benefit plans.
  3. Other (Accumulated other comprehensive income or losses net to be reclassified under profit or loss statement).
  4. Foreign currency translation differences.
  5. The accumulated revaluation increases losses are available for sale asset.
- Other (Cash flow hedge gains losses/excluded other comprehensive income or losses to be reclassified independently of loss statement).

The accompanying notes set out on pages 10 to 57 form an integral part of these financial statements.



CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

VAKIF FİNANSAL KİRALAMA A.Ş.  
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

STATEMENT OF CHANGES IN EQUITY

	1	2	3	4	5	6	7	8	9	10	11	12
	Period Beginning Balance (31 December 2015)	Changes in Accounting Policies in TL	Effects of Changes in Accounting Policies in TL	Net Income of the Period	Other Comprehensive Income or Loss	Profit or Loss	Other Comprehensive Income or Loss	Profit or Loss	Other Comprehensive Income or Loss	Profit or Loss	Other Comprehensive Income or Loss	Profit or Loss
I. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
II. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
III. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
IV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
V. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
VI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
VII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
VIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
IX. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
X. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XIV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XVI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XVII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XVIII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XIX. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XX. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXIV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXVI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXVII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXVIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXIX. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXX. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXIII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXIV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXVI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXVII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXVIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXIX. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXX. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXIV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXVI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXVII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXVIII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXIX. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXX. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXIV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXVI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXVII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXVIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXIX. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXX. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
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XXXXXXIV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXVI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXVII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXVIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
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XXXXXXX. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
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XXXXXXXIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXIV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
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XXXXXXXVI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXVIII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXIX. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXIV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXVI. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXVII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXVIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXXI. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
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XXXXXXXIV. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXVI. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXVII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXVIII. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXIX. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
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XXXXXXXII. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXIII. Capital	65,000	-	-	-	-	-	-	-	-	-	-	-
XXXXXXXIV. Reserves	65,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048
XXXXXXXV. Total Equity	130,000	15,345	(113)	2,079	-	34,675	3,399	35,243	-	23,657	-	343,048</

**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2016**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1.1	Operating Profit before Changes in Operating Assets and Liabilities	23,471	42,309
1.1.1	Interests Received/ Leasing Income	105,771	102,143
1.1.2	Interest Paid/Leasing Expense	-	-
1.1.3	Leasing Expenses	-	-
1.1.4	Dividend Received	-	-
1.1.5	Fees and Commissions Received	2,170	1,864
1.1.6	Other Income	18,355	20,672
1.1.7	Collections from Previously Written-off Doubtful Receivables	2,317	823
1.1.8	Payments to Personnel and Service Suppliers	(9,394)	(8,685)
1.1.9	Taxes Paid	-	(64)
1.1.10	Other	(95,748)	(74,444)
1.2	Changes in Operating Assets and Liabilities	(63,485)	(6,606)
1.2.1	Net (Increase)/Decrease in Factoring Receivables	-	-
1.2.1	Net (Increase)/Decrease in Finance Loans	-	-
1.2.1	Net (Increase)/Decrease in Lease Receivables	(237,171)	(268,441)
1.2.2	Net (Increase)/Decrease in Other Assets	(7,325)	1,167
1.2.3	Net Increase/(Decrease) in Factoring Payables	-	-
1.2.3	Net Increase/(Decrease) in Lease Payables	-	-
1.2.4	Net Increase/(Decrease) in Funds Borrowed	157,955	289,861
1.2.5	Net Increase/(Decrease) in Payables	-	-
1.2.6	Net Increase/(Decrease) in Other Liabilities	23,056	(29,193)
<b>I.</b>	<b>Net Cash Provided from Operating Activities</b>	<b>(40,014)</b>	<b>35,703</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
2.1	Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(188)	(1,435)
2.4	Disposals of Property and Equipment	-	59
2.5	Purchase of Investments Available-for-sale	-	-
2.6	Sale of Investments Available-for-sale	-	-
2.7	Purchase of Investment Securities Held to Maturity	-	-
2.8	Sale of Investment Securities Held to Maturity	-	-
2.9	Other	-	-
<b>II.</b>	<b>Net Cash (Used in)/Provided from Investing Activities</b>	<b>(188)</b>	<b>(1,376)</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
3.1	Cash Obtained from Funds Borrowed and Securities Issued	-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>1,224</b>	<b>6,032</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(38,978)</b>	<b>40,359</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>55,658</b>	<b>15,299</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at End of the Period</b>	<b>16,680</b>	<b>55,658</b>

The accompanying notes set out on pages 10 to 57 from an integral part of these financial statements.



CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING 31 DECEMBER 2016

**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2**

**VAKIF FİNANSAL KİRALAMA A.Ş.  
CONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2016**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Current Period 31 December 2016(*)	Prior Period 31 December 2015
<b>I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)</b>		
1.1 CURRENT PERIOD PROFIT	28,662	28,481
1.2 TAXES AND DUES PAYABLE (-)	(5,378)	(4,844)
1.2.1 Corporate Tax (Income Tax)	-	(78)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(5,378)	(4,766)
<b>A. NET PERIOD PROFIT (1.1 - 1.2)</b>	<b>23,284</b>	<b>23,637</b>
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	-	-
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
<b>B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] (**)</b>	<b>23,284</b>	<b>23,637</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit /loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit /loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	457
1.13 OTHER RESERVES	-	1,180
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	-	-
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Pre-emptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the profit /loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>	-	-
3.1 TO OWNERS OF STOCKS (TL)	0.002676	0.002716
3.2 TO OWNERS OF STOCKS ( % )	0.2676	0.2716
3.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 TO OWNERS OF STOCKS (TL)	-	-
4.2 TO OWNERS OF STOCKS ( % )	-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4 TO OWNERS OF PREFERRED STOCKS ( % )	-	-

(\*) The Company's General Assembly has not been held yet and in the profit distribution table only distributable profits has been specified.

The accompanying notes set out on pages 10 to 57 form an integral part of these financial statements

**CONVENIENCE TRANSLATION INTO ENGLISH  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2****VAKIF FİNANSAL KİRALAMA A.Ş.  
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

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

**1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP****Brief history**

Vakıf Finansal Kiralama Anonim Şirketi ("the Company") was established on 15 September 1988 and operates in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The Company is a subsidiary of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank") and the 22.54% of the outstanding shares of the Company are publicly traded at Istanbul Stock Exchange ("ISE"). The Company has no preferred stock.

Vakıf Sigorta Aracılık Hizmetleri Limited Şirketi ("Vakıf Sigorta") was established on 3 January 1995 to act as an insurance intermediary between Güneş Sigorta Anonim Şirketi and the customers of the Company for the insurance of the assets subject to finance lease agreements. Vakıf Sigorta gives insurance consultancy, risk management and damage controlling both in Turkey and abroad. Vakıf Sigorta also gives brokerage services between insurance and reinsurance companies. The Company owns 84.85% of the outstanding shares of Vakıf Sigorta and Vakıf Sigorta's financial statements are fully consolidated in the accompanying consolidated financial statements. The Company and Vakıf Sigorta together will be referred as "Group" in this report.

As at 31 December 2016, the Group has 58 employees; 54 at the Company, 4 at Vakıf Sigorta (31 December 2015: 52 at the Company, 4 at Vakıf Sigorta, in total 56).

The registered address of the Company is as follows:

Büyükdere Caddesi Matbuat Sokak  
Gazeteciler Sitesi No:13  
34394 Esentepe - Şişli  
İstanbul/Turkey

**Ownership Structure**

The ultimate shareholder having direct or indirect control over the shares of the Company is Vakıfbank Group. As at 31 December 2016 and 2015, the share capital and ownership structure of the Company are as follows:

Name	31 December 2016		31 December 2015	
	Nominal Value (TL)	Share Percentage (%)	Nominal Value (TL)	Share Percentage (%)
Vakıfbank	51,080	58.71	38,163	58.71
Güneş Sigorta Anonim Şirketi	13,615	15.65	10,172	15.65
Public Shares(*)	19,608	22.54	14,647	22.53
Other	2,698	3.10	2,018	3.11
<b>Paid-in capital</b>	<b>87,000</b>	<b>100.00</b>	<b>65,000</b>	<b>100.00</b>

(\*) The ratio is calculated from the shares of the Company registered at Istanbul Takas ve Saklama Bankası A.Ş. ("Takasbank").



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

**2.1 Basis Of Presentation**

**2.1.1 Accounting standards**

The Company prepared accompanying financial statements in accordance with to the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Institute (POAAS), ("TMS/TFRS") and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") (all together "the reporting standards") in respect of accounting and financial reporting.

The consolidated financial statements as at and for the year ended 31 December 2016 are approved by the Board of Directors of the Company and authorized for issue as at 9 February 2017. The General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the available for sale financial assets and assets held for sale which are measured at their fair values unless reliable measures are available.

**2.1.2 Additional paragraph for convenience translation into English**

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

**2.1.3 Correction of financial statements during hyperinflation period**

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

**2.1.4 Offsetting**

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

**2.1.5 Going concern**

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

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.1.6 Currency used**

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

**2.1.7 Critical Accounting evaluations, estimates and assumptions**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

**Allowance for impairment of lease receivables**

A credit risk provision for impairment of leasing 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 lease receivables are based on the aging of these receivable balances and the trend of collection performance.

**Recognition of deferred tax asset**

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances. Explanations about possible effects on deferred tax assets are presented in Note 10.

**Fair value measurements of the share certificates**

Fair value measurements of the share certificates are valued for determination of fair value by independent valuation institutions once a year.



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

**2.2. Changes In Accounting Policies**

**2.2.1 Comparatives and restatement of prior year financial statements**

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

**2.2.2 Changes in accounting policies**

Changes in accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015.

**2.2.3 Change in accounting estimates and errors**

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

**2.2.4 Amendments in standards and interpretations**

**New or Revised International Financial Reporting Standards and Applications of Amendments**

The Company adopted the standards, amendments and interpretations, related to Company's activity, published by the Public Oversight Auditing and Accounting Standards Authority (POA) which are mandatory for accounting periods beginning on or after 1 January 2016.

**Standards, Amendments and IFRICs applicable to 31 December 2016 year ends**

IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

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Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports



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

**New TFRS standards, amendments and IFRICs effective after 1 January 2017**

Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39.

Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.



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

**Early adoption of standards**

The Company did not early-adopt new or amended standards at 31 December 2016. Considering the financial statement items of the Company, it is deemed that the prospective changes except adoption of TFRS 9 would have no significant effect to over the financial position and performance of the Company.

**2.3 Summary of significant accounting policies**

**Consolidation principals applied:**

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in sections below. Financial statements of the consolidated subsidiary are prepared as of the same date as consolidated financial statements.

**Subsidiaries**

Subsidiaries are the entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

As at 31 December 2016 and 2015, the Company owns 84.85% of Vakıf Sigorta. As the Company has the power to control the operations of the Vakıf Sigorta, the financial statements of Vakıf Sigorta have been fully consolidated in the accompanying consolidated financial statements.

**Non-controlling interest**

The non-controlling interest in the net asset of the subsidiary of the Company is presented separately in the Group's equity. Non-controlling interest comprises the amount of those non-controlling interests at the date of the first combination and the changes in equity since the date of the combination.

**Foreign exchange transactions**

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of Central Bank of the Republic of Turkey's bid rates. 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.

Foreign currency exchange rates used on 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
USD	3.5192	2.9076
Euro	3.7099	3.1776

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

**Financial leasing transactions***(i) As lessor*

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Lease income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The leasing payments received are deducted from the gross leasing investments by reducing the principal and unearned finance income.

*(ii) As lessee*

The assets which is obtained by financial leasing is capitalized with the lower of fair value of the asset at the beginning of the leasing period after the deduction of the tax benefits and incentive or discounted value of minimum lease payments at the date. The principal payments of the lease are illustrated as liability and decreases with the payments. Interest payments are reflected to income statement during the financial leasing period. Assets obtained by the financial leasing are subject to depreciation over the useful life of the asset.

**Allowances for impairment of lease receivables**

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with BRSA Communiqué on Procedures Regarding Provisions to be provided for Loans of Leasing, Factoring and Consumer Finance Companies ("Provisions Communiqué") published in Official Gazette No. 28861, dated 24 December 2013 and the procedure that is about changing the procedures of Leasing, Factoring and Consumer Finance Companies published in Official Gazette No. 29918, dated 14 December 2016. According to the Communiqué, specific provisions are set in the following proportions: minimum 20% after deducting the effect of collaterals for lease receivables that are overdue between 151 and 240 days, minimum 50% after deducting the effect of collaterals for lease receivables that are overdue between 240 and 365 days and 100% after deducting the effect of collaterals for lease receivables that are overdue for more than one year.

In accordance with the related Provisions Communiqué, the Company also recognises specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué on the Preparation and Presentation of Financial Statements published in Official Gazette No. 25702, dated 16 January 2005. According to the Communiqué, the Company might not take into account the collateral amounts while determining the specific provision mentioned above.

After the collection of receivables for which provision has been set aside, the provision amounts are reversed and all of the related receivables are deducted from assets. During the collection of a receivable related to a previous year's provisions, the related collection amount is credited to "Other Operating Income" account as income.



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

**Financial instruments**

The Company classifies securities and accounts as "available for sale" and "subsidiaries".

Investment securities are classified according to purpose of purchase and Management's "market risk policy" at the time of purchase.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it.

**(i) Securities held for trading**

Financial assets held for trading is the financial assets that are measured at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

**(ii) Investment securities available-for-sale**

Available-for-sale investment securities are carried at fair value based on quoted bid prices, or amounts derived from cash flow models on the financial statements as of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of these securities are recognised under equity in the "Marketable Securities Valuation Reserve" account. If a non-temporary fair value loss is determined, the effect of this loss is recognised in the statement of income. In case of disposal of these securities, the accumulated fair value adjustments are transferred to statement of income. Investments in equity shares for which the Group has not the power to control or significant influence are classified as available for sale financial assets in the consolidated financial statements. Available for sale financial assets, traded in an active market or whose fair value can be reliably measured, measured at their fair values. Available for sale financial assets, not traded in an active market and whose fair value cannot be reliably set are measured at cost, less impairment losses, if any in the consolidated financial statements.

**Derivative financial instruments**

Derivative financial instruments, including forward foreign exchange contracts, are initially recognised on the balance sheet at cost including transaction costs and are subsequently re-measured at their fair value. The income and losses recognised in derivative transactions change according to how they are classified. Income and losses from derivatives designated to effectively hedge cash-flow risk are recognised as equity. The Company's derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting and are therefore initially recognised at cost and subsequently valued at fair value. The fair value gains and losses are recognised in the income statement.

Fair values of forward foreign exchange contracts and swap transactions are determined based on market rates or discounted cash flows.

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Property and equipment**

In the accompanying consolidated financial statements, tangible assets acquired before 1 January 2005 are measured at cost restated for the effects of inflation at 31 December 2004 less accumulated depreciation. Tangible assets acquired after 1 January 2005 are measured at cost, less accumulated depreciation.

The Group decided to pursue the properties for use according to their fair values by separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after changing the accounting policy as of 30 September 2015. As a result of the valuation performed by an independent appraisal company, revaluation difference of TL 17,517 after deferred tax effect is accounted under the accumulated other comprehensive income that will not be reclassified to profit or loss.

As of 31 December 2016, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

	31 December 2016	31 December 2015
Fair Value	21,629	19,090
Net book value calculated on cost value	3,190	3,190
<b>Before tax revaluation differences</b>	<b>18,439</b>	<b>15,900</b>
Calculated deferred tax liability (-)	922	795
<b>Revaluation differences - net</b>	<b>17,517</b>	<b>15,105</b>

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the consolidated statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense. There are no pledges, mortgages and other encumbrances on tangible assets.

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of tangible assets are as follows:

Tangible assets	Expected Useful Life (Year)	Depreciation Rate (%)
Buildings	50	2
Furniture and fixture	5	20
Motor vehicles	5	20
Other tangible assets - Leasehold improvements	5	20



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

**Intangible assets**

The Group's intangible assets consist of software.

The cost of the intangible assets purchased before 1 January 2005 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

The intangible assets are amortized based on straight line amortization method.

**Assets held for resale**

The assets providing the necessary conditions of being classified as the assets held for resale are recognized with the lower of their book value and fair value less cost of sales. These assets are presented separately on the balance sheet and are not subjected to depreciation following the classification. To classify an asset as asset held for resale, the sale potential of the asset (or the asset group to be disposed) should be high and the asset should be available to immediately sell under ordinary circumstances in sale of this kind of assets. To have high sale potential, there should be a proper scheme for sale of the asset (or asset group to be disposed) which is prepared by a proper administrative level and an active sales program should be launched to complement the scheme and determine the buyers. Furthermore, the asset should be marketed actively with a price coherent to its fair value. Various incidents and conditions may extend the completion of the sale term to more than a year. The asset is remained to be classified as the asset held for resale, if the reason of the delay is the incidents and conditions out of the control of the firm, and there is no sufficient evidence that the firm is continuing its sales program of the asset.

The impairment losses and profit and loss from subsequent valuation of the assets classified as the assets held for resale are recognized on consolidated income statement.

**Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash -generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of income.

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Employee benefits**

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2016 is TL 4,426.16 full TL (31 December 2015: TL 4,092.53 full TL). The Group provided reserve for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 - *Employee Benefits*.

As at 31 December 2016 and 2015, the actuarial assumptions are as follows:

	31 December 2016	31 December 2015
Discount rate	%3.06	%2.89
Expected rate of salary/ceiling increase	%7.80	%7.10
Estimated employee turnover rate	%1.46	%1.86

Expected rate of salary/ceiling increase is determined based on inflation estimates of the government. The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The Group has provided reserve for short-term employee benefits in the financial period as per services rendered in compliance with TAS 19 - *Employee Benefits* in the accompanying consolidated financial statements.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Company, the recognition method 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 the annual periods beginning on or after 1 January 2013. Beginning of 1 January 2013, the Company has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Comprehensive Income" and presented in the "Extraordinary reserves" item in the Equity section of the financial statements.

**Provisions, contingent assets and liabilities**

In the consolidated financial statements, a provision is made for an existing liability resulted from past events if it is probable that the liability will be settled and a reliable estimate can be made for the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as at the balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the consolidated financial statements.



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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements. Contingent assets are assessed continuously to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset in the accompanying consolidated financial statements.

**Income and expense recognition**

**Finance lease income**

The values of the assets leased within the context of Financial Lease Law are shown as finance lease receivables on balance sheet at their value determined at the beginning of the leasing transaction. The interest income generated by the difference between total finance lease receivable and the investment value of the asset subject to leasing is recorded to the income statement of the period by means of distribution of the receivables with fixed interest rate to the related periods. The interest income not accrued in relevant period is followed under unearned interest income.

**Interest income and expenses**

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs, which are indispensable parts of effective interest. Transaction costs are additional costs that are directly related to the acquisition or disposal of financial assets or liabilities.

**Fees and commissions**

The fees and commissions received from and paid due to finance lease operations are recognized in the consolidated statement of income when the related service is rendered or received.

**Dividend**

Dividend income is recognized when the Company's right to receive payment is ascertained.

**Other income and expenses**

Other income and expenses are recognized on an accrual basis.

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Taxable income is subject to corporate tax at 20%. This rate is applied to net income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Withholding tax rate on dividend payments, which are made to the companies except those are domiciled in Turkey or generate income in Turkey via a business or a regular agent, is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

Under the Turkish taxation system, tax losses can be carried forward up to five years. As at 31 December 2016, the Group has no deductible tax losses (31 December 2015: no deductible tax losses).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the end of the 25<sup>th</sup> day of the 4<sup>th</sup> month following the close of the accounting year to which they relate. Tax returns are open for five 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.

**Deferred taxes**

Deferred tax assets and liabilities are recognized, in accordance with TAS 12- *Income Taxes*, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the consolidated financial statements only if the Group has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Transfer pricing**

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

According to the Communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

**Investment incentive**

As per the provisional 69th article which is added to the 193 numbered Income Tax Law by 5479 numbered Law that is published on 8 April 2006 dated and 26133 numbered Official Gazette and became effective since 1 January 2006, tax payers could deduct investment incentives calculated according to the legislation provisions (including tax rate related provisions) in force as at 31 December 2005, only from the taxable income of the years 2006, 2007, and 2008. In this context, income and corporate taxpayers could deduct the following items only from the taxable income of 2006, 2007, and 2008;

- 1- The carried forward investment incentive exemptions, which could not be deducted from 2005 revenue and available as at 31 December 2005,
- 2- For the investments, which made in the scope of investment incentive certificates drawn upon taxpayer's application before 24 April 2003 and started within the frame of 193 numbered Income Tax Law's additional 1, 2,3,4,5 and 6th articles - later repealed by 4842 numbered law- the amounts that realized in the scope of certificate after the date 1 January 2006.
- 3- Within the frame of Article 19 of 193 numbered Law which repealed 5479 numbered Law, investment expenditures incurred after 1 January 2006 will be deductible only from the profits of years 2006, 2007 and 2008 provided that they are economically and technically integral parts of the investment started before 1 January 2006.

In this frame the rights of tax payers who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, are abrogated as at 31 December 2008. According to this regulation limiting the right to deduct the investment expenditure from taxable profit, investment incentive exemption will be applied to the taxable profit of 2008 at the latest. Investment incentive exemption amount which could not be deducted due to lack of taxable profit till the end of 2009 is not possible to be deducted from the taxable profit of 2009 and subsequent years. Meanwhile, this exemption amount cannot be recorded as expense in the tax books.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, "2006, 2007 and 2008" clause of the provisional Article no. 69 of Income Tax Law mentioned above, is repealed and time limitation for the use of investment incentive is removed. The repeal related to investment incentive is enacted and issued in the 8 January 2010 dated and 27456 numbered Official Gazette.

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

Accordingly, investment incentive amounts carried forward to 2006 due to lack of taxable profit and the other investment incentive amounts which arising from investments prior to 2006 and on goes after this date in the context of economic and technical integrity can be applied for not only 2006, 2007 and 2008 but also in subsequent years. Accordingly, the Group will be able to deduct its remaining investment incentives from taxable profit in the future without any time limitation.

Pursuant to the 6009 numbered Law published on 1 August 2010 dated and 27659 numbered Official Gazette and became effective accordingly, the amount of investment incentive exemption which is deducted from income to estimate the tax base cannot be more than 25% of the income, and the remaining income will be subject to income tax at the prevailing tax rate. In accordance with this law and Constitutional Court decision there is no time limitation in using investment incentive amount carried forward from year 2005 but the amount could not be more than 25% of income.

The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decisions no: E.2010/93 and K.2012/20 on 9 February 2012.

**Related party**

In accordance with TAS 24 – *Related Party Disclosures* shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying consolidated financial statements, shareholders of the Company the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties.

**Earnings per share**

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings 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 (Note 21).

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****Subsequent events**

Subsequent events means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 - *Events After the Balance Sheet Date*, post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

**Statement of cash flows**

The Group prepares consolidated statement of cash flows to inform the users of the consolidated financial statements about the changes in its net assets, its consolidated financial structure and its ability to affect the amount and timing of its consolidated cash flows with respect to changing external conditions.

In the consolidated statement of cash flows, consolidated cash flows of the period are reported with a classification based on operating, investing and financing activities. Consolidated cash flows from operating activities represent cash flows from activities within the scope of business. Consolidated cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Consolidated cash flows relating to financing activities represent the sources of financing the Group used and the repayments of these sources.

As at 31 December 2016 and 2015, for the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented below:

	31 December 2016	31 December 2015
Banks	16,681	55,658
Interest accruals on bank deposits	(1)	-
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>16,680</b>	<b>55,658</b>

**Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors.

Segment information is presented in respect of the Group's business as all the group entities operate in one geographical area, Turkey. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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**3 - SEGMENT REPORTING****Business Segments**

The Group comprises of two main business segments.

- Finance lease includes the Group's finance lease operations.
- Insurance includes the Group's insurance brokerage operations.

<b>31 December 2016</b>	<b>Finance Lease</b>	<b>Insurance Brokage</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
Finance lease income	112,585	-	-	112,585
Insurance brokerage service income	-	1,062	-	-
<b>Total segment revenue</b>	<b>112,585</b>	<b>1,062</b>	<b>-</b>	<b>113,647</b>
<b>Net operating profit</b>	<b>28,893</b>	<b>(26)</b>	<b>(208)</b>	<b>28,659</b>
Income taxes	(5,383)	5	-	(5,378)
<b>Net profit for the year</b>	<b>23,510</b>	<b>(21)</b>	<b>(208)</b>	<b>23,281</b>
Specific provisions for loans and receivables under follow up	(22,488)	-	-	(22,488)
Depreciation and amortization	(1,097)	-	-	(1,097)
<b>31 December 2015</b>	<b>Finance Lease</b>	<b>Insurance Brokage</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
Finance lease income	104,696	-	-	104,696
Insurance brokerage service income	-	1,229	-	1,229
<b>Total segment revenue</b>	<b>104,696</b>	<b>1,229</b>	<b>-</b>	<b>105,925</b>
<b>Net operating profit</b>	<b>28,371</b>	<b>347</b>	<b>(195)</b>	<b>28,523</b>
Income taxes	(4,776)	(68)	-	(4,844)
<b>Net profit for the year</b>	<b>23,595</b>	<b>279</b>	<b>(195)</b>	<b>23,679</b>
Specific provisions for loans and receivables under follow up	(15,559)	-	-	(15,559)
Depreciation and amortization	(667)	-	-	(667)



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**3 - SEGMENT REPORTING (Continued)**

As at 31 December 2016 and 31 December 2015 the Group's segment assets, segment liabilities and capital expenditures are as follows:

<b>31 December 2016</b>	<b>Finance Lease</b>	<b>Insurance Brokage</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
<b>Other Information</b>				
Segment assets	1,686,425	3,197	(3,088)	1,686,534
Segment liabilities	1,516,667	2,744	(2,980)	1,516,431
Capital expenditures	-	-	-	-
<b>31 December 2015</b>	<b>Finance Lease</b>	<b>Insurance Brokage</b>	<b>Consolidation Adjustments</b>	<b>Total</b>
<b>Other Information</b>				
Segment assets	1,505,270	4,121	(3,802)	1,505,588
Segment liabilities	1,362,230	3,408	(3,694)	1,361,944
Capital expenditures	-	-	-	-

Capital expenditures of the segments comprise of the acquisitions of tangible and intangible assets in the related periods.

**4 - CASH EQUIVALENTS AND BANKS**

As at 31 December 2016 and 31 December 2015, details of bank balances are as follow:

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Banks</b>		
Demand deposit	16,681	55,658
Time deposit	9,291	55,658
	7,390	-
<b>Total</b>	<b>16,681</b>	<b>55,658</b>

As at 31 December 2016, time deposits consist of bank placements with maturity less than three months and with interest rates average 7.2% for foreign currency. Group do not have TL time deposits.

As at 31 December 2015, the Group has no time deposits.

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**5 - AVAILABLE FOR SALE FINANCIAL ASSETS**

As at 31 December 2016 and 31 December 2015, available for sale financial assets are as follow:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Carrying Value<sup>(*)</sup></b>	<b>Share (%)</b>	<b>Carrying Value</b>	<b>Share (%)</b>
<i>Not Traded at Stock Market:</i>				
Vakıf Faktoring A.Ş.	3,606	3.79	3,009	3.79
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,921	3.27	1,735	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	266	0.25	217	0.25
<b>Total Available for Sale</b>	<b>5,793</b>		<b>4,961</b>	

(\*) Marketable securities that are in 3. line, it includes fair value of marketable securities that fair value determination is carried out by independent valuation institutions representing the shares in the capital,

**6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES**

The details of finance lease receivables are presented below:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Lease receivables	440,406	1,258,347	390,648	1,106,366
Invoiced lease receivables	11,595	32,138	3,045	8,655
<b>Subtotal</b>	<b>452,001</b>	<b>1,290,485</b>	<b>393,693</b>	<b>1,115,021</b>
Unearned interest income	(100,928)	(141,425)	(82,889)	(127,520)
Leasing contracts in progress	5,784	7,550	7,358	7,354
Advances given for lease transactions	9,010	25,590	2,402	12,612
<b>Finance lease receivables, net of unearned income</b>	<b>365,867</b>	<b>1,182,200</b>	<b>320,564</b>	<b>1,007,467</b>
Impaired lease receivables	40,080	142,715	40,639	123,928
Specific provision	(17,352)	(99,651)	(15,459)	(82,713)
<b>Impaired lease receivables, net</b>	<b>22,728</b>	<b>43,064</b>	<b>25,180</b>	<b>41,215</b>
<b>Finance lease receivables, net</b>	<b>388,595</b>	<b>1,225,264</b>	<b>345,744</b>	<b>1,048,682</b>

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**6 - LEASING TRANSACTIONS AND IMPAIRED RECEIVABLES (Continued)**

Prospective aging analysis of the neither past due nor impaired and past due but not impaired lease receivables is as follows:

<b>31 December 2016</b>	<b>Up to 1 year</b>	<b>1-2 year</b>	<b>2-3 year</b>	<b>3-4 year</b>	<b>4 year and over</b>	<b>Total</b>
Lease receivables	664,936	463,159	312,800	197,294	152,231	1,790,420
Unearned interest income	(102,938)	(69,521)	(41,007)	(19,340)	(9,547)	(242,353)
<b>Finance lease receivables, Net</b>	<b>561,998</b>	<b>393,638</b>	<b>271,793</b>	<b>177,954</b>	<b>142,684</b>	<b>1,548,067</b>
<b>31 December 2015</b>	<b>Up to 1 year</b>	<b>1-2 year</b>	<b>2-3 year</b>	<b>3-4 year</b>	<b>4 year and over</b>	<b>Total</b>
Lease receivables	546,614	391,342	285,501	177,166	137,817	1,538,440
Unearned interest income	(91,635)	(59,230)	(33,854)	(16,634)	(9,056)	(210,409)
<b>Finance lease receivables, Net</b>	<b>454,979</b>	<b>332,112</b>	<b>251,647</b>	<b>160,532</b>	<b>128,761</b>	<b>1,328,031</b>

As of 31 December 2016, the average compounded interest rates for finance lease receivables are %15.52 for TL, %8.37 for USD and %6.20 for EUR (31 December 2015: %15.85 for TL, %7.92 for USD and %5.26 for EUR).

As at 31 December 2016 and 2015, the aging of the lease receivables and related specific provisions are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Neither past due nor impaired	1,456,259	1,286,605
Past due but not impaired	43,874	11,700
Impairment	182,795	164,567
Allowances for impairment	(117,003)	(98,172)
<b>Finance lease receivables, net</b>	<b>1,565,925</b>	<b>1,364,700</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
151-240 days	14,020	24,558
241-1 year	10,243	5,392
1 year and over	158,532	134,617
<b>Impaired lease receivables, net</b>	<b>182,795</b>	<b>164,567</b>

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As at 31 December 2016 and 2015, details of the impaired lease receivables and related specific provisions are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TP</b>	<b>YP</b>	<b>TP</b>	<b>YP</b>
Impaired lease receivables	40,080	142,715	40,639	123,928
Specific provisions	(17,352)	(99,651)	(15,459)	(82,713)
<b>Impaired lease receivables, net</b>	<b>22,728</b>	<b>43,064</b>	<b>25,180</b>	<b>41,215</b>

The movement of the specific provision during the year is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Balances at the beginning of the year</b>	<b>98,172</b>	<b>84,970</b>
Provision for the year	22,488	15,559
Collections during the year	(2,317)	(823)
Finance lease receivables written off during the year	(1,340)	(1,534)
<b>Specific provisions at the end of the year</b>	<b>117,003</b>	<b>98,172</b>

The details of collaterals taken for finance lease receivables that have specific provisions are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Mortgage	43,369	44,588
Cash blockages	20,002	15,278
Notes received	327	747
<b>Total collateral</b>	<b>63,698</b>	<b>60,613</b>

The group reviews any change in credit quality related to receivables from the date it is created to the balance sheet date in order to decide whether the receivable can be collected or not. Since the Group has many customers, credit risk concentration of the Group is not at a significant level. Sectoral distribution of the finance lease receivables is presented in Note 24.



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**7 - TANGIBLE ASSETS**

Movement in tangible assets in the period from 1 January to 31 December 2016 is as follows:

	1 January 2016	Additions <sup>(*)</sup>	Disposals	31 December 2016
<b>Cost:</b>				
Buildings	19,974	2,540	-	22,514
Furniture and fixture	884	6	(8)	882
Motor vehicles	482	120	-	602
Other tangible assets (inc. leasehold improvements )	115	52	-	167
	<b>21,455</b>	<b>2,718</b>	<b>(8)</b>	<b>24,165</b>
<b>Accumulated depreciation:</b>				
Buildings	(1,093)	(497)	-	(1,590)
Furniture and fixture	(699)	(80)	8	(771)
Motor vehicles	(452)	(32)	-	(484)
Other tangible assets (inc. leasehold improvements)	(115)	(16)	-	(131)
	<b>(2,359)</b>	<b>(625)</b>	<b>8</b>	<b>(2,976)</b>
<b>Net Book Value</b>	<b>19,096</b>			<b>21,189</b>

(\*) The balance consists of the revaluation difference of the properties for use.

Movement in tangible assets in the period from 1 January to 31 December 2015 is as follows:

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost:</b>				
Buildings	4,074	15,900	-	19,974
Furniture and fixture	737	154	(7)	884
Motor vehicles	769	-	(287)	482
Other tangible assets (inc. leasehold improvements )	115	-	-	115
	<b>5,695</b>	<b>16,054</b>	<b>(294)</b>	<b>21,455</b>
<b>Accumulated depreciation:</b>				
Buildings	(838)	(255)	-	(1,093)
Furniture and fixture	(621)	(85)	7	(699)
Motor vehicles	(597)	(83)	228	(452)
Other tangible assets (inc. leasehold improvements)	(115)	-	-	(115)
	<b>(2,171)</b>	<b>(423)</b>	<b>235</b>	<b>(2,359)</b>
<b>Net Book Value</b>	<b>3,524</b>			<b>19,096</b>

As 31 December 2016 and 31 December 2015, there is no mortgage on the tangible assets of the Group.

As of 31 December 2016, total insurance coverage for tangible assets of the Group is TL 12,836 (31 December 2015: TL 11,428TL).

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Movement in intangible assets in the period from 1 January to 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Software	1,673	10	-	1,683
	<b>1,673</b>	<b>10</b>	<b>-</b>	<b>1,683</b>
<b>Accumulated amortization:</b>				
Software	(671)	(394)	-	(1,065)
	<b>(671)</b>	<b>(394)</b>	<b>-</b>	<b>(1,065)</b>
<b>Net book value</b>	<b>1,002</b>			<b>618</b>

Movement in intangible assets in the period from 1 January to 31 December 2015 is as follows:

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost:</b>				
Software	392	1,281	-	1,673
	<b>392</b>	<b>1,281</b>	<b>-</b>	<b>1,673</b>
<b>Accumulated amortization:</b>				
Software	(385)	(286)	-	(671)
	<b>(385)</b>	<b>(286)</b>	<b>-</b>	<b>(671)</b>
<b>Net book value</b>	<b>7</b>			<b>1,002</b>

**9 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

As at 31 December 2016 and 31 December 2015, the Group's assets held for resale are composed of movables and immovable that are added to assets as a result of legal proceedings with regard to impaired lease receivables are detailed below:

	31 December 2016	31 December 2015
Lands and buildings held for sale	208	-
<b>Total</b>	<b>208</b>	<b>-</b>



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**10 - TAX ASSETS AND LIABILITIES**

	31 December 2016	31 December 2015
Corporate tax provision	-	14
	-	14
VAT payable	1,652	407
Social Security Premiums	316	139
Income tax	99	105
Stamp tax	3	3
Other	25	-
	2,095	654

	31 December 2016	31 December 2015
Corporate taxes payable	-	78
Less: Prepaid taxes	-	(64)
<b>Current income tax liabilities, net</b>	<b>-</b>	<b>14</b>

	31 December 2016	31 December 2015
<b>Tax expense</b>		
Corporate tax expense for the period	-	(78)
Deferred tax income/ (expense) effect	(5,378)	(4,766)
	(5,378)	(4,844)

Reconciliation of current period tax expense to theoretical tax expense of the Group calculated by using the statutory tax rate:

	31 December 2016	31 December 2015
Profit before taxes	28,659	28,523
Theoretical tax expense with 20% tax rate	(5,732)	(5,705)
Utilised investment incentive	943	847
Non-deductible expenses	(621)	(25)
Tax-free income	32	39
Other	-	-
<b>Current year tax expense</b>	<b>(5,378)</b>	<b>(4,844)</b>

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**10 - TAX ASSETS AND LIABILITIES (Continued)****Deferred taxes**

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

As mentioned above, as of 31 December 2016, the Company's management recorded deferred tax asset amounting to TL 199,946 from unused investment according to constitutional court decision. (31 December 2015: TL 220,278)

Details of cumulative temporary differences and the deferred income tax assets and liabilities calculated by using the effective tax rates are summarised below:

	<b>Total</b>		<b>Deferred tax assets/</b>	
	<b>Temporary differences</b>		<b>(liabilities)</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Lease Asset Receivable Impairment	71,729	53,605	14,346	10,721
Unused investment incentives- without stoppage	19,770	46,748	3,954	9,350
Derivatives discounts	-	13,673	-	2,735
Unused investment incentives- with stoppage	180,176	173,530	360	347
Provision for employee termination benefit	1,740	1,617	348	323
Provision for unused vacations	1,124	1,171	225	234
Other short term employee benefits	446	441	89	88
<b>Deferred tax assets</b>			<b>19,322</b>	<b>23,798</b>
Finance lease income accruals	(10,386)	(5,636)	(2,077)	(1,127)
Tangible and intangible assets revaluation difference	(18,439)	(15,900)	(922)	(795)
Subsidiary revaluation fund	(3,653)	(2,821)	(183)	(141)
Others	(925)	(1,154)	(185)	(231)
<b>Deferred tax liabilities</b>			<b>(3,367)</b>	<b>(2,294)</b>
<b>Deferred tax assets, (net)</b>			<b>15,955</b>	<b>21,504</b>

The movement for deferred tax assets is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>1 January</b>	<b>21,504</b>	<b>27,198</b>
Current year deferred tax income/ expense	(5,378)	(4,766)
Deferred tax in Equity income/expense	(171)	(928)
<b>31 December</b>	<b>15,955</b>	<b>21,504</b>



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**11 - OTHER ASSETS**

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Others	82	-	41	-
<b>Total other assets</b>	<b>82</b>	<b>-</b>	<b>41</b>	<b>-</b>

**12 - PREPAID EXPENSES**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letter of guarantee and commissions	79	3,381	-	3,871
Insurance	42	-	35	-
IT expenses	18	-	6	-
Subscription expenses	8	-	5	-
Others	24	2	209	-
<b>Total other assets</b>	<b>171</b>	<b>3,383</b>	<b>255</b>	<b>3,871</b>

**13 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**

As at 31 December 2016, there is no derivative financial liabilities held for trading purpose of the Group (31 December 2015: 13,673 TL).

**14 - BORROWINGS**

As at 31 December 2016 and 31 December 2015, details of the borrowings are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Domestic banks	237,383	432,542	348,979	184,003
Foreign banks	67,964	727,167	10,032	773,223
<b>Total Borrowings</b>	<b>305,347</b>	<b>1,159,709</b>	<b>359,011</b>	<b>957,226</b>

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**14 - BORROWINGS (Continued)**

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2016						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	237,383	12.01	149,647	4,463	83,273	237,383
USD (thousand)	63,452	3.98	629	222,672	-	223,301
EUR (thousand)	53,607	3.01	-	180,196	18,680	198,876
Floating rate borrowings:						
EUR (thousand)	2,794	2.33	-	5,184	5,181	10,365
Total borrowing from domestic banks			150,276	412,515	107,134	669,925
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	163,742	3.62	136,067	84,659	386,744	607,470
USD (thousand)	16,219	4.70	35,821	21,256	-	57,077
TL	67,964	12.98	67,964	-	-	67,964
Floating rate borrowings:						
EUR (thousand)	16,879	2.20	3,809	6,905	51,906	62,620
Total borrowings from foreign banks			243,661	112,820	438,650	795,131
Total borrowings			393,937	525,335	545,784	1,465,056

			Carrying value			
	Amount in original currencies	Average interest rates(%)	Up to 3 months	3 months to 1 year	Over 1 year	Total
31 December 2015						
Borrowings from domestic banks:						
Fixed rate borrowings:						
TL	348,979	6.77	244,819	91,785	12,375	348,979
USD (thousand)	25,546	3.90	29,608	44,670	-	74,278
EUR (thousand)	30,340	2.35	-	64,633	31,776	96,409
Floating rate borrowings:						
EUR (thousand)	4,191	2.33	-	4,440	8,876	13,316
Total borrowing from domestic banks			274,427	205,528	53,027	532,982
Borrowings from foreign banks						
Fixed rate borrowings:						
EUR (thousand)	158,707	3.86	53,914	188,241	262,152	504,307
USD (thousand)	83,080	4.30	44,965	150,077	46,522	241,564
TL	10,032	16.60	10,032	-	-	10,032
Floating rate borrowings:						
EUR (thousand)	8,608	2.05	1,519	4,904	20,929	27,352
Total borrowings from foreign banks			110,430	343,222	329,603	783,255
Total borrowings			384,857	548,750	382,630	1,316,237



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**15 - MISCELLANEOUS PAYABLES**

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Payables to suppliers for financial lease operations	-	10,248	-	5,240
Other trade payables	9,323	-	4,350	-
Provisions for suppliers for financial lease operations (*)	464	-	464	-
<b>Total miscellaneous payables</b>	<b>9,787</b>	<b>10,248</b>	<b>4,814</b>	<b>5,240</b>

(\*) Provisions for suppliers for financial lease operations consist of provisions for the finance lease contracts which invoices have not been received. The amounts in this account are transferred to finance lease payables account when the invoices of the goods that are subject to finance lease transactions are received.

**16 - OTHER LIABILITIES**

As at 31 December 2016 and 31 December 2015, details of other liabilities are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Advances received	10,897	12,265	6,547	9,322
<b>Total other liabilities</b>	<b>10,897</b>	<b>12,265</b>	<b>6,547</b>	<b>9,322</b>

Advances received consist of rent advances received from the customers in respect to financial lease contracts for the machinery and equipment that are not delivered to the customers.

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**17 - PROVISIONS FOR LIABILITIES AND CHARGES**

As at 31 December 2016 and 31 December 2015, details of provisions for liabilities and charges are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Reserve for employee benefits	3,310	-	3,229	-
<i>Reserve for employee termination benefit</i>	<i>1,740</i>	-	<i>1,617</i>	-
<i>Provision for unused vacations</i>	<i>1,124</i>	-	<i>1,171</i>	-
<i>Reserve for bonuses</i>	<i>313</i>	-	<i>302</i>	-
<i>Provisions for other employee rights</i>	<i>133</i>	-	<i>139</i>	-
<b>Total provisions</b>	<b>3,310</b>	<b>-</b>	<b>3,229</b>	

Movement of reserve for employee termination benefits during the period is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
At the beginning of the year	1,617	1,375
Interest rate cost	193	151
Service cost	163	164
Payments during the year	(218)	(129)
Actuarial difference (*)	(15)	56
<b>At the end of the year</b>	<b>1,740</b>	<b>1,617</b>

(\*) Actuarial (loss)/profit is accounted under other comprehensive income since 1 January 2013.

**18 - EQUITY****Share capital**

As at 31 December 2016, the share in capital of the Company amounts to TL 87,000 and composed of 8.700.000.000 shares with a face value of TL 0.01 each (31 December 2015: capital shares TL 65,000, nominal value: 6.500.000.000).

As at 31 December 2016 and 31 December 2015, the share capital and ownership structure of the Company is as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Amount of Share(TL)</b>	<b>Share Percentage(%)</b>	<b>Amount of Share(TL)</b>	<b>Share Percentage(%)</b>
Vakıfbank	51,080	%58.71	38,163	58.71
Güneş Sigorta A.Ş.	13,615	%15.65	10,172	15.65
Publicly traded (*)	19,608	%22.54	14,647	22.53
Other	2,698	3.10	2,018	3.11
<b>Pain-in capital</b>	<b>87,000</b>	<b>%100</b>	<b>65,000</b>	<b>100</b>

(\*) The ratio is calculated from the shares of the Company registered at Takasbank.

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**18 - EQUITY (Continued)****Capital reserves**

As at 31 December 2016 and 31 December 2015, capital reserves amounted to TL 353 consists of inflation adjustment differences of paid-in capital of the Company.

As at 31 December 2016, revaluation difference on tangible assets amounting to TL 17,517 (31 December 2015: TL 15,105) is accounted directly in equity. As at 31 December 2016 the marketable securities valuation differences amounts to TL 3,468 (31 December 2015: 2,678 TL).

**Profit reserves**

As at 31 December 2016, profit reserves of the Group consists of first legal reserves amounting to TL 5,110 (31 December 2015: TL 3,910) and extraordinary reserves amounting to TL 33,400 (31 December 2015: TL 32,963).

**Profit distribution**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below:

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. Primary reserves are 5% of statutory net profit until it reaches 20% of the Company's share capital. Secondary reserves are 10% of profit distributed in excess of 5% of share capital. According to the Turkish Commercial Code, as long as legal reserves do not exceed 50% of share capital, they can be used to offset losses but cannot be used in any other way.

At the Annual General Assembly held on 12 April 2016, due to the 2015 year end consolidated gain amounting TL 23,637, it has been decided to allocate TL 1,180 of first legal reserves, to be added to the capital TL 22,000 to give bonus shares and to reserve extraordinary reserve TL 457.

**19 - OPERATING EXPENSES**

For the years ended 31 December 2016 and 2015, general administrative expenses included in the operating expenses are as follow:

	31 December 2016	31 December 2015
General administration expenses	1,288	1,159
Depreciation and amortization expenses	1,097	667
Court expenses	816	971
Consultancy expenses	752	584
Transportation expenses	332	360
Notary expenses	299	312
Marketing expenses	136	128
Non-deductible expenses	116	117
Taxes, duties and charges expenses	79	130
Printing, stationary and office expenses	79	91
Registration expenses	24	27
Other operating expenses	556	472
<b>Total general administrative expenses</b>	<b>5,574</b>	<b>5,018</b>

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**19 - OPERATING EXPENSES (Continued)**

For the years ended 31 December 2016 and 31 December 2015, personnel expenses included in the operating expenses are as follows:

	31 December 2016	31 December 2015
Salaries	7,184	6,604
Social security premiums and other contributions	1,024	871
Personnel insurance expenses	714	776
Other personnel expenses	472	434
<b>Total personnel expenses</b>	<b>9,394</b>	<b>8,685</b>

**20 - OTHER OPERATING INCOME/EXPENSE**

For the years ended 31 December 2016 and 2015, other operating income is as follows:

	31 December 2016	31 December 2015
Foreign exchange gains	19,125	32,490
Interest income from non-performing loans	5,984	2,129
Provisions reversed during the year	2,603	985
Default interest income	2,566	1,248
Income from derivative transactions	1,012	-
Income from sales of assets held for sale	486	1,055
Interest income from bank deposits	106	280
Rent income	59	26
Other income	1,420	1,550
<b>Total other operating income</b>	<b>33,361</b>	<b>39,763</b>

**Other operating expenses:**

	31 December 2016	31 December 2015
Losses from marketable securities	3	-
Losses from derivative transactions	-	14,909
Other expense	562	190
	<b>565</b>	<b>15,099</b>

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## 21 - EARNINGS PER SHARE

	31 December 2016	31 December 2015
At the beginning of the year		
Total number of outstanding shares	8,700,000,000	6,500,000,000
At the beginning of the year		
Total number of outstanding shares	8,700,000,000	6,500,000,000
	31 December 2016	31 December 2015 <sup>(*)</sup>
Net income for the period	23,284	23,637
Number of outstanding shares with a nominal value of TL 1	8,700,000,000	8,700,000,000
Earnings/Losses per share (TL)	0.002676	0.002716

(\*) Capital increase performed through internal resources and earnings per share calculated for the previous period accordingly.

## 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Türkiye Vakıflar Bankası T.A.O.	2,153	5,298	1,128	2,935
Bank deposits	2,153	5,298	1,128	2,935
Güneş Sigorta A.Ş.	1,674	-	2,110	-
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	109	-
Finance lease receivables	1,674	-	2,219	-
Vakıf Faktoring A.Ş.	3,606	-	3,009	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	1,921	-	1,735	-
Vakıf Yatırım Menkul Değerler A.Ş.	266	-	217	-
Total investment securities available for sale	5,793	-	4,961	-
Vakıf Faktoring A.Ş.	2	-	2	-
Vakıf Emeklilik A.Ş.	4	-	-	-
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	2	-	2	-
Due from related parties	8	-	4	-
Türkiye Vakıflar Bankası T.A.O.	12,712	227,342	-	82,273
Vakıfbank International AG	-	91,589	-	78,518
Borrowings	12,712	318,931	-	160,791
Güneş Sigorta A.Ş.	2,449	-	3,144	-
Due to related parties	2,449	-	3,144	-

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As at and for the year ended 31 December 2016 and 2015, details of related party transactions are presented below:

	31 December 2016	31 December 2015
Güneş Sigorta A.Ş.	212	262
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	2	43
<b>Finance lease interest income</b>	<b>214</b>	<b>305</b>
Türkiye Vakıflar Bankası T.A.O.	33	171
<b>Interest income from related parties</b>	<b>33</b>	<b>171</b>
Vakıfbank - interest expense	6,405	3,101
Vakıfbank International AG-interest expense	3,296	4,329
Vakıfbank - commission expense	36	25
<b>Finance expenses of related parties</b>	<b>9,737</b>	<b>7,455</b>
Güneş Sigorta A.Ş.	6	1,229
Vakıf Emeklilik A.Ş.	40	36
<b>Other incomes of related parties</b>	<b>46</b>	<b>1,265</b>
	31 December 2016	31 December 2015
Güneş Sigorta A.Ş.	545	595
Türkiye Vakıflar Bankası T.A.O.	36	38
Vakıf Yatırım Menkul Değerler A.Ş.	27	23
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	8	-
Vakıf Emeklilik A.Ş.	6	-
<b>Other expenses of related parties</b>	<b>622</b>	<b>656</b>

**Executive management compensation**

As at 31 December 2016 and 2015, Group's executive management compensations are as follows:

	31 December 2016	31 December 2015
Compensation to the executive management	995	1,131
<b>Total</b>	<b>995</b>	<b>1,131</b>

The executive management of the Group consists of general manager, assistant general managers, members of the board of directors and the members of the audit committee.



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**23 - CONTINGENT ASSETS AND LIABILITIES**

**Collaterals received**

As at 31 December 2016 and 2015, the collaterals obtained by the Group against finance lease receivables are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Guarantees	3,137,941	10,693,565	-	-
Mortgages	259,149	459,293	167,764	329,697
Letters of guarantee	16,960	4,927	16,565	4,071
Cash blockage	170	1,224	121	79
Others	124,003	62,406	102,655	35,346
<b>Total</b>	<b>3,538,223</b>	<b>11,221,415</b>	<b>287,105</b>	<b>369,193</b>

**Commitments**

As at 31 December 2016, the Group has irrevocable commitments amounted to TL 53,150 (31 December 2015: TL 29,140) arising from letter of credits used for the tangible asset purchases subject to finance leases. The distribution of the commitments according to currency types is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Euro	23,296	8,897
TL	11,637	12,078
US Dollar	10,927	6,569
CHF	5,134	1,596
JPY	2,156	-
<b>Total</b>	<b>53,150</b>	<b>29,140</b>

*Revocable commitments*

As at 31 December 2016, Group's financial lease commitments amounts to TL 259,315 (31 December 2015: TL 218,328).

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Financial lease commitments	48,976	210,339	47,473	170,855
<b>Total</b>	<b>48,976</b>	<b>210,339</b>	<b>47,473</b>	<b>170,855</b>

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As at 31 December 2016 and 31 December 2015, details of derivative financial instruments are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Currency swap - purchase	-	-	92,385	-
Currency swap – sales	-	-	-	101,303
<b>Total</b>	<b>-</b>	<b>-</b>	<b>92,385</b>	<b>101,303</b>

**24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****Overview**

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through various mechanism established within the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.



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

**Credit Risk**

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Group aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. Besides, the Group analyze the financial position and the credibility of the customers and aims to support this analysis with intelligence reports obtained from the third parties. In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis to minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

Finance lease receivables cover many kinds of customers in different sectors. For the current balances of the customers, credit evaluations are done periodically.

Balance sheet items of the Group, which are subject to credit risk, are as follows:

- finance lease receivables
- financial assets at fair value through profit or loss
- banks
- other receivables

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As at 31 December 2016 and 31 December 2015, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2016	Receivables				Other	Banks deposits	Financial investments	Other	Total
	Finance lease receivables	Other receivables							
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>1,565,927</b>	<b>8,560</b>				<b>16,681</b>			<b>1,591,168</b>
- The portion of maximum risk covered by guarantees	352,455	-				-			352,455
<b>A. Net carrying value of financial assets which are neither impaired nor overdue</b>	<b>1,456,259</b>	<b>8,560</b>				<b>16,681</b>			<b>1,481,500</b>
- The portion covered by guarantees	277,811	-				-			288,757
<b>B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired</b>									
<b>C. Net carrying value of financial assets which are overdue but not impaired</b>									
- The portion covered by guarantees	43,874	-				-			43,874
- The portion covered by guarantees	10,946	-				-			-
<b>D. Net carrying value of impaired assets</b>	<b>65,792</b>								<b>65,792</b>
- Overdue (gross)	182,795								182,795
- Impairment (-)	(117,003)								(117,003)
- Net book value covered by guarantees	63,698								63,698
- Not past due (gross)	-								-
- Impairment (-)	-								-
- Net book value covered by guarantees	-								-
<b>E. Off balance sheet exposures with credit risks</b>									



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31 December 2015	Receivables					Other	Total
	Finance lease receivables	Other receivables	Banks deposits	Financial investments			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1,394,426	4,734	55,658	-	-	-	1,454,818
- The portion of maximum risk covered by guarantees	184,310	-	-	-	-	-	184,310
A. Net carrying value of financial assets which are neither impaired nor overdue	1,316,331	4,734	55,658	-	-	-	1,376,723
- The portion covered by guarantees	120,560	-	-	-	-	-	120,560
B. Net carrying value of financial assets that are restructured, otherwise which will be classified as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	11,700	-	-	-	-	-	11,700
- The portion covered by guarantees	3,137	-	-	-	-	-	3,137
D. Net carrying value of impaired assets	66,395	-	-	-	-	-	66,395
- Overdue (gross)	164,567	-	-	-	-	-	164,567
- Impairment (-)	(98,172)	-	-	-	-	-	(98,172)
- Net book value covered by guarantees	60,613	-	-	-	-	-	60,613
- Not past due (gross)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net book value covered by guarantees	-	-	-	-	-	-	-
E. Off balance sheet exposures with credit risks	-	-	-	-	-	-	-

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As at 31 December 2016 and 31 December 2015, sectoral distribution of finance lease receivables which are not under impaired is as follows:

	31 December 2016		31 December 2015	
	Amount	(%)	Amount	(%)
Manufacturing	660,291	44.02	509,683	39.26
Construction	241,953	16.13	204,290	15.74
Wholesale, retail and trading	151,804	10.12	147,927	11.39
Transportation, warehousing and communication	94,396	6.29	111,606	8.60
Education	79,820	5.32	88,901	6.85
Hotels and restaurants	82,692	5.51	75,980	5.85
Real estate	53,901	3.59	51,643	3.98
Health and social services	37,154	2.48	38,914	3.00
Agriculture	38,486	2.57	31,986	2.46
Mining	42,073	2.80	19,491	1.50
Financial intermediary services	5,096	0.34	12,187	0.94
Other social and individual services	8,073	0.54	4,010	0.31
Others	4,394	0.29	1,687	0.12
<b>Total</b>	<b>1,500,133</b>		<b>1,298,305</b>	<b>100</b>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

*Management of liquidity risk*

Main responsibility for the liquidity risk management belongs to Board of Directors. Board of Directors has created a suitable liquidity risk management for the short, medium and long term funding and liquidity needs. The Group manages the liquidity risk by following forecasted and actual cash flows, matching the terms of financial assets and liabilities and securing necessary funds.



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The following table provides undiscounted cash flows with respect to the contractual (or expected) maturities of the Group's financial liabilities:

31 December 2016	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Funds Borrowed	1,465,056	1,524,151	602,645	341,212	580,294	-	-
Miscellaneous payables and other liabilities	43,197	43,197	43,197	-	-	-	-
<b>Total</b>	<b>1,508,253</b>	<b>1,567,348</b>	<b>645,842</b>	<b>341,212</b>	<b>580,294</b>	<b>-</b>	<b>-</b>

31 December 2015	Carrying Amount	Total Contractual expected cash flows/ out flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Funds Borrowed	1,316,237	1,357,693	730,773	225,323	267,517	134,080	-
Miscellaneous payables and other liabilities	25,923	25,923	25,923	-	-	-	-
<b>Total</b>	<b>1,342,160</b>	<b>1,383,616</b>	<b>756,696</b>	<b>225,323</b>	<b>267,517</b>	<b>134,080</b>	<b>-</b>

**Market risk**

Market risk is the risk that the Group's income or the value of its financial instruments will be affected through the changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

*Currency risk*

The Group is exposed to currency risk through transactions in foreign currencies, such as lease operations and borrowings. Foreign exchange gains and losses resulting from foreign currency transactions were recorded in the period transactions occurred. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates prevailing at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gain or loss.

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As at 31 December 2016 and 31 December 2015, the Group's foreign currency assets and liabilities with their TL equivalents are as follows:

<b>31 December 2016</b>	<b>US Dollar</b>	<b>Euro</b>	<b>JPY</b>	<b>GBP</b>	<b>Total</b>
Banks	10,204	3,952	-	-	14,156
Finance lease receivables, net (1)	278,638	903,552	-	10	1,182,200
Other assets	-	285	-	-	285
Prepaid expenses	-	3,383	-	-	3,383
<b>Total Assets</b>	<b>288,842</b>	<b>911,172</b>	<b>-</b>	<b>10</b>	<b>1,200,024</b>
Borrowings	280,378	879,331	-	-	1,159,709
Other liabilities	821	7,271	2,156	-	10,248
Miscellaneous payables	1,883	10,382	-	-	12,265
Deferred Income	323	1,243	-	-	1,566
<b>Total liabilities</b>	<b>283,405</b>	<b>898,227</b>	<b>2,156</b>	<b>-</b>	<b>1,183,788</b>
<b>Net financial statement position</b>	<b>5,437</b>	<b>12,945</b>	<b>(2,156)</b>	<b>10</b>	<b>16,236</b>
<b>Net off-balance sheet items position (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>5,437</b>	<b>12,945</b>	<b>(2,156)</b>	<b>10</b>	<b>16,236</b>
<b>31 December 2015</b>	<b>US Dollar</b>	<b>Euro</b>	<b>CHF</b>	<b>Total</b>	
Banks	31,381	23,045	-	54,426	
Finance lease receivables, net (1)	326,818	680,325	324	1,007,467	
Other assets	16	3,866	-	3,882	
<b>Total assets</b>	<b>358,215</b>	<b>707,236</b>	<b>324</b>	<b>1,065,775</b>	
Borrowings	315,841	641,385	-	957,226	
Miscellaneous payables	761	2,883	1,596	5,240	
Other liabilities	969	8,353	-	9,322	
Deferred Income	307	1,074	-	1,381	
<b>Total liabilities</b>	<b>317,878</b>	<b>653,695</b>	<b>1,596</b>	<b>973,169</b>	
<b>Net financial statement position</b>	<b>40,337</b>	<b>53,541</b>	<b>(1,272)</b>	<b>92,606</b>	
<b>Net off-balance sheet items position (2)</b>	<b>(32,434)</b>	<b>(68,869)</b>	<b>-</b>	<b>(101,303)</b>	
<b>Net foreign currency position</b>	<b>7,903</b>	<b>(15,328)</b>	<b>(1,272)</b>	<b>(8,697)</b>	

(1) Impaired receivables which is stated as FC in financial statements are not included.

(2) Non-cash loans are not included in the calculation of foreign currency position.

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

*Foreign currency sensitivity analysis*

The effects of 10 percent change of the TL against the following currencies on the consolidated statement of income and consolidated equity for the years ended 31 December 2016 and 31 December 2015 are shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2016</b>				
<b>10% change of the US Dollar against TL</b>				
1-Net USD asset/liability	544	(544)	544	(544)
2-Hedged portion of TL against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>544</b>	<b>(544)</b>	<b>544</b>	<b>(544)</b>
<b>10% change of the Euro against TL</b>				
4-Net Euro asset/liability	1,295	(1,295)	1,295	(1,295)
5-Hedged portion of TL against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>1,295</b>	<b>(1,295)</b>	<b>1,295</b>	<b>(1,295)</b>
<b>10% change of the JPY against TL</b>				
7-Net JPY asset/liability	(216)	216	(216)	216
8-Hedged portion of TL against JPY (-)	-	-	-	-
<b>9-Net effect of JPY (7+8)</b>	<b>(216)</b>	<b>216</b>	<b>(216)</b>	<b>216</b>
<b>10% change of the GBP against TL</b>				
10-Net GBP asset/liability	1	(1)	1	(1)
11-Hedged portion of TL against GBP (-)	-	-	-	-
<b>12-Net effect of GBP (10+11)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
<b>Tr Raporda Japon yeni mevcut</b>				
<b>TOTAL (3+6+9+12)</b>	<b>1,624</b>	<b>(1,624)</b>	<b>1,624</b>	<b>(1,624)</b>

<sup>(\*)</sup> Equity effect includes profit/(loss) effect.

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>31 December 2015</b>				
<b>10% change of the US Dollar against TL</b>				
1-Net USD asset/liability	790	(790)	790	(790)
2-Hedged portion of TL against USD (-)	-	-	-	-
<b>3-Net effect of US Dollar(1+2)</b>	<b>790</b>	<b>(790)</b>	<b>790</b>	<b>(790)</b>
<b>10% change of the Euro against TL</b>				
4-Net Euro asset/liability	(1,533)	1,533	(1,533)	1,533
5-Hedged portion of TL against Euro (-)	-	-	-	-
<b>6-Net effect of Euro (4+5)</b>	<b>(1,533)</b>	<b>1,533</b>	<b>(1,533)</b>	<b>1,533</b>
<b>10% change of the CHF against TL</b>				
7-Net CHF asset/liability	(127)	127	(127)	127
8-Hedged portion of TL against CHF (-)	-	-	-	-
<b>9-Net effect of CHF (7+8)</b>	<b>(127)</b>	<b>127</b>	<b>(127)</b>	<b>127</b>
<b>TOTAL (3+6+9)</b>	<b>(870)</b>	<b>870</b>	<b>(870)</b>	<b>870</b>

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**24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)***Exposure to interest rate risk*

The principal risk to which non-trading portfolios are exposed to the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The Group is exposed to interest rate risk through its fixed and variable rate borrowings. The risk is managed by appropriate distribution between fixed and variable rate borrowings.

As at 31 December 2016 and 2015, the interest bearing financial assets and liabilities of the Group are as follows:

	31 December 2016	31 December 2015
<i><b>Financial assets and liabilities with fixed interest rate</b></i>		
Time deposits	7,390	-
Finance lease receivables, net	1,500,133	1,298,305
Borrowings	1,392,071	1,275,569
<i><b>Financial assets and liabilities with variable interest rate</b></i>		
Funds borrowed	72,985	40,668

*Interest rate sensitivity*

Interest rate sensitivity of profit or loss is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 31 December 2016 and effect on net interest income of floating rate non-trading financial assets and financial liabilities held.

	<b>Profit or Loss</b>		<b>Equity (*)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>31 December 2016</b>				
Floating rate financial liabilities	(7)	7	(7)	7
<b>Total, net</b>	<b>(7)</b>	<b>7</b>	<b>(7)</b>	<b>7</b>
	<b>Profit or Loss</b>		<b>Equity (*)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>31 December 2015</b>				
Floating rate financial liabilities	(4)	4	(4)	4
<b>Total, net</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>4</b>

(\*) Equity effect includes profit/(loss) effect.



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

**Capital management**

The Group's policy is to maintain a strong capital base and to maintain a balance between the debt and equity in an effective way so as to increase its profit.

Along with no change in the strategy of the Group in 2015, the ratio of the equities to the debts is 11% (31 December 2015: 11%). As of 31 December 2016 and 31 December 2015, the debt to equity ratio is as follows:

	31 December 2016	31 December 2015
Borrowings	1,465,056	1,316,237
Miscellaneous payables	20,035	10,054
Other liabilities	23,162	15,869
<b>Total Liabilities</b>	<b>1,508,253</b>	<b>1,342,160</b>
Banks (-)	(16,681)	(55,658)
<b>Net debt</b>	<b>1,491,572</b>	<b>1,286,502</b>
<b>Total Equity</b>	<b>170,103</b>	<b>143,644</b>
Equity/Debt ratio	%11	%11

**25 - FINANCIAL INSTRUMENTS**

**Fair values of financial instruments**

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, certain judgments made to estimate the fair value can cause an adjustment to the fair value at current market conditions.

Fair values of the financial lease receivables and funds borrowed have been determined by discounting the relevant cash flows by market interest rates prevailing as at balance sheet date. The carrying amounts of the bank balances and miscellaneous payables and other liabilities are assumed that they approximate their fair value due to their short-term nature.

	31 December 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Finance lease receivables, net	1,500,133	1,440,762	1,298,305	1,240,627
Banks	16,681	16,681	55,658	55,658
<b>Financial liabilities</b>				
Borrowings	1,465,056	1,388,182	1,316,237	1,218,615
Miscellaneous payables and other liabilities	43,197	43,197	25,923	25,923

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**25 - FINANCIAL INSTRUMENTS (Continued)***Classification of Fair Value Measurement*

TFRS 7 - Financial Instruments: Disclosure requires the disclosure of the classification of fair value measurements according to a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows at 31 December 2016 and 31 December 2015:

<b>31 December 2016</b>	<b>1. Level</b>	<b>2. Level</b>	<b>3. Level</b>	<b>Total</b>
Available for sale financial assets:				
Investments in equity participations <sup>(*)</sup>	-	-	5,793	5,793
Financial assets at fair value through profit or loss:				
Derivative liabilities	-	-	-	-
<b>Total Financial Assets/Liabilities</b>	<b>-</b>	<b>-</b>	<b>5,793</b>	<b>5,793</b>

<sup>(\*)</sup> Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.

<b>31 December 2015</b>	<b>1. Level</b>	<b>2. Level</b>	<b>3. Level</b>	<b>Total</b>
Available for sale financial assets:				
Investments in equity participations <sup>(*)</sup>	-	-	4,961	4,961
Financial assets at fair value through profit or loss:				
Derivative liabilities	-	(13,673)	-	(13,673)
<b>Total Financial Assets/Liabilities</b>	<b>-</b>	<b>(13,673)</b>	<b>4,961</b>	<b>(8,712)</b>

<sup>(\*)</sup> Available for sale financial assets presented at 3. level includes fair values of equity shares whose fair value has been determined by independent valuation institutions.



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**25 - FINANCIAL INSTRUMENTS (Continued)**

	31 December 2016	31 December 2015
Balance at the beginning of the period	4,961	4,850
Total gains for the period recognized under equity	832	111
Dividend received during the period	-	-
<b>Balance at the end of the period</b>	<b>5,793</b>	<b>4,961</b>

**26 - OTHER ISSUES**

None.

**27 - SUBSEQUENT EVENTS**

None.

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**HEADQUARTERS**

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