(Convenience translation of financial statements and auditor's report originally issued in Turkish – See Section three Note 2)

Koç Finansman Anonim Şirketi

Financial statements together with independent auditor's report for the year ended December 31, 2014

(Convenience translation of financial statements and auditor's report originally issued in Turkish – See Section three Note 2)

Koç Finansman A.Ş.

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(Convenience translation of auditor's report originally issued in Turkish)

Independent auditor's report for the period January 1 - December 31, 2014

To the Board of Directors of
Koç Finansman Anonim Şirketi

We have audited the accompanying balance sheet of Koç Finansman Anonim Şirketi (the Company) as of December 31, 2014 and the related statements of income, income and expenses and other comprehensive income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and explanatory notes.

Disclosure for the responsibility of the Company's Board of Directors:

The Company's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent misstatements caused by error or fraud that are material to the financial statements; and for selecting and applying appropriate accounting principles in compliance with the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued by Leasing, Factoring and Consumer Finance Companies" published in the Official Gazette dated December 24, 2013 and numbered 28861, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, interpretations and circulars published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the responsibility of the authorized audit firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette numbered 26333 on November 1, 2006 and standards on auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking into consideration the effectiveness of the internal controls relevant to the entity's preparation and fair presentation of the financial statements and assessing the appropriateness of the applied accounting policies. However, our purpose is not to express an opinion on the effectiveness of the entity's internal control but to design the audit techniques appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion stated below.

Independent auditor's opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Koç Finansman Anonim Şirketi as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles (please refer to Section Three, Note 2).

Reports on other responsibilities arising from regulatory requirements

1) In accordance with paragraph 4 of 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 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 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 into English of financial statements originally issued in Turkish:

As explained in detail in Note 2 of Section Three, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, CPA
Partner in charge

February 16, 2015
Istanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish – see Section 3, Note 2)

Section two

Financial statements

(Convenience translation of financial statements originally issued in Turkish - see Section 3, Note 2)

KOÇ FİNANSMAN A.Ş.

Balance sheets
as of December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

Assets		Audited - December 31, 2014			Audited - December 31, 2013		
	Notes (Section 4)	TL	FC	Total	TL	FC	Total
1. Cash, cash equivalents and Central Bank	**(I-1)**	**16.036.286**	**20.231.960**	**36.268.246**	**4.400.997**	**453.836**	**4.854.833**
2. Financial assets at fair value through profit and loss (net)	**(I-2)**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Financial assets - held for trading		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.3 Derivative financial assets - held for trading		-	-	-	-	-	-
3. Banks	**(I-3)**	**5.959.661**	**1.783.954**	**7.743.615**	**4.976.688**	**5.393.192**	**10.369.880**
4. Receivables from reverse repo transactions	**(I-4)**	**-**	**-**	**-**	**-**	**-**	**-**
5. Available for sale financial assets (net)	**(I-5)**	**-**	**-**	**-**	**-**	**-**	**-**
6. Financing loans	**(I-6)**	**2.300.794.468**	**-**	**2.300.794.468**	**1.730.928.149**	**-**	**1.730.928.149**
6.1 Consumer financing loans		1.139.087.188	-	1.139.087.188	1.129.637.707	-	1.129.637.707
6.2 Credit cards		-	-	-	-	-	-
6.3 Commercial installment loans		1.161.707.280	-	1.161.707.280	601.290.442	-	601.290.442
7.Other Receivables	**(I-7)**	**7.294.313**	**-**	**7.294.313**	**3.343.166**	**-**	**3.343.166**
8. Non-performing loans	**(I-8)**	**36.858.189**	**-**	**36.858.189**	**26.110.525**	**-**	**26.110.525**
8.1 Non-performing financing loans	**(I-8)**	59.249.863	-	59.249.863	51.680.754	-	51.680.754
8.2 Specific provisions (-)	**(I-8)**	(22.391.674)	-	(22.391.674)	(25.570.229)	-	(25.570.229)
9. Derivative financial assets for hedging purposes	**(I-9)**	**-**	**7.473.623**	**7.473.623**	**-**	**15.698.688**	**15.698.688**
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	7.473.623	7.473.623	-	15.698.688	15.698.688
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
10. Held to maturity investments (net)	**(I-10)**	**-**	**-**	**-**	**-**	**-**	**-**
11. Investments in subsidiaries (net)	**(I-11)**	**-**	**-**	**-**	**-**	**-**	**-**
12. Investments in associates (net)	**(I-12)**	**12.502**	**-**	**12.502**	**12.502**	**-**	**12.502**
13. Joint ventures (net)	**(I-13)**	**-**	**-**	**-**	**-**	**-**	**-**
14. Tangible assets (net)	**(I-14)**	**614.998**	**-**	**614.998**	**786.186**	**-**	**786.186**
15. Intangible assets (net)	**(I-15)**	**290.977**	**-**	**290.977**	**449.633**	**-**	**449.633**
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		290.977	-	290.977	449.633	-	449.633
16.Pre-Paid Expenses	**(I-16)**	**1.430.106**	**-**	**1.430.106**	**1.041.689**	**-**	**1.041.689**
17.Current tax asset	**(I-17)**	**-**	**-**	**-**	**-**	**-**	**-**
18. Deferred tax asset	**(I-18)**	**993.347**	**-**	**993.347**	**-**	**-**	**-**
19.Other Asset	**(I-19)**	**65.502**	**-**	**65.502**	**96.755**	**-**	**96.755**
Sub Total		**2.370.350.349**	**29.489.537**	**2.399.839.886**	**1.772.146.290**	**21.545.716**	**1.793.692.006**
20. Assets held for sale and discontinued operations (net)	**(I-20)**	**161.489**	**-**	**161.489**	**670.799**	**-**	**670.799**
20.1 Held for sale		161.489	-	161.489	670.799	-	670.799
20.2 Discontinued operations		-	-	-	-	-	-
Total assets		**2.370.511.838**	**29.489.537**	**2.400.001.375**	**1.772.817.089**	**21.545.716**	**1.794.362.805**

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Balance sheets
as of December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

Liabilities and shareholders' equity		Audited - December 31, 2014			Audited - December 31, 2013		
	Notes (Section 4)	TL	FC	Total	TL	FC	Total
1. Derivative financial liabilities - held for trading		**-**	**-**	**-**	**-**	**-**	**-**
2. Funds borrowed	**(II-1)**	**1.334.080.244**	**237.494.032**	**1.571.574.276**	**814.786.783**	**155.121.075**	**969.907.858**
3. Lease payables	**(II-2)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Finance lease payables		-	-	-	-	-	-
3.2 Operating lease payables		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
3.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
4. Marketable securities issued (net)	**(II-3)**	**571.408.146**	**-**	**571.408.146**	**604.970.142**	**-**	**604.970.142**
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		571.408.146	-	571.408.146	604.970.142	-	604.970.142
5. Miscellaneous payables	**(II-4)**	**10.134.213**	**-**	**10.134.213**	**6.141.298**	**-**	**6.141.298**
6. Other liabilities	**(II-5)**	**2.956.195**	**-**	**2.956.195**	**6.160.095**	**-**	**6.160.095**
7. Derivative financial liabilities for hedging purposes	**(II-6)**	**-**	**-**	**-**	**-**	**-**	**-**
7.1 Fair value hedge		-	-	-	-	-	-
7.2 Cash flow hedge		-	-	-	-	-	-
7.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
8. Taxes and duties payable	**(II-7)**	**6.480.344**	**-**	**6.480.344**	**4.419.230**	**-**	**4.419.230**
9. Provisions	**(II-8)**	**48.260.489**	**-**	**48.260.489**	**21.286.325**	**-**	**21.286.325**
9.1 Restructuring provision		-	-	-	-	-	-
9.2 Reserve for employee rights		2.224.898	-	2.224.898	1.829.747	-	1.829.747
9.3 Other provisions		46.035.591	-	46.035.591	19.456.578	-	19.456.578
10. Deferred Income	**(II-9)**	**30.282.359**	**-**	**30.282.359**	**5.923.726**	**-**	**5.923.726**
11.Current Tax Liabilities	**(I-10)**	**1.061.955**	**-**	**1.061.955**	**904.007**	**-**	**904.007**
12.Deferred Tax Liabilities	**(I-11)**	**-**	**-**	**-**	**1.675.556**	**-**	**1.675.556**
13.Subordinated Loans	**(II-12)**	**-**	**-**	**-**	**-**	**-**	**-**
Sub Total		**2.004.663.945**	**237.494.032**	**2.242.157.977**	**1.466.267.162**	**155.121.075**	**1.621.388.237**
14. Liabilities for the assets held for sale and discontinued operations (net)	**(II-13)**	**-**	**-**	**-**	**-**	**-**	**-**
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
15. Shareholders' equity	**(II-14)**	**157.843.398**	**-**	**157.843.398**	**172.974.568**	**-**	**172.974.568**
15.1 Paid-in capital	**(II-14.1)**	100.000.000	-	100.000.000	100.000.000	-	100.000.000
15.2 Capital reserves		-	-	-	-	-	-
15.2.1 Premiums on sale of share certificates		-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Other capital reserves		-	-	-	-	-	-
15.3 Items that will not be reclassified to profit or loss		(115.028)	-	(115.028)	(30.134)	-	(30.134)
15.4 Items that may be reclassified subsequently to profit or loss	**(II-14.4)**	873.987	-	873.987	923.448	-	923.448
15.5 Profit reserves		40.816.114	-	40.816.114	40.084.231	-	40.084.231
15.5.1 Legal reserves		16.675.295	-	16.675.295	12.638.701	-	12.638.701
15.5.2 Statutory reserves		-	-	-	-	-	-
15.5.3 Extraordinary reserves		24.140.819	-	24.140.819	27.445.530	-	27.445.530
15.5.4 Other profit reserves		-	-	-	-	-	-
15.6 Profit or loss		16.268.325	-	16.268.325	31.997.022	-	31.997.022
15.6.1 Prior year income / (loss)		1.265.139	-	1.265.139	1.265.139	-	1.265.139
15.6.2 Current year income / (loss)		15.003.186	-	15.003.186	30.731.883	-	30.731.883
Total liabilities and equity		**2.162.507.343**	**237.494.032**	**2.400.001.375**	**1.639.241.730**	**155.121.075**	**1.794.362.805**

(Convenience translation of financial statements originally issued in Turkish - see Section 3, Note 2)

KOÇ FİNANSMAN A.Ş.

Statement of off balance sheet accounts
as of December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

Off-balance sheet items	Notes (Section 4)	December 31, 2014			December 31, 2013		
		TL	FC (*)	Total	TL	FC(*)	Total
I. Factoring transactions (risks assumed)		-	-	-	-	-	-
II. Factoring transactions (risks not assumed)		-	-	-	-	-	-
III. Guarantees received	(III-1)	**3.525.917.170**	**58.452.010**	**3.584.369.180**	**167.656.092**	**2.966.523**	**170.622.615**
IV. Guarantees given	(III-2)	**48.652**	-	**48.652**	**304.741**	-	**304.741**
V. Commitments		**3.296.599.514**	**344.595.416**	**3.641.194.930**	**2.740.958.057**	**219.129.818**	**2.960.087.875**
5.1 Irrevocable commitments	(III-3)	-	-	-	-	-	-
5.2 Revocable commitments	(III-3)	3.296.599.514	344.595.416	3.641.194.930	2.740.958.057	219.129.818	2.960.087.875
5.2.1 Lease commitments		-	-	-	-	-	-
5.2.1.1 Financial lease commitments		-	-	-	-	-	-
5.2.1.2 Operating lease commitments		-	-	-	-	-	-
5.2.2 Other revocable commitments		3.296.599.514	344.595.416	3.641.194.930	2.740.958.057	219.129.818	2.960.087.875
VI. Derivative financial instruments	(III-4.1)	**160.691.379**	**153.186.138**	**313.877.517**	**100.183.189**	**113.551.697**	**213.734.886**
6.1 Derivative financial instruments for hedging purposes	(III-4.1)	160.691.379	153.186.138	313.877.517	100.183.189	113.551.697	213.734.886
6.1.1 Fair value hedge		-	-	-	-	-	-
6.1.2 Cash flow hedge	(III-4.1)	160.691.379	153.186.138	313.877.517	100.183.189	113.551.697	213.734.886
6.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
6.2 Held for trading transactions	(III-4.2)	-	-	-	-	-	-
6.2.1 Forward buy/sell transactions		-	-	-	-	-	-
6.2.2 Swap buy/sell transactions		-	-	-	-	-	-
6.2.3 Option buy/sell transactions	(III-4.2)	-	-	-	-	-	-
6.2.4 Futures buy/sell transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. Items held in custody	(III-5)	**5.954.813**	**1.069.860**	**7.024.673**	**4.335.160**	-	**4.335.160**
Total off-balance sheet accounts		**6.989.211.528**	**557.303.424**	**7.546.514.952**	**3.013.437.239**	**335.648.038**	**3.349.085.277**

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Statements of income
for the years ended December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

Statement of income	Notes (Section 4)	January 1 December 31, 2014	January 1 December 31, 2013
I. Gross operating income	(IV-1)	**283.533.992**	**233.726.236**
1.1 Interest income on loans		242.107.532	198.549.569
1.2 Fees and commission income received from loans		41.426.460	35.176.667
II. Financial expenses (-)		**(190.183.925)**	**(151.171.001)**
2.1 Interest on funds borrowed		(121.819.298)	(70.685.323)
2.2 Interest on factoring payables		-	-
2.3 Finance lease expense		-	-
2.4 Interest on securities issued		(49.192.279)	(66.247.849)
2.5 Other interest expenses		(5.942)	(3.386)
2.6 Fees and commissions given		(19.166.406)	(14.234.443)
III. Gross Profit/(Loss) (I+II)		**93.350.067**	**82.555.235**
IV. Operating expenses (-)	(IV-2)	**(62.632.156)**	**(39.450.825)**
4.1 Personnel expenses		(17.181.840)	(15.975.257)
4.2 Provision expense for employment termination benefits		(258.576)	(101.888)
4.3 Research and development expenses		-	-
4.4 General administration expenses		(18.449.872)	(10.832.446)
4.5 Other operating expenses		(26.741.868)	(12.541.234)
V. Gross Operating Profit/(Loss) (III+IV)		**30.717.911**	**43.104.411**
VI. Other operating income	(IV-3)	**15.025.213**	**47.669.841**
6.1 Interest received from banks		2.224.522	6.131.826
6.2 Interest received from reverse repo agreements		-	-
6.3 Interest received from marketable securities portfolio		-	-
6.3.1 held for trading financial assets		-	-
6.3.2 Financial assets at fair value through profit and (loss)		-	-
6.3.3 Available-for-sale financial assets		-	-
6.3.4 Held to maturity investments		-	-
6.4 Dividend income		-	-
6.5 Trading gains		8.531	6.581
6.5.1 Derivative financial transactions		8.531	6.581
6.5.2 Other		-	-
6.6 Foreign exchange gains		12.021.505	39.390.327
6.7 Other operating income		770.652	2.141.107
VII. Specific provisions for non-performing Loans (-)	(IV-4)	**(9.144.711)**	**(10.622.965)**
VIII. Other operating expenses (-)	(IV-5)	**(11.576.656)**	**(38.916.297)**
8.1 Marketable securities impairment		-	-
8.1.1 Financial assets at fair value through profit and (loss) impairment		-	-
8.1.2 Available-for-sale financial assets		-	-
8.1.3 Held to maturity investments		-	-
8.2 Fixed assets impairment		-	-
8.2.1 Tangible assets impairment		-	-
8.2.2 Non-current Assets held for sale and discontinued operations impairment		-	-
8.2.3 Goodwill impairment		-	-
8.2.4 Other intangible assets impairment		-	-
8.2.5 Impairment of associates, subsidiaries and joint ventures		-	-
8.3 Derivative financial transaction losses		(790.687)	(80.104)
8.4 Foreign exchange losses		(10.785.969)	(38.836.193)
8.5 Other		-	-
IX. Net operating profit / (loss) (V+..+VIII)		**25.021.757**	**41.234.990**
X. Excess amount recorded as income after merger		**-**	**-**
XI. Profit / (loss) on net monetary position		**-**	**-**
XII. Profit / loss before taxes from continuing operations (IX+X+XI)		**25.021.757**	**41.234.990**
XIII. Provision for taxes on profit for continuing operations (±)		**(10.018.571)**	**(10.503.106)**
13.1 Current tax provision		(12.653.885)	(8.082.859)
13.2 Deferred tax expense effect (+)		-	(2.420.247)
13.3 Deferred tax income effect (-)		2.635.314	-
XIV. Net profit / loss for continuing operations (XII±XIII)		**15.003.186**	**30.731.883**
XV. Income from discontinued operations		**-**	-
15.1 Income from Non-current assets held for sale		-	-
15.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
15.3 Other income from discontinued operations		-	-
XVI. Expenses from discontinued operations (-)		**-**	-
16.1 Expenses for non-current assets held for sale		-	-
16.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
16.3 Other expenses from discontinued operations		-	-
XVII. Profit / loss before taxes from discontinued operations (XV-XVI)		**-**	-
XVIII. Provision for taxes on income for discontinued operations (±)		**-**	-
18.1 Current tax provision		-	-
18.2 Deferred tax expense effect (+)		-	-
18.3 Deferred tax income effect (+)		-	-
XIX. Net profit / loss from discontinued operations (XVII±XVII)		**-**	-
XX. Net profit / loss (XIV+XIX)		**15.003.186**	**30.731.883**
Earnings / losses per share			

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Statements of income and expenses and other comprehensive income for the years ended December 31, 2014 and 2013 (Currency – Turkish Lira (TL) unless otherwise stated)

		Audited- December 31, 2014	Audited- December 31, 2013
I.	**Profit/loss for the period**	**15.003.186**	**30.731.883**
II.	**Other comprehensive income**	**(134.358)**	**2.081.791**
2.1	**Items that will not be reclassified to profit or loss**	**(84.897)**	**(30.131)**
2.1.1	Tangible assets revaluation increase/decrease	-	-
2.1.2	Intangible assets revaluation increase/decrease	-	-
2.1.3	Gains / losses from remeasurement of defined pension benefit plans	(106.121)	(37.664)
2.1.4	Other comprehensive income components that will not be reclassified to profit or loss	-	-
2.1.5	Taxes on Items that will not be reclassified to profit or loss	21.224	7.533
2.1.5.1	Current tax income / expense	-	-
2.1.5.2	Deferred tax income / expense	21.224	7.533
2.2	**Items that may be reclassified subsequently to profit or loss**	**(49.461)**	**2.111.922**
2.2.1	Foreign exchange differences for foreign currency transactions	-	-
2.2.2	Gains / losses from reclassification and revaluation of available for sale financial assets	-	-
2.2.3	Gains / losses from hedge for cash flow risk	(61.826)	2.639.903
2.2.4	Gains / losses from derivative financial instruments for hedge of net investment in foreign operations	-	-
2.2.5	Other comprehensive income components that may be reclassified to profit or loss	-	-
2.2.6	Taxes on Items that may be reclassified to profit or loss	**12.365**	**(527.981)**
2.2.6.1	Current tax income / expense		
2.2.6.2	Deferred tax income / expense	12.365	(527.981)
XII.	**Total comprehensive income for the period (X±XI)**	**14.868.828**	**32.813.674**

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Statements of changes in shareholders' equity for the years ended December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

				Items that will not be reclassified to profit or loss	Items that may be reclassified subsequently to profit or loss						
	Changes in shareholders' equity	Note (Section 4)	Paid-in Capital	Gain / (losses) on remeasurement of defined benefit plans	Gain / (losses) on cash flow hedge	Legal Reserves	Extraordinary Excess Reserve	Current Period Profit/Loss	Prior Period Net Profit/Loss	Current Period Net Profit/Loss	Total Shareholders' Equity
I.	**Prior Period Beg. Balance (January 1, 2013)**	**(II- 14.1)**	**100.000.000**	**-**	**(1.188.474)**	**8.366.716**	**27.542.909**	**35.439.743**	**-**	**35.439.743**	**170.160.894**
II.	**Changes According to TAS 8**		**100.000.000**	**-**	**(1.188.474)**	**8.366.716**	**27.542.909**	**35.439.743**	**-**	**35.439.743**	**170.160.894**
2.1	Effects of Adjustments for Error		-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-
III.	**Revised Balance (I+II)**	**(II- 14.1)**	**100.000.000**	**-**	**(1.188.474)**	**8.366.716**	**27.542.909**	**35.439.743**	**-**	**35.439.743**	**170.160.894**
IV.	**Total comprehensive income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital Increase in cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increasefrom Internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustment on paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Bonds Convertible to Shares**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease from other changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Current Period Profit or loss**		**-**	**(30.131)**	**2.111.922**	**-**	**-**	**-**	**-**	**-**	**2.081.791**
XII.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**30.731.883**	**-**	**30.731.883**	**30.731.883**
12.1	Dividend Paid		-	-	-	**4.271.985**	**(97.379)**	**(35.439.743)**	**1.265.139**	**(34.174.606)**	**(30.000.000)**
12.2	Transfers to Reserves		-	-	-	-	(97.379)	(29.902.621)	-	(29.902.621)	(30.000.000)
12.3	Other		-	-	-	4.271.985	-	(5.537.122)	1.265.139	(4.271.985)	-
	Period End Balance (December 31, 2013)	**(II- 14.1)**	**100.000.000**	**(30.131)**	**923.448**	**12.638.701**	**27.445.530**	**30.731.883**	**1.265.139**	**31.997.020**	**172.974.570**
I.	**Prior Period Beg. Balance (January 1, 2014)**	**(II- 14.1)**	**100.000.000**	**(30.131)**	**923.448**	**12.638.701**	**27.445.530**	**30.731.883**	**1.265.139**	**31.997.020**	**172.974.570**
II.	**Changes According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effects of Adjustments for Error		-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-
III.	**Revised Balance (I+II)**	**(II- 14.1)**	**100.000.000**	**(30.131)**	**923.448**	**12.638.701**	**27.445.530**	**30.731.883**	**1.265.139**	**31.997.020**	**172.974.570**
IV.	**Total comprehensive income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital Increase in cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increasefrom Internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustment on paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Bonds Convertible to Shares**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease from other changes**		**-**	**(84.897)**	**(49.461)**	**-**	**-**	**-**	**-**	**-**	**(134.358)**
XI.	**Current Period Profit or loss**		**-**	**-**	**-**	**-**	**-**	**15.003.186**	**-**	**15.003.186**	**15.003.186**
XII.	**Profit Distribution**		**-**	**-**	**-**	**4.036.594**	**(3.304.711)**	**(30.731.883)**	**-**	**(30.731.883)**	**(30.000.000)**
12.1	Dividend Paid		-	-	-	-	(3.304.711)	(26.695.289)	-	(26.695.289)	(30.000.000)
12.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-
12.3	Other		-	-	-	4.036.594	-	(4.036.594)	-	(4.036.594)	-
	Period End Balance (December 31, 2014)	**(II- 14.1)**	**100.000.000**	**(115.028)**	**873.987**	**16.675.295**	**24.140.819**	**15.003.186**	**1.265.139**	**16.268.325**	**157.843.398**

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Statements of cash flows
for the years ended December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

		Notes (Section 4)	December 31, 2014	December 31, 2013
A.	**Cash flows from operations**			
1.1	**Operating profit before changes in operating assets and liabilities**		**134.965.343**	**50.890.859**
1.1.1	Interests received/lease income		243.341.343	194.958.716
1.1.2	Lease expenses		-	-
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		41.426.460	34.896.619
1.1.5	Other income		-	-
1.1.6	Collections from previously written off loans		57.573.219	53.256.514
1.1.7	Payments to personnel and service suppliers		(17.181.840)	(15.975.257)
1.1.8	Taxes paid		(12.495.937)	(7.772.004)
1.1.9	Others		(177.697.902)	(208.473.729)
1.2	**Changes in operating assets and liabilities**		**(44.449.473)**	**(22.613.614)**
1.2.1	Net (increase) decrease in financing loans		(646.341.203)	(249.196.206)
1.2.2	Net (increase) decrease in other assets		(3.799.000)	(1.252.651)
1.2.3	Net increase (decrease) in factoring liabilities		-	-
1.2.3	Net increase (decrease) in lease liabilities		-	-
1.2.4	Net increase (decrease) in funds borrowed		551.685.624	226.862.285
1.2.5	Net increase (decrease) in due payables			-
1.2.6	Net increase (decrease) in other liabilities		54.005.106	972.958
I.	**Net cash provided from operations**		**90.515.870**	**28.277.245**
B.	**Cash flows from investing activities**			
				-
2.1	Cash paid for purchase of subsidiaries, associates and joint ventures		-	-
2.2	Cash obtained from sale of subsidiaries, associates and joint ventures		-	
2.3	Fixed assets purchases	**(I-13,14)**	(314.847)	(842.407)
2.4	Fixed assets sales		2.098	34.831
2.5	Cash paid for purchase of available for sale financial assets			
2.6	Cash received from sale of available for sale financial assets			
2.7	Cash paid for purchase of held to maturity financial assets			-
2.8	Cash received from sale of held to maturity financial assets		-	-
2.9	Other		-	-
			-	
II.	**Net cash provided from investing activities**		**(312.749)**	**(807.576)**
C.	**Cash flows from financing activities**			
3.1	Cash obtained from funds borrowed and securities issued		305.000.000	255.000.000
3.2	Cash used for repayment of funds borrowed and securities issued		(368.394.995)	(295.000.000)
3.3	Securities issued			
3.4	Dividends paid		(30.000.000)	(30.000.000)
3.5	Payments for finance leases		-	**-**
3.6	Other		**-**	
III.	**Net cash provided from financing activities**		**(93.394.995)**	**(70.000.000)**
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		565.609	5.306.923
V.	**Net increase / (decrease) in cash and cash equivalents**		**(2.626.265)**	**(37.223.408)**
VI.	**Cash and cash equivalents at the beginning of the year**	**(I-3)**	**10.369.880**	**47.593.288**
VII.	**Cash and cash equivalents at the end of the year**	**(I-3)**	**7.743.615**	**10.369.880**

The accompanying notes are integral part of these financial statements.

KOÇ FİNANSMAN A.Ş.

Profit distribution table
for the years ended December 31, 2014 and 2013
(Currency – Turkish Lira (TL) unless otherwise stated)

		December 31, 2014	December 31, 2013
I.	**Distribution of current year income**		
1.1	Current year profit (*)	25.021.757	41.234.990
1.2	Taxes and funds payable(-)	(10.018.571)	(10.503.107)
1.2.1	Corporate tax (Income tax)	(12.653.885)	(8.082.859)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and dutiess (**)	2.653.314	(2.420.248)
A.	**Net income for the year (1.1-1.2)**	**15.003.186**	**30.731.883**
1.3	Prior year losses(-)	-	-
1.4	First legal reserves (-)	-	1.536.594
1.5	Other statutory reserves(-)		-
B.	**Net profit available for distribution [(a-(1.3+1.4+1.5)]**	**15.003.186**	**29.195.289**
1.6	First dividend to shareholders (-)	-	30.000.000
1.6.1	To owners of ordinary shares	-	30.000.000
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (pre-emptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	Dividends to personnel (-)	-	-
1.8	Dividends 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 shares	-	-
1.9.3	To owners of preferred shares (pre-emptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	Second legal reserves (-)	-	-
1.11	Statutory reserves (-)	-	-
1.12	Extraordinary reserves	-	3.304.711-
1.13	Other reserves	-	-
1.14	Special funds	-	-
		-	-
II.	**Distribution of reserves**	-	-
		-	-
2.1	Distributed reserves	-	-
2.2	Second legal reserves(-)	-	-
2.3	Dividends to shareholders (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (pre-emptive rights)	-	-
2.3.4	To profit sharing bonds	-	
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	Dividends to personnel (-)	-	-
2.5	Dividends to board of directors (-)	-	-
		-	-
III.	**Earnings per share**	-	-
		-	-
3.1	To owners of ordinary shares	-	-
3.2	To owners of ordinary shares (%)	-	0,0031
3.3	To owners of preferred shares	-	-
3.4	To owners of preferred shares (%)	-	-
		-	-
IV.	**Dividend per share**	-	-
4.1	To owners of ordinary shares	-	30.000.000
4.2	To owners of ordinary shares (%)	-	0,0030
4.3	To owners of preferred shares	-	-
4.4	To owners of preferred shares (%)	-	-

(*) General Assembly is the responsible body of the Company related to the distribution of current period income. There is no General Assembly meeting held as of the reporting date.

(**) Deferred tax income is presented in other taxes and duties line and are not subject to profit distribution and kept under extraordinary reserves.

The accompanying notes are integral part of these financial statements.

(Currency – Turkish Lira (TL) unless otherwise stated)

Section three

Accounting principles

1. Organization and nature of operations of the Company

Koç Finansman A.Ş. (the "Company") was established on January 3, 1995 in İstanbul under the name of Koç Tüketici Finansmanı A.Ş. and is a member of the Koç Group of companies. At the Board of Directors meeting dated December 25, 2007, the Company has decided to amend its Articles of Association to include the ability to operate as an insurance agency and to provide mortgage loans within its main operations.

Any type of purchases of goods and services are financed by the company in accordance with the 'Financial leasing, Factoring, Consumer Finance' law enacted in December 13, 2012 numbered 6361. The Company mainly finances automotive loans and expands its dealer network through financing different brands.

The Company has changed its legal name as 'Koç Finansman A.Ş.' on the trade registry Gazette dated March 22, 2013 dated 8284.

As of December 31, 2014, there are 124 personnel working at the Company. (December 31, 2013: 127). The Company is registered in Turkey and the address of the registered office is as follows as of date of preparation of these financial statements:

Koç Finansman A.Ş.
Trade Registration Number: 323299
Mersis Number: 6126891297565186
Ünalan Mahallesi Ayazma Caddesi
Koç Çamlıca İş Merkezi A Blok
34700 Üsküdar- İstanbul

As of December 31, 2014, the principal shareholders of the Company and their respective shareholdings in the Company are as follows:

	%
Arçelik A.Ş.	47,00
Koç Holding A.Ş.	44,50
Other shareholders	8,50
Total paid-in-capital	**100,00**

The financial statements as of and for the year ended December 31,2014 were approved by the Board of Directors on February 16, 2015 and signed by board member and general manager Yeşim Pınar Kitapci and Nevzat Tüfekcioglu member of Board responsible from financial reporting . General Assembly and certain regulatory bodies have the authority to amend the statutory financial statements after issue.

2. Basis of presentation of financial statements

2.1 Explanation on basis of preparation

2.1.1 Accounting standards

The Company maintains its books of account and prepares its financial statements in Turkish lira ("TL") in accordance with the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued by Leasing, Factoring and Consumer Finance Companies" ("Financial Statement Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated December 24, 2013, numbered 28861; and in accordance with Turkish Accounting Standards /Turkish Financial Reporting Standards ("TAS/TFRS") issued by the Turkish Accounting Standards Board ("TASB") and their additions and interpretations and with the "Communiqué on Rules and Regulations Regarding Provision for Receivables of Financial Leasing, Factoring and Financing Companies" issued by BRSA in the Official Gazette numbered 28861 on December 24, 2013.

Table formats have changed accordance to "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" ("Financial Statement Communiqué") in the Official Gazette dated December 24, 2013, numbered 28861. These changes have revised mutual for December 31, 2014 and December 31, 2013 financial statements.

Financial statements have been prepared based on historical cost convention except for the fair value measurement of derivative financial instruments.

2.1.2 Offsetting

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

2.2 Changes in accounting policies

2.2.1 Comparatives and revisions in previous period's 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. The Company presented the balance sheet as of December 31, 2013 comparatively with the balance sheet as of December 31, 2014 and presented the statement of income, statement of income and expenses accounted under equity, statement of cash flows and statement of changes in shareholders' equity for the year ended December 31, 2014 comparatively with the year ended December 31, 2013.

Classifications

None.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached.

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company or performance of the Company.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company or performance of the Company.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS 9. These amendments did not have an impact on the financial statements of the Company or performance of the Company.

2. Basis of presentation of financial statements (continued)

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position and performance of the Company.

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

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

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

2. Basis of presentation of financial statements (continued)

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

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

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

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

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

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

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.
The amendments will not have an impact on the financial position and performance of the Company.

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

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

Annual Improvements – 2010–2012 Cycle

TFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

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

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IFRS 9 Financial Instruments - Final standard (2014)

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

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

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost

• In accordance with IFRS 9 (or IAS 39),

Or

• Using the equity method

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2. Basis of presentation of financial statements (continued)

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position and performance of the Company.

Preparation of financial statements and related disclosures and notes in accordance with the Turkish Accounting Standards and Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks:

In accordance with article 37 of the Banking Law 5411, banks are required to apply uniform accounting systems; recognize all transaction according to their real natures and prepare their financial reports in a form and content which meet the need to acquire information and in a comprehensible, reliable and comparable way favorable for auditing, analyzing and interpreting on a timely and accurate basis in accordance with the procedures and principles to be determined by the Banking Regulation and Supervision Agency based on te international standards; also conferring the Public Oversight, Accounting and Auditing Standards Authority and institutional unions.

2.3 Summary of significant accounting policies

The significant accounting policies while using in preparation process of financial statements are summarized below:

2.3 Summary of significant accounting policies (continued)

2.3.1 Cash and cash equivalents

The cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with original maturity periods of less than three months.

2.3.2 Loans and advances to consumers and provision for loan impairment

Loans and advances to consumers are carried at amortized cost less provision for impairment.

Impairment on loans and advances are incurred if there is objective evidence of impairment as a result of one or more events that occurred. The amount of the provision for the individually impaired loans is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the original effective interest rate of loans.

Specific and general allowances for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful considering the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" which was issued by the BRSA in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communique on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906.

The movement in provision is charged against the income for the period. When a provisioned loan is subsequently collected, it is deducted from the related provision for impairment. General provision is accounted under 'Operating income-Other' and Provisions and Expense Accruals-liability.

Loans are written off after all necessary legal proceedings have been completed.

2.3.3 Related parties

a) A person or that person's immediate family member is related to the Company in the following conditions:

The person in question,

- (i) Control or joint control over the company
- (ii) Has significant influence over the company
- (iii) The Company's or a parent of a member of the key management personnel.

b) If it is exist any of the following conditions Firm is related with The Company:

- (i) Firm and The Company are group companies.
- (ii) Event of the Firm is subsidiary or partner of other firm (or a group member of other firm.)
- (iii) Both firms have same third party business affiliate.
- (iv) The Firm of one of the joint venture of a third entity and the other entity is a subsidiary of this third party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) If the company is managed by a person mention about (a)

2. Basis of presentation of financial statements (continued)

2.3.3 Related parties

(vii) If a person in (a)-(i) has big influence on firm or this person is in key management personnel.

For the purpose of these financial statements, shareholders, subsidiaries of Koç Group with direct/indirect capital relation, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them are considered and referred to as ‘‘related parties’’

2.3.4 Derivative financial instruments and hedge accounting

The Company has entered into swap and forward transactions in order to minimize its foreign currency risk and interest rate risk and manage its liquidity in foreign currency. Swap and forward transactions are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Swap and forward transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies.

The Company funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. The Company changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate loan portfolio become effectively funded by TL and mitigated from interest and foreign exchange rate risks.

The Company documents formally, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This documentation includes the identification of description of hedging instruments, hedged item, the nature of the risk being hedged and how the Company will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risk. The installment and principal repayment terms of the hedging instruments are in line with the installment and principal repayments of hedged items.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Company values these swap and forward transactions designated as cash flow hedging instrument by using the recent market rates or discounted cash flow methods based on market rates of similar instruments and the gain or loss on the effective portion of the hedging instrument is recognized directly in “Hedging Revaluation Reserves” in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. The foreign currency gain and losses arising from the foreign currency and floating interest rate borrowings which are subject to hedge transactions are accounted under the foreign exchange gain/loss account and the valuation gain and loss arising from the derivatives that are subject to hedge transaction are accounted under the profit/loss on derivative financial instruments account. The aforementioned amounts classified under those accounts represent the financial expense of the Company.

2. Basis of presentation of financial statements (continued)

2.3.5 Leasing – as lessee

Finance leases

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payment. Leased assets are included in the tangible assets. Liabilities arising from the leasing transactions are included in “Finance Lease Payables” on the face of the balance sheet.

Finance lease liabilities are initially recorded at the financial statements with the purchase cost of the related asset. The interest component of the finance cost is charged to the income statement over the lease period.

Operating leases

Operating leases are recorded the income statement in as expense when they occur. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

2.3.6 Tangible assets

Tangible assets are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis and accelerated basis over the estimated useful lives of tangible assets.

Useful Life:

Office equipment	3-10 years
Furniture and fixture	5 years
Motor vehicles	5 years
Other	2-15 years

Gains and losses on disposals of tangible assets are recognised under other operating income and expense, in the statement of income.

2.3.7 Intangible assets

Intangible assets mainly comprise of rights and are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of intangible assets.

Useful Life:

Rights 3-5 years

In the case of impairment, the carrying amount of the intangible asset is reduced to its recoverable value.

2.3.8 Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

2. Basis of presentation of financial statements (continued)

2.3.9 Securities issued and Borrowings

Securities issued by the Company are classified as Financial Liabilities and accounted with the amortized cost using the effective interest rate method.

2.3.10 Deferred tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

2.3.11 Revenue and expense recognition

a) Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognized in the statement of income on an accrual basis for all instruments measured at amortized cost using the effective interest method. Interest income is written off by the management's decision regarding the uncollectible loans and advances given to customers; the accruals booked till the decision day are cancelled and not recognized as income until the collection is performed. Interest income is presented under “interest on loans” interest expense is presented in “interest expense” lines.

b) Subvention income

The Company receives subvention from the companies in order to partially compensate the loss incurred by applying relatively lower interest rates on loans granted during the campaigns of those companies. Such subventions received are an integral part of generating involvement with the loans and advances to consumers and therefore, they are deferred and recognized as an adjustment of the effective interest rate of loans.

c) Income from loan inquiries and other income

Income from loan inquiries consists of the fees charged to the consumers for the loans at inception and recognized as income when all the recognition criteria are met.

2.3.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

2. Basis of presentation of financial statements (continued)

2.3.13 Provision for employee benefits

The company recognizes retirement pay liability and vocation pay liability for “Turkish Accounting Standard about Employee Benefit” (TMS 19) and in balance sheet classified under “Provisions for employee benefits” account.

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising in case of the retirement, termination of employment without due cause, call up for military service or dearth of the employees upon the completion of minimum one year service calculated in accordance with the Turkish Labor Law.

The Company has to pay contribution to Social Security Institution (Institution) for its employees at the contribution rates specified by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

2.3.14 Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates of Central Bank of Republic of Turkey prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

2.3.15 Contingent assets and liabilities

Contingent assets or obligations that arise 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 Company, are not included in the financial statements and are treated as contingent assets or liabilities.

2.3.16 Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.3.17 Subsequent events

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

2.3.18 Additional paragraph for convenience translation to English:

The effects of differences between the accounting principles and standards set out by regulations, communiques, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Basis of presentation of financial statements (continued)

2.4 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Company management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant judgments and estimates used in the preparation of financial statements as of December 31, 2014 is presented below:

- The Company's provision policy, through management assessment and estimations case of uncollectability or doubtable of any of the loans and receivables or for uncollectible loans and other receivables "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" which was issued by the BRSA in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communique on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906. The company takes notice of these regulations and opinion make specific and general provision. The general provisions in the period are deducted from revenue and recognize credit Operating Expenses / Other in profit & loss and in liabilities part we recognize debit in Provision for debts Expenses / Other. When a provisioned receivable is collected, it is deduct from Impairment provision for loans and other receivables. Avoid differences between estimated and actual losses, method used in provision calculation and estimations are revised regularly.

  The management reserves provision for the doubtful receivables based on their evaluations of the consumer loans portfolio. Provision amount is determined per the Company's credit risk policy, existing credit portfolio structure, financial structure of customers and economic conjuncture, and by taking fair values of the guarantees into account if applicable. Impairment and uncollectibility risks are calculated separately for each individual loan and also for all loans including the individual loans for which no specific impairment is observed on a collective basis. As of December 31, 2014 the Company accounted for portfolio reserve amounting to TL 43.995.042 (TL 18.954.977 December 31, 2013) and specific reserve amounting to TL 22.391.674 as of December 31, 2014 (December 31, 2013-TL 25.570.229).

2.5 Changes in accounting estimates and errors

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates have not changed for the January 1 – December 31, 2014 period. Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements.

As disclosed in Note II-9, the Company has provided general loan loss calculation for its consumer and commercial loans.

2. Basis of presentation of financial statements (continued)

For consumer finance loans which opened after December 24,2013 general provision is calculated in accordance with the “Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies” which was issued by the BRSA and published in the Official Gazette dated December 24, 2013, numbered 28861 and “Communiqué amending about Communique on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies” February 7, 2014, numbered 28906.

Section four
Explanations and notes on the financial statements

I. Explanations and notes related to assets:

1. Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash and cash equivalents	-	-
Central Bank of Turkish Republic (CBTR)	36.268.246	4.854.833
-TRY	16.017.790	4.400.997
-Euro	3.413.696	453.836
-USD	16.818.264	-
-Income Accrual	18.496	-
Total Cash Amount	**36.268.246**	**4.854.833**

Finance companies have been subject to the "2005/1 - Communiqué on Reserve Recuirement" published in the Official Gazette dated October 4, 2013, numbered 2781. Required reserve liabilities of finance companies are foreign borrowings issued securities and subordinated debts which are not recognized under equity. As of December 31, 2014, reserve ratios vary between 5% to 11, 5% depending on the terms of their liabilities in Turkish Lira and in a range of 6% to 18% for foreign currency liabilities.In accordance with the announcement of CBRT numbered 2014-72 and dated October 21, 2014, interest payment on TL reserve balances (including the average balance) is started on quarterly basis, starting from November 2014.

2. Financial assets at fair value through profit and loss (net)

As of December 31, 2014, the Company does not have assets carried at fair value through profit / loss. (December 31, 2013- None).

3. Banks

	December 31, 2014	December 31, 2013
Domestic banks		
- Demand deposit	6.265.335	5.147.200
- Time deposit	1.478.047	5.222.441
Foreign banks		
- Demand deposit	233	239
- Time deposit	-	-
	7.743.615	10.369.880
Time deposit interest accruals	-	-
Total banks	**7.743.615**	**10.369.880**

3. Banks (continued)

(Currency –Turkish Lira (TL) unless otherwise stated)

The details of TL equivalent of foreign currency time deposits as of December 31, 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	USD	**Euro**	**USD**	**Euro**
Domestic banks				
- Demand deposit	276.297	29.464	141.143	29.456
- Time deposit	-	1.478.047	1.470.842	3.751.598
Foreign banks				
- Demand deposit	-	146	-	153
- Time deposit	-	-	-	-
	276.297	1.507.657	1.611.985	3.781.207
Time deposit interest accrual	-	-	-	-
Total	**276.297**	**1.507.657**	**1.611.985**	**3.781.207**

As of December 31, 2014 the remaining period to the original maturity of time deposits are less than 3 month and their effective interest rate is 0,37% for Euro.

As of December 31, 2013 the remaining period to the original maturity of time deposits are less than 3 month and their effective interest rate is 0,50% for Euro

For the years ended December 31, 2014 and 2013, the cash and cash equivalents for cash flow purposes is as follows:

	December 31, 2014	December 31, 2013
Banks	7.743.615	10.369.880
Less: time deposit interest accruals	-	-
Cash and cash equivalents for cash flow purposes	**7.743.615**	**10.369.880**

4. Receivables from reverse repo transactions

As of December 31, 2014 there are no receivables from reverse repo transactions (December 31, 2013: None).

5. Available for sale financial assets (net)

As of December 31, 2014 there are no available for sale financial assets (December 31, 2013: None)

(Currency –Turkish Lira (TL) unless otherwise stated)

6. Financing loans

	December 31, 2014	December 31, 2013
TL denominated loans	2.216.733.405	1.678.337.937
Foreign currency indexed loans	64.571.025	38.485.476
	2.281.304.430	**1.716.823.413**
Accrued interest on TL denominated loans	19.352.996	14.005.468
Accrued interest on foreign currency indexed loans	137.042	99.268
Total of financing loan	**2.300.794.468**	**1.730.928.149**

As of December 31, 2014, the average interest rates of loans varied between 0% (*) and 2,00 % for TL denominated loans,0% and 0,65% for Euro denominated loans and 0,58% and 0,65% for USD denominated loans. (December 31, 2013: for TL 0% and 1,65%, for Euro 0 % and 0,64% and for USD 0,40% and 0,55%).

(*) Represents loans with subvention.

As of December 31, 2014 and 2013, maturities of loans are shown below;

	December 31, 2014	December 31, 2013
Up to 1 year	1.150.157.364	860.046.732
1-2 years	683.900.387	509.829.638
2-3 years	336.882.126	251.867.277
3 and more years	129.854.591	109.184.502
Total of financing loan	**2.300.794.468**	**1.730.928.149**

As of December 31, 2014 and 2013, the carrying amount of collaterals received for the loans given are shown below:

	December 31, 2014	December 31, 2013
Vehicle Pledge	2.286.283.435	1.739.651.629
Guarantee cheques and notes	335.735.022	108.877.248
Mortgages received	118.869.971	56.285.623
Personal guarantees	838.880.106	2.364.000
Letters of guarantee	4.055.687	2.262.009
Cash collateral (II-4)	544.959	833.735
Total	**3.584.369.180**	**1.914.609.404**

As of December 31, 2013, the fair value of the loan portfolio is calculated as TL 2.254.155.501 (December 31, 2013: TL 1.714.323.396) for automotive loans, TL 13.210.831 (December 31, 2013: TL 7.457.266 TL) for durable consumption goods loans and TL 34.608.721 (December 31, 2013: TL 9.630.345) for mortgage loans.

(Currency –Turkish Lira (TL) unless otherwise stated)

7. Other Receivables

	December 31, 2014	December 31, 2013
Other receivables from related parties (V-1.2)	4.596.135	553.017
Followed by procuration receivables	1.496.165	1.503.781
Other	1.202.013	1.286.368
Other Receivables	**7.294.313**	**3.343.166**

8. Non-performing loans

Receivables under follow-up:	December 31, 2014	December 31, 2013
Loans under follow-up	59.249.863	51.680.754
Less: specific provisions	(22.391.674)	(25.570.229)
Total non performing loans	**36.858.189**	**26.110.525**

Aging table of non-performing loans is as follow:

	December 31, 2014	December 31, 2013
1 to 3 months	53.357	14.799
3 to12 months	32.834.293	20.007.770
1 year and more	26.362.213	31.658.185
Non-performing loans	**59.249.863**	**51.680.754**

Movements in the specific provisions for loan losses which are under follow up for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
January 1	25.570.229	15.028.088
Charge during the year	12.891.165	13.048.473
Recoveries	(3.746.454)	(2.425.508)
Loans sold to asset management company (*)	(12.305.989)	-
Written off	(17.276)	(80.824)
December 31	**22.391.674**	**25.570.229**

(*) As of September 29, 2014, amounting to TL 12.305.989 non performing loan portfolio of the Company has been sold to an Asset Management Company through the transfer of all the risks and rights. Profit accounting to TL 900.000 has been recognized in “operating income”. As of December 31, 2013 there isn’t any loan sold to asset management company.

(Currency –Turkish Lira (TL) unless otherwise stated)

9. Derivative financial assets for hedging purposes

Cash flow hedge

The Company funds its long term fixed interest rate TL consumer financing loan portfolio with long term variable interest bearing foreign currency funds obtained from international markets. The Company changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate consumer financing loans become effectively funded by TL and mitigated from interest and foreign exchange rate risks.

The Company hedged its cash flow risk arising from interest rate and foreign exchange rate volatility of the loans amounting to USD 63.000.000 USD (December 31, 2013: USD 22.000.000) by cross currency interest rate swaps and forward contracts for each interest payment and capital payments at the end of the maturity.

The critical terms of the swap contracts such as the pricing, installments and principal repayment dates are the same with the terms of the hedged items which are the foreign currency borrowings. The fair value of the related swap and forward transactions amounts to TL 7.473.623 asset (December 31, 2013: TL 15.698.688) is accounted under the financial statements as “Derivative financial assets for hedging purposes – Cash Flow Hedge” and “Derivative financial liabilities for hedging purposes – Cash Flow Hedge” respectively.

The unrealized profit accounted by the Company under equity within the period regarding to swaps designated as cash flow hedging instruments is TL 61.826 (December 31, 2013: TL 2.639.903 gain), net amount after deduction of deferred tax is TL 49.461 (December 31, 2013: TL 2.111.922 gain). As at December 31, 2014 and December 31, 2013, the company's derivative financial instruments are classified as the second level in the fair value hierarchy table.

10. Held to maturity investments (net)

As of December 31, 2014, there are no investments held to maturity (December 31, 2013 - None).

11. Subsidiaries (net)

As of December 31, 2014, there are no subsidiaries (December 31, 2013 - None).

12. Associates (net)

	31 Aralık 2014		31 Aralık 2013	
	Shareholding (%)	**Amount**	**Shareholding (%)**	**Amount**
Associates:				
Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş.	4,9	12.502	4,9	12.502

Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş. is carried at its cost value at these financial statements.

13. Joint ventures (net)

As of December 31, 2014, there are no joint ventures (December 31, 2013: None).

(Currency –Turkish Lira (TL) unless otherwise stated)

14. Tangible assets

The movement of tangible assets as of December 31, 2014 is as follows:

	January 1, 2014	Additions	Disposals	December 31, 2014
Cost:				
Office equipments	11.593.262	83.006	(1.502.968)	10.173.300
Furniture and fixture	1.231.611	122.888	(110.625)	1.243.874
Motor vehicles	369.321	-		369.321
Other	533.090	-	(38.479)	494.611
	13.727.284	**205.894**	**(1.652.072)**	**12.281.106**
Accumulated depreciation:				
Office equipments	10.979.714	296.151	1.501.529	9.774.336
Furniture and fixture	1.227.130	15.297	110.625	1.131.802
Motor vehicles	217.748	60.630	-	278.378
Other	516.506	2.906	37.820	481.592
	12.941.098	**374.984**	1.649.974	**11.666.108**
Net book value	**786.186**			**614.998**

The movement of tangible assets as of December 31, 2013 is as follows:

	January 1, 2013	Additions	Disposals	December 31, 2013
Cost:				
Office equipments	13.579.388	225.529	(2.211.655)	11.593.262
Furniture and fixture	1.231.611	-	-	1.231.611
Motor vehicles	320.809	154.716	(106.204)	369.321
Other	1.081.504	818	(549.232)	533.090
	16.213.312	**381.063**	**(2.867.091)**	**13.727.284**
Accumulated depreciation:				
Office equipments	12.711.651	477.652	(2.209.589)	10.979.714
Furniture and fixture	1.225.857	1.273	-	1.227.130
Motor vehicles	189.008	102.179	(73.439)	217.748
Other	1.061.772	3.966	(549.232)	516.506
	15.188.288	**585.070**	**(2.832.260)**	**12.941.098**
Net book value	**1.025.024**			**786.186**

All depreciation charges are included in other item under operating expenses for the years ended December 31, 2014 and 2014 (Note IV-2).

As of December 31, 2014 and 2013, the tangible assets leased under finance leases and their respective accumulated depreciation are as follows:

	December 31, 2014	December 31, 2013
Cost-capitalised finance leases	4.872.514	5.060.974
Accumulated depreciation	(4.872.514)	(5.060.974)

(Currency –Turkish Lira (TL) unless otherwise stated)

15. Intangibles assets

The movement of intangible assets and related accumulated amortization as of December 31, 2014 and 2013 are as follows:

	January 1, 2014	Additions	Disposals	December 31, 2013
Cost:				
Rights	9.501.971	108.954	-	9.610.924
Accumulated amortization:				
Rights	(9.052.338)	(267.609)	-	(9.319.947)
Net book value	**449.633**			**290.977**

	January 1, 2013	Additions	Disposals	December 31, 2013
Cost:				
Rights	9.040.627	461.344	-	9.501.971
	9.040.627	**461.344**	**-**	**9.501.971**
Accumulated amortization:				
Rights	8.792.713	259.626	-	9.052.338
	8.792.713	**259.626**	**-**	**9.052.338**
Net book value	**247.914**			**449.633**

All amortization expenses are included in other item under operating expenses for the years ended December 31, 2014 and 2013 (Note IV-2).

16. Pre-paid expenses

	December 31, 2014	December 31, 2013
Transaction costs related to issuance of debt	1.206.676	734.767
Other	223.430	306.922
	1.430.106	**1.041.689**

17. Tax assets / liabilities

Corporate taxation

	December 31, 2014	December 31, 2013
Corporate taxes payable (II-9)	12.653.885	8.082.859
Less: prepaid taxes (I-17)	(11.591.930)	(7.178.852)
Taxes payable / (Prepaid corporate taxes), net	**1.061.955**	**904.007**

Corporate Tax Law has been altered by Law No: 5520 on June 13, 2006. Although the new Corporate Tax Law No: 5520, has become effective on June 21, 2006, many of its articles have become effective retrospectively starting from January 1, 2006. Accordingly, the corporation tax rate of the fiscal year 2014 is 20% (2013: 20%).

(Currency –Turkish Lira (TL) unless otherwise stated)

17. Tax assets (continued)

Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law Transitional Article 61).

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

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

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

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

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

There are numerous exemptions in Corporate Tax Law concerning corporations. Those related to the Company are as follows:

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in shareholders' equity and must not be withdrawn for a period of 5 years. The sales proceeds should be collected within 2 years after the date of sale.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

Taxation on income for the nine month periods ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	**December 31, 2013**
Current taxation on expense	(12.653.885)	(8.082.859)
Deferred tax income / (expense)	2.635.314	(2.420.248)
Total tax expense	**(10.018.571)**	**(10.503.107)**

(Currency –Turkish Lira (TL) unless otherwise stated)

17. Tax assets (continued)

The reconciliation between the expected and the actual taxation charge are as follows:

	December 31, 2014	December 31, 2013
Profit before taxes	25.021.757	41.234.990
Tax charge at the enacted tax rate (20%)	(5.004.351)	(8.246.998)
Non-deductible income / expenses, net	(5.014.220)	(2.256.109)
Total tax expense	**(10.018.571)**	**(10.503.107)**

18. Deferred tax assets

Deferred taxation

The breakdown of temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2014 and 2013, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax Assets / (liabilities)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Deferred tax assets:				
Provision for loan impairment	11.399.121	7.293.560	2.279.824	1.458.712
Provision for unused vacation	192.655	162.199	38.531	32.440
Provision for employment termination benefits	1.886.862	1.522.167	377.372	304.434
Provision for dealer incentives	954.364	501.601	190.873	100.320
Accrued interest income accrual difference for loans	380.035	263.890	76.007	52.778
Other	2.391.457	-	478.292	-
			3.440.899	**1.948.684**
Deferred tax liabilities:				
Deferred financial expenses (net)	(4.563.762)	(1.399.471)	(912.752)	(279.894)
Differences between tax base and the carrying value of tangible and intangible assets	(200.374)	(316.961)	(40.075)	(63.392)
Fair value gains/losses of derivative financial enstruments	(7.473.623)	(15.698.688)	(1.494.725)	(3.139.738)
Other	-	(706.080)	-	(141.216)
			(2.447.552)	**(3.624.240)**
Deferred tax asset / (liability), net			**993.347**	**(1.675.556)**

Deferred tax liabilities are recognized for all taxable temporary differences whereas deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available.

(Currency –Turkish Lira (TL) unless otherwise stated)

18. Deferred Tax assets (continued)

Movement of deferred tax is as follows:

	December 31, 2014	December 31, 2013
January 1	(1.675.556)	1.265.139
Current year deferred tax income / (expense)	2.635.314	(2.420.247)
Deferred tax income / (loss) in other comprehensive income	33.589	(520.448)
December 31	**993.347**	**(1.675.556)**

19. Other assets

	December 31, 2014	December 31, 2013
Other receivables from related parties	3.598	3.353
Other	61.904	93.402
Total other short-term receivables	**65.502**	**96.755**

20. Assets held for sale and discontinued operations assets (net)

Assets held for sale

	December 31, 2014	December 31, 2013
Assets held for sale	161.489	670.799
	161.489	**670.799**

The Company has acquired vehicles and real estates subject to loans from enforcement office and sells them through arranged distributors to third parties in order to increase the collection from legal follow-up loans. Assets held for sale balance consists of vehicles and real estates acquired from enforcement office and have not been sold to third parties yet as of December 31, 2014.

Movement table of held for sale assets

	December 31, 2014	December 31, 2013
January 1	670.799	1.328.887
Current period addition	2.817.500	4.757.636
Current period disposal	(3.326.810)	(5.415.724)
December 31	**161.489**	**670.799**

(Currency –Turkish Lira (TL) unless otherwise stated)

II. Explanation and notes related to liabilities

1. Funds borrowed

	December 31, 2014	December 31, 2013
Short term bank borrowings:		
Short-term bank borrowings	117.058.224	128.159.587
Short-term portion of long term borrowings	656.657.130	420.111.883
Accrued interest payable	80.329.982	30.349.188
Total short-term bank borrowings	**854.045.336**	**578.620.658**
Long-term bank borrowings:		
Long-term bank borrowings	717.528.940	391.287.200
Total bank borrowings	**1.571.574.276**	**969.907.858**

The currency details of bank borrowings as of December 31, 2014 and 2013 are as follows:

		December 31, 2014		December 31, 2013	
	Original Currency	Original Amount	TL Equivalent	Original Amount	TL Equivalent
- Borrowings from domestic banks	TL	971.750.000	971.750.000	600.239.587	600.239.587
	USD	74.000.000	171.598.600	14.000.000	29.880.200
	EUR	11.100.000	31.309.770	7.200.000	21.142.800
- Borrowings from foreign banks	TL	-	-	20.000.000	20.000.000
	USD	-	-	12.000.000	25.611.600
	EUR	11.000.000	31.027.700	25.205.000	74.014.483
- Borrowings from related party	TL	285.558.224	285.558.224	168.670.000	168.670.000
	USD	-	-	-	-
	EUR	-	-	-	-
			1.491.244.294		**939.558.670**
Accrued interest payable	TL		76.772.020		25.877.197
	USD		2.324.860		2.782.360
	EUR		1.233.102		1.689.631
Total Bank Borrowings			**1.571.574.276**		**969.907.858**

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Funds borrowed (continued)

The repayment schedule of borrowings according to their remaining contractual maturity dates as of December 31, 2014 and 2013 are as follows:

	December 31, 2014				
	Up to 1 month	**1-6 months**	**6–12 months**	**Over 1 year**	**Total**
Borrowings from related parties	55.558.224	50.000.000	-	180.000.000	285.558.224
Borrowings from domestic banks	34.436.590	182.462.190	441.385.900	516.373.690	1.174.658.370
Borrowings from foreign banks	-	7.051.750	2.820.700	21.155.250	31.027.700
	89.994.814	**239.513.940**	**444.206.600**	**717.528.940**	**1.491.244.294**

	December 31, 2013				
	Up to 1 month	**1-6 months**	**6–12 months**	**Over 1 year**	**Total**
Borrowings from related parties	670.000	46.000.000	72.000.000	50.000.000	168.670.000
Borrowings from domestic banks	74.034.087	35.000.000	200.941.300	341.287.200	651.262.587
Borrowings from foreign banks	31.343.000	68.871.600	19.411.483	-	119.626.083
	106.047.087	**149.871.600**	**292.352.783**	**391.287.200**	**939.558.670**

As of December 31, 2014 the effective interest rates of the borrowings are between 6,80% and 13,79% for TL; between 2,75% and 4,60% for USD and between 2,15% and 4,50% for EUR. (31 December 2013: TL, USD and EUR Rates between %5,20 and %12,00, %1,65 and %4,00, %1,80 and %4,77 respectively)

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Funds borrowed (continued)

As of December 31, 2014 and 2013, the carrying amount and fair values of borrowings are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TL borrowings	1.334.080.244	1.337.644.954	814.786.783	824.280.348
USD borrowings	173.923.460	174.362.867	58.274.160	58.739.668
Euro borrowings	63.570.572	63.514.306	96.846.915	97.632.175
	1.571.574.276	**1.575.522.127**	**969.907.858**	**980.652.191**

As of December 31, 2014, the discount rates used in fair value calculation of the borrowings for TL, USD and Euro are 11,38%, 3,54% and 3,59% respectively.(December 31, 2013 12,65%, 5,55% and 5,33%).

2. Lease payables

As of December 31, 2014, the Company has no lease payables (December 31, 2013 – None).

3. Marketable securities issued

As of December 31, 2014 and 2013 the Company has no issued bonds.

	December 31, 2014	December 31, 2013
Short term portion of long term bonds issued	305.000.000	334.833.000
Long term bonds issued	255.000.000	255.000.000
Accrued interest payable	11.408.146	15.137.142
Total bonds issued	**571.408.146**	**604.970.142**

As of 31 December 2014, total issued bonds amount are TL 305.000.000 and the TL 334.833.000 amount of them are redeemed.

4. Miscellaneous payables

	December 31, 2014	December 31, 2013
Liabilities to related parties (I-V)	4.306.617	3.199.269
Payables to personnel	1.738.544	1.557.091
Cash guarantees (I- 6)	544.959	833.735
Incentives payable	550.725	522.583
Other(*)	2.993.368	28.620
	10.134.213	**6.141.298**

As of 31.12.2014 provision for repaymet of filling income amounted at TL 1.957.280.

5. Other Liability

(Currency –Turkish Lira (TL) unless otherwise stated)

	December 31, 2014	December 31, 2013
Loans to be transferred (*)	2.956.195	6.160.095
Total other liabilities	**2.956.195**	**6.160.095**

(*) The Company discloses, loans for which the contracts were signed, but fund transfers will be performed in the following year in the balance sheet. The principal amount of such loans is recorded as ‘financing loans to consumers’ in and as ‘other liabilities’

6. Derivative financial liabilities for hedging purposes

Details are explained in note I-9.

7. Taxes and duties payable

Taxes and duties payable:

	December 31, 2014	December 31, 2013
Resource utilization support fund payable	2.791.803	1.797.447
Banking insurance transaction tax payable	2.072.297	1.125.125
Income tax payable	1.209.855	1.131.525
Other	406.389	365.135
Total taxes and duties payable	**6.480.344**	**4.419.230**

8. Provisions:

Provisions consist of reserve for employment termination benefits and other provisions.

Provisions:

	December 31, 2014	December 31, 2013
Generol loan loss provision for loans to consumers	43.995.042	18.954.977
Provision for employment termination benefits	2.032.243	1.667.548
Incentive expenses accrual	2.040.549	501.601
Provision for unused vacation	192.655	162.199
	48.260.489	**21.286.325**

Movements of General loan loss provision for loans to consumers during the year are as follows:

	December 31, 2013	December 31, 2012
January 1	18.954.977	7.738.851
Provision cancelled	(5.189)	(559.974)
Provision set during the year	25.045.254	11.776.100
December 31	**43.995.042**	**18.954.977**

As disclosed in Note II-9, the Company has provided general loan loss calculation for its consumer and commercial loans.

8. Provisions (continued)

For consumer finance loans which opened after December 24,2013 general provision is calculated in accordance with the “Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies” which was issued by the BRSA and published in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communique on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906.

(Currency –Turkish Lira (TL) unless otherwise stated)

Reserve for employee rights

	December 31, 2014	December 31, 2013
Provision for employment termination benefits	2.032.243	1.667.548
Provision for unused vacation	192.655	162.199
	2.224.898	**1.829.747**

Provision for employment termination benefits is calculated by considering the following explanations;

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TAS 19, requires that actuarial valuation methods be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	December 31, 2014	December 31, 2013
Net discount rate (%)	3,50	4,78
Rate for possible retirement (%)	94	94

The principal assumption is that the maximum liability of employee termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the employee termination benefit ceiling amount of TL 3.438, which is effective from July 1, 2014, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

(Currency –Turkish Lira (TL) unless otherwise stated)

8. Provisions (continued)

The movement in the provision for employment termination benefits during the year is as follows:

	December 31, 2014	December 31, 2013
January 1	1.667.548	1.527.993
Current year service cost	404.000	179.097
Interest cost	144.574	145.159
Actuarial gain/(loss)	106.121	37.664
Payments during the year	(290.000)	(222.365)
31 Aralık	**2.032.243**	**1.667.548**

9. Deferred Income

Deferred subvention income:

	December 31, 2014	December 31, 2013
Short-term deferred subvention income	22.870.589	4.457.387
Long-term deferred subvention income	7.411.770	1.466.339
	30.282.359	**5.923.726**

Deferred subvention income represents the deferred portion of the subvention income received from distributors during the campaign periods in order to partially compensate the loss incurred by applying relatively lower interest rates on loans granted during the campaigns of those companies.

10. Current year tax liability

Details are explained in note I-17.

11. Deferred tax liability

Details are explained in note I-17.

12. Subordinated loans

As of December 31, 2014 there are no subordinated loans (December 31, 2013 - None).

13. Liabilities for the assets held for sale and discontinued operations (net):

As of December 31, 2014 there are no assets held for sale and discontinued operations (December 31, 2013 - None).

(Currency –Turkish Lira (TL) unless otherwise stated)

14. Shareholder's equity

14.1 Share capital

The Company's authorized and issued capital consists of 10.000.000.000 units (2013: 10.000.000.000 units) to the bearer shares of Kr 1 (2013: Kr 1) each. The shareholders of the Company and their shareholding rates as of December 31, 2014 and 2013 are as follows:

	December 31 2013	Shareholding Rate (%)	December 31, 2012	Shareholding Rate (%)
Arçelik A.Ş.	47.000.000	47,0	47.000.000	47,0
Koç Holding A.Ş.	44.500.000	44,5	44.500.000	44,5
Other shareholder	8.500.000	8,5	8.500.000	8,5
Total paid-in capital	**100.000.000**	**100**	**100.000.000**	**100**

The Company is subject to the registered capital system. The Company's registered capital is TL 150.000.000, issued capital is TL 100.000.000. Furthermore there is no privilege granted to the common stocks representing the share capital.

14.2 Profit reserves and retained earnings:

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

Net profit achieved from the company's financial statements prepared in accordance with the Turkish Commercial Code, and if the carrying amount after the deduction of losses from previous years;

a) The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital,
b) The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum,
c) Balance amount is distributed as determined by the General Assembly or added as extraordinary reserves to the retained earnings.
d) In accordance with the clause 519 article of c of TCC, 10% of the distributable amount is added to legal reserves after 5% profit distribution. Legal reserve is not a appropriated if undistributed profit in the balance sheet or/and the profit share is distributed through capital increase.

If the total of legal reserve exceeds the issued capital, General Assembly will set the decision of how to use that which is the legal reserve exceed of half of the issued capital.

In 2014, company distributed dividends in amount of TL 30.000.000. (December 31, 2013: TL 30.000.000)

14.3 Items that may be reclassified subsequently to profit or loss

The Company has accounted the net gain amounting to TL 873.976 (December 31, 2013: 923.448 TL loss) arising from the swap used in cash flow hedges under equity under "Hedge Revaluation reserve (effective portion)" account as of December 31, 2014.

III. Explanation and notes related to off-balance sheet accounts:

1. Guarantees received

As of December 31, 2014, the guarantees received by Company which are booked in their original currencies amounts to TL 3.525.917.170, USD 1.844.862 and EUR 19.205.856 (December 31, 2013 -TL 167.656.092, USD 427.513, EUR 699.500).

2. Guarantees given

2.1 Letters of guarantee

The letters of guarantee given by Company to legal authorities, tax authorities and banks for borrowings amounts to TL 48.652. (December 31, 2013 – TL 304.741).

Litigations against the Company

As of December 31, 2014, there is no litigation (December 31, 2013: None).

3. Commitments

As of December 31, 2014 revocable commitments of the Company which carrying values are original currencies are amount to TL 3.296.599.514, USD 93.306.320 and Euro 45.459.422 (31 Aralık 2013 TL 2.740.958.057 ,USD 39.887.417 , EUR 45.631.910).

As of December 31, 2014 there are no irrevocable commitments of the Company (December 31, 2013: None)

4. Derivative financial instruments

4.1 Cash flow hedge

The Company hedged its cash flow risk arising from interest rate and foreign exchange rate volatility of the funds borrowed by using swap transactions.

As of December 31, 2014, forward exchange and swap transactions of the Company with original currencies amount to USD 66.059.829 purchase and TL 160.691.379 sales. (December 31, 2013: Euro 21.592.018 and USD 23.495.636 purchase, TL 100.183.189 sales)

4.2 Held for trading transactions

As of December 31, 2014**,** there is no derivative instruments held for trading transactions. (December 31, 2013: None).

5. Items held in custody

As of December 31, 2014, items held in custody amounts TL 5.954.813, USD 382.664 and EUR 64.700. (December 31, 2013: TL 4.335.160).

(Currency –Turkish Lira (TL) unless otherwise stated)

IV. Explanation and notes related to statement of income

1. Gross Operating Income

	December 31, 2014	December 31, 2013
Interest income from loans given to consumers	228.284.868	188.182.774
Subvention income	13.822.664	10.366.795
Interest income on loans	**242.107.532**	**198.549.569**
Fees and commissions income from loans	31.815.038	27.268.244
Commissions income from subventions	75.660	33.251
Insurance brokerage	9.031.931	7.369.774
Pledge removal	503.831	505.399
Fees and commissions income received from loans	**41.426.460**	**35.176.668**
Gross operating income	**283.533.992**	**233.726.237**

2. Operating Expenses

The distribution of gross operating expenses according to their nature for the years ended December 31, 2014 and 2013 are as follows:

2.1 Personnel Expenses

	December 31, 2014	December 31, 2013
Wages and salaries	10.195.656	9.507.981
Bonuses	5.256.264	4.955.756
Other benefits	1.729.920	1.511.520
Total	**17.181.840**	**15.975.257**

2.2. General administration expenses:

	December 31, 2014	December 31, 2013
Legal expenses	1.822.530	1.435.876
Information technologies and repair and maintenance expenses	1.487.318	1.234.965
Administrative Expenses	992.827	922.124
Service procurement expenses	4.019.635	3.478.090
Other	10.127.561	3.761.391
Total general administration expenses	**18.449.872**	**10.832.446**

(Currency –Turkish Lira (TL) unless otherwise stated)

IV. Explanation and notes related to statement of income (continued)

2.3 Other operating expenses:

	December 31, 2014	December 31, 2013
Provision expenses	25.040.065	11.216.126
Depreciation and amortization expenses (*) (I-14) (I-15)	666.674	869.622
Taxes and duties	1.004.673	421.593
Unused unused vacation	30.456	33.893
Total other operating expenses	**26.741.868**	**12.541.234**

(*) The amount also includes depreciation of leasehold improvements amounting to TL 24.081 which is accounted under other assets in the financials.(December 31,2013: TL 24. 926)

3. Other Operating Income

Other operating income for the years ended December 31, 2014 and 2013 are as follows:

3.1 Interest received from banks

	December 31, 2014	December 31, 2013
Interest income from banks	2.224.522	6.131.826

3.2 Gains on derivative financial instruments

	December 31, 2014	December 31, 2013
Gains on derivative financial instruments	8.531	6.581

3.3 Foreign exchange gains

	December 31, 2014	December 31, 2013
Foreign exchange gains	12.021.507	39.390.327

3.4 Other Operating Income

	December 31, 2014	December 31, 2013
Income from loans under legal follow-up through attorney	308.669	1.533.863
Other	461.983	607.244
Total	**770.652**	**2.141.107**

(Currency –Turkish Lira (TL) unless otherwise stated)

IV. Explanation and notes related to statement of income (continued)

4. Specific provisions for non-performing loans

	December 31, 2014	December 31, 2013
Allowance for doubtful receivables	9.144.711	10.622.965

5. Other operating expenses

5.1. Derivative financial transaction losses

	December 31, 2014	December 31, 2013
Loss on derivative financial instruments	790.687	80.104

5.2. Foreign exchange losses

	December 31, 2014	December 31, 2013
Foreign exchange losses	10.785.969	38.836.193

(Currency –Turkish Lira (TL) unless otherwise stated)

V. Related party disclosures

1. Balances with related parties

a. Deposits held with Related Parties

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi Bankası”)	4.680.235	7.649.994
Total deposits held with Related Parties	**4.680.235**	**7.649.994**

b. Other Receivables from Related Parties:

	December 31, 2014	December 31, 2013
Ford Otomotiv Sanayi A.Ş. (“Ford Otosan”)	4.016.031	137.071
Türk Traktör ve Ziraat Makinaları A.Ş. (‘’Türk Traktör’’)	-	415.946
Total other receivables from related parties	**4.016.031**	**553.017**

c. Borrowings from Related Parties:

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.(“Yapı ve Kredi Bankası”)	285.558.224	133.670.000
Yapı Kredi Bank Nederland NV (“Yapı Kredi Netherland”)	-	35.000.000
Total borrowings from related parties	**285.558.224**	**168.670.000**

d. Due to Related Parties

	December 31, 2014	December 31, 2013
- Parent Companies:		
Koç Holding A.Ş.(“Koç Holding”)	3.319.576	2.855.640
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer Ticaret”)	205.993	108.441
- Other Related Parties:		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (“Otokoç”)	675.703	238.923
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (“Koç Sistem”)	81.654	124.960
Opet Petrolcülük A.Ş. (“Opet Petrolcülük”)	7.345	8.054
Setur Servis Turistik A.Ş. (“Setur”)	15.335	19.369
Allianz Sigorta A.Ş. (“Allianz Sigorta”)	18.320	17.737
Other	32.405	29.549
Total due to related parties	**4.356.331**	**3.402.673**

(*) 638.213,92 TL is related to loan incentive bonus. (December 31, 2013: TL 206.760)

(Currency –Turkish Lira (TL) unless otherwise stated)

V. Transactions with related parties (continued)

e. Payments made to board of directors and key management personnel:

	December 31, 2014	December 31, 2013
Payments made to board of directors and key management personnel	2.449.875	1.739.932

f. Puchase of tangible and intangible assets from related parties:

	December 31, 2014	December 31, 2013
- Other Related Parties:		
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (“Koç Sistem”)	103.370	316.963
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer Ticaret”)	-	29.196
Total purchase of tangible and intangible assets from related parties	**103.370**	**346.159**

g. Subventions received from related parties:

	December 31, 2014	December 31, 2013
Türk Traktör ve Ziraat Makineleri A.Ş.(" Türk Traktör")	-	1.076.319
Ford Otomotiv Sanayi A.Ş.(“Ford Otosan”)	31.439.122	725.492
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (“Otokoç”)	392.015	342.209
Koç University	75.660	33.026
Other	49.169	-
Total subventions received from related parties	**31.955.966**	**2.177.046**

Subventions received from related parties represent the subvention income collected during the period with regards to the loans opened in that period. The subvention income is deferred and recognised as an adjustment of the effective interest rate of loans

h. Interest income / expenses, derivative and foreign exchange gains / losses with related parties (net)

	December 31, 2014	December 31, 2013
- Other Related Parties:		
Yapı Kredi Bank Nederland NV (“Yapı Kredi Netherland”)	1.815.898	2.361.990
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi Bankası”)	23.017.221	(15.756.939)
Total interest income/expenses and foreign exchange gains /(losses) with related parties (net)	**24.833.119**	**(13.394.949)**

(Currency –Turkish Lira (TL) unless otherwise stated)

V. Transactions with related parties (continued)

i. Other Purchases from Related Parties

	December 31, 2014	December 31, 2013
- Parent Companies:		
Koç Holding A.Ş.	4.020.282	3.484.628
Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer Ticaret”)	921.487	786.292
- Other Related Parties:		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (“Otokoç”)	2.558.365	2.148.960
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (“Koç Sistem”)	1.137.730	945.905
Vehbi Koç Vakfı	300.000	250.000
Yapı Kredi Sigorta A.Ş. (“Yapı Kredi Sigorta”)	369.835	231.918
Setur Servis Turistik A.Ş. (“Setur”)	263.027	215.786
Opet Petrolcülük A.Ş. (“Opet Petrolcülük”)	183.521	179.652
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.(“Eltek”)	131.175	169.381
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (“Tanı”)	-	2.168
Other- other related party	143.197	300.453
Total other purchases from related parties	**10.028.619**	**8.715.143**

j. Bank and Commision Expenses to Related Parties:

	December 31, 2014	December 31, 2014
Yapı ve Kredi Bankası A.Ş. (“Yapı Kredi Bankası”)	34.482	20.870
Ford Otomotiv Sanayi A.Ş.	2.180.912	-
Total bank and commission expenses to related parties	**2.215.394**	**20.870**

k. Rent expense to related parties:

	December 31, 2014	December 31, 2013
Koç Family	1.342.292	1.117.944
Total Rent expense to related parties	**1.342.292**	**1.117.944**

l. Brokerage services obtained from related parties

	December 31, 2014	December 31, 2013
Yapı Kredi Yatırım Menkul Değerler A.Ş.(“Yapı Kredi Menkul”)	330.750	202.125
Total Brokerage services obtained from related parties	**330.750**	**202.125**

VI. Subsequent events

None.

Section Five

Information on financial structure

1. Nature and level of risks arising from financial instruments

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. The Company's objective of asset and liability management and use of financial instruments is therefore to achieve an appropriate balance between risk and return and to limit the Company's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Company is using its capital to maximise net interest income.

Company risk management is carried out with the policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments.

1.1 Credit Risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. The Company's exposure to credit risk is concentrated in Turkey. This risk is monitored by reference to evaluation of credit risk ratings of consumers and managed by limiting the aggregate risk to any individual counterparty. The Company has in place certain credit evaluation, disbursement and monitoring procedures, and those control procedures are supported by senior management. The credit risk is generally diversified due to the large number of individuals comprising the consumer bases. A total provision of TL 66.386.716 (December 31, 2013: TL 44.525.206) was accounted against uncollectibility of loans given.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The rules and applications to obtain a strong, high quality, productive and sustainably growing credit portfolio forms the Company's credit policies.

The Company monitors the performance of loan consumers on continuous basis using advanced risk analysis tools such as vintage curves, aging analysis and realized loss calculations. Loans past due are followed up by the Legal Follow-Up Department.

Credit risk is a party's risk of being subject to a financial loss due to a counterpary's inability to fulfill its obligation related to financial instruments. The Company is trying to manage its credit risk through limiting transactions to certain parties and through evaluating of reliability of the parties continuously. The Company's policy is that all the customers are subject to credit screening procedures and necessary guarantees are obtained. Consumer financing loan balances are monitored on an ongoing basis in order to ensure that the Company's exposure to bad debts is not significant.

Intensity of credit risk occurs if several companies are susceptible to be affected from an economical or political change in the same way as others due to fact that they are operating in similar industries or are situated in similar locations. The concentration of credit risk reveals sensitivity of the Company to developments which effects certain industry or geographical area.

The Company does not have any sector-specific concentration. The Company guarantees loans to real persons and legal persons which are residents in Turkey.

As of December 31, 2014 and 2013, the maximum exposure of the Company to credit risk is disclosed in Notes I-3, I-6, I-7 and I-8.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued).

The details of the loans past due but not impaired which are classified under the performing loans as of December 31, 2014 and 2013 are as follows:

	December 31, 2014			
	Motor Loans	Durable Consumption Good Loans	Mortgate and Housing Colleteral Loans	Total
Loans past due but not impaired	8.155.137	109.903	156.097	8.421.137
Fair value of collateral	8.155.137	3.356	156.097	8.314.591

	December 31, 2013			
	Motor Loans	Durable Consumption Good Loans	Mortgate and Housing Colleteral Loans	Total
Loans past due but not impaired	9.603.672	87.516	60.994	9.752.181
Fair value of collateral	9.603.672	-	60.994	9.664.666

Bad debt restructuring is not common procedure during the collection and pre legal process however the payment plan can be rescheduled during legal follow up considering the consumer payment ability, under authority of legal follow-up department

Impairment and politics of impairment provision

The total impairment provision for loans is TL 66.386.717 (December 31, 2013: TL 44.525.206) of which TL 22.391.674 (December 31, 2013: TL 25.570.229) represents the specific provision and the remaining amount of TL 43.995.042 (December 31, 2013: TL 18.954.977) represents the general reserve.

The Company's provision policy is based on the provisions of Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoreing and Financing Companies published in the Official Gazette dated December 24, 2013 and numbered 28861.

The details of the loans impaired which are classified under the non- performing loans are as follows:

	December 31, 2014	December 31, 2013
Impaired loans	59.249.863	51.777.563
Fair value of collateral	32.137.142	24.876.760

1.2 Market risk:

The Company considers foreign currency risk and interest rate risk as the most important constituents of market risk. Currency and interest rate risks are analysed both on portfolio and product basis.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued)

1.3 Foreign currency risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities. This risk is managed by using foreign exchange forwards and foreign exchange deposits. The Company also manages its foreign currency risk by using derivative financial instruments in order to keep the open foreign exchange exposure at a certain level.

Foreign currency indexed loans are included in the net balance sheet foreign currency position calculation but not presented as foreign currency asset in the frame of the financial statements of the Company as of December 31, 2014 and 2013.

The tables below summarize the Company's assets and liabilities in original currency amounts and the corresponding TL value as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2014
Assets	85.977.196	44.431.858
Liabilities	(237.494.032)	(155.121.075)
Net foreign currency position in the balance sheet	**(151.516.836)**	**(110.689.217)**
Derivative financial instruments	153.186.138	113.551.697
Net foreign currency position	**1.669.298**	**2.862.480**

As of December 31, 2014, assets and liabilities denominated in foreign currency were translated into TL using foreign exchange rates of 1 USD = TL 2,3189 and 1 Euro= TL 2,8207 (2013: 1 USD = TL 2,1343 and 1 Euro = TL 2,9365).

	December 31, 2014		**December 31, 2013**	
	USD	**EUR**	**USD**	**EUR**
Assets:				
- Banks	17.094.561	4.921.353	1.611.985	4.235.043
- Foreign currency indexed loans	9.305.327	54.658.025	8.490.300	30.094.444
- Foreign currency indexed loans under follow-up (*)	-	(2.071)	-	86
	26.399.888	**59.577.307**	**10.102.285**	**34.329.573**
Liabilities:				
- Short-term bank borrowings	-	-	-	-
- Short-term portion of long-term borrowings	81.161.500	30.745.630	46.954.600	95.157.283
- Accrued interest payable	2.324.859	1.233.103	2.782.360	1.689.632
- Long term borrowings	90.437.100	31.591.840	8.537.200	-
	173.923.459	**63.570.573**	**58.274.160**	**96.846.915**
Net foreign currency position in the balance sheet	**(147.523.571)**	**(3.993.266)**	**(48.171.875)**	**(62.517.342)**
Off balance sheet:				
- Derivative financial instruments	153.186.138	-	50.146.736	63.404.961
Net foreign currency position	**5.662.566**	**(3.993.266)**	**1.974.861**	**887.619**

(*) Foreign currency indexed loans under follow-up are included in the net foreign currency position table above, however they are ignored in the calculation of net income effect of sensitivity since they are not subject to foreign exchange valuation.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued)

As of December 31, 2014; had TL weakened/strengthened by 10% against USD, with all other variables held constant, pre-tax income for the period would have decreased /increased by TL 566.256 (December 31, 2013: would have decreased/increased TL 197.486) as a result of foreign exchange gains/losses of borrowings, cash and cash equivalents and foreign currency indexed loans.

As of December 31, 2014; had TL strengthened / weakened by 10% against Euro, with all other variables held constant, income before tax for the period would have decreased /increased by TL 399.326 (December 31, 2013: would have decreased/increased TL 88.762) as a result of foreign exchange gains/losses of borrowings, cash and cash equivalents and foreign currency indexed loans.

1.4 Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are volatile. Therefore, interest rate risk is the key component of the Company's asset and liability management. Interest rate risk is managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration and gap analyses are the main methods used to manage such risks.

The Company is funding its long term fixed rate loan portfolio by obtaining long term floating rate foreign currency funds from international markets. With funds obtained from international markets, The Company creates long term foreign currency liquidity and converts to TL liquidity by implementing long term swap transactions In this way, The company generates funding source for long-term fixed-rate TL loans and hedges interest and currency risks.

The table below summarises the effective average interest rates as % for financial instruments by major currencies outstanding as of December 31, 2014 and 2013:

	December 31, 2014			December 31, 2013		
	USD	Euro	TL	USD	Euro	TL
Assets						
Cash and cash equivalents	0,42	0,37	-	1,10	2,34	5,71
Loans and advances given to consumers						
- Automotive loans	5,44	5,88	13,32	4,95	5,88	12,07
- Durable consumption goods loans	-	-	17,19	-	-	14,94
- Mortgage loans	-	-	13,43			11,53
Liabilities						
Bank borrowings	3,16	3,42	9,56	3,61	2,46	7,01
Securities issued	-	-	8,53	-	-	8,67

As of December 31, 2014 the Company has no floating interest rate assets and floating interest rate liabilities are composed of borrowings. The Company hedged most of the borrowings by cross currency swaps.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued)

1.5 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. To ensure professional cash flow management, the Company's Finance department regularly prepares cash flow statements and carries out cash flow forecasts.

The following table below presents the cash flows payable by the Company for its on balance sheet liabilities by remaining contractual maturities as of the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Company manages inherent liquidity risk based on expected undiscounted cash inflows.

December 31, 2014	**Up to 1 month**	**1-6 months**	**6-12 months**	**Over 1 year**	**Total**
Borrowings received	102.851.893	275.615.102	508.836.113	844.687.605	1.731.990.713
Bills and bonds issued	106.258.550	69.807.000	125.656.650	326.974.005	628.696.205
Total Liabilities (based on contractual maturity dates)	**209.110.443**	**345.422.102**	**634.492.763**	**1.171.661.610**	**2.360.686.918**

December 31, 2013	**Up to 1 month**	**1-6 months**	**6-12 months**	**Over 1 year**	**Total**
Borrowings received	111.484.730	158.340.120	343.050.403	443.658.815	1.056.534.068
Bills and bonds issued	5.960.900	204.805.610	167.486.900	270.247.330	648.500.740
Total Liabilities (based on contractual maturity dates)	**117.445.630**	**363.145.730**	**510.537.303**	**713.906.145**	**1.705.034.808**

Derivative instruments

December 31, 2014	**Up to 1 month**	**1-6 months**	**6-12 months**	**Over 1 year**	**Total**
Derivative instruments – Buying	-	-	60.343.123	92.843.014	153.186.138
Derivative instruments -Selling	-	-	(61.818.316)	(98.873.063)	(160.691.379)
Total liabilities (based on contractual maturity dates)	**-**	**-**	**(1.475.193)**	**(6.030.049)**	**(7.505.241)**

December 31, 2013	**Up to 1 month**	**1-6 months**	**6-12 months**	**Over 1 year**	**Total**
Derivative instruments – Buying	39.581.927	62.071.987	11.897.783	-	113.551.697
Derivative instruments -Selling	(34.850.922)	(53.899.960)	(11.432.307)	-	(100.183.189)
Total liabilities (based on contractual maturity dates)	**4.731.005**	**8.172.027**	**465.476**	**-**	**13.368.508**

Expected re-pricing and maturity dates do not differ from the contract dates excluding borrowings, therefore no additional table is included which summarise the Company's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual re-pricing dates. The maturity groupings of borrowings as of December 31, 2014 and 2013 based on the remaining period as of balance sheet date to the contractual re-pricing dates are disclosed at section 4 note II-1.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued)

1.6 Capital risk management:

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and bonds issued, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Total liabilities	2.142.982.422	1.574.878.000
Less: Banks (I-3)	(44.011.861)	(15.224.713)
Net liabilities	2.098.970.561	1.559.653.287
Total shareholders’ equity	157.843.398	172.974.568
Liability / shareholders’ equity ratio	**13,30**	**9,02**

1.7 Fair value of financial instruments

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments.

1.7.1 Financial assets

Balances denominated in foreign currencies are translated as of year-end exchange rates. They are considered to approximate their respective carrying values.

The fair values of certain financial assets carried at cost, including cash and due from banks plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair values of financing loans are explained in Section 4, note I-6.

(Currency –Turkish Lira (TL) unless otherwise stated)

1. Nature and level of risks arising from financial instruments (continued)

1.7.2 Financial liabilities

The fair values of bank borrowings are calculated based on discounted cash flows by using the existing market rates (Section 4, note II-2).

The fair values of bonds and bills issued are calculated based on discounted cash flows by using the existing market rates (Section 4, note II-4).

1.8 Fair value measurements

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows;

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	December 31, 2014	Level 1	Level 2	Level 3
Cash flow hedge	**7.743.623**	**-**	**7.743.623**	**-**

	December 31, 2013	Level 1	Level 2	Level 3
Cash flow hedge	**15.698.688**	**-**	**15.698.688**	**-**

As of December 31, 2014, the Company has not made transfer between second level and first level, and also between third level and other levels.

2. Disclosure of other matters

2.1 Compatibility with ratio limits

According to 23rd article of "Regulation on the Establishment and Operations of Factoring, Leasing and Consumer Finance Companies" which was published in the Official Gazette dated October 10, 2006 and numbered 26315, total volume of Shareholder's Equity is not allowed to exceed 3% of the total assets.

	December 31, 2014	December 31, 2013
Shareholder's equity	157.843.398	172.974.568
Total Assets	2.400.001.375	1.794.362.805
	%6,6	**%9,6**

As of December 31, 2014, there is no breach in financial statements for the related ratio requirement.