

AK FAKTORİNG  
ANONİM ŞİRKETİ  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2016  
AND INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDIT REPORT**

**Ak Faktoring Anonim Şirketi**  
**The Board of Directors:**

***Report on financial statements***

We have audited the accompanying financial statements of **Ak Faktoring Anonim Şirketi** ("the Company"), which comprise the statement of financial position as of December 31, 2016, includes the statements of profit or loss for the period ended on the same date, the statement of income and expense items accounted for under equity, the statement of cash flows, the statement of changes in equity, and a summary of significant accounting policies and other explanatory notes.

***Explanation on the Responsibility of Management***

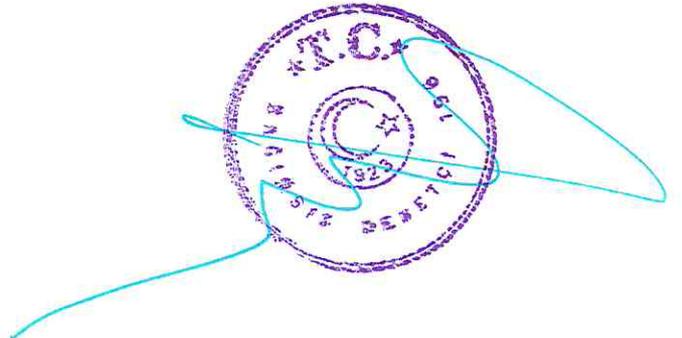
Responsibility of The Board of Directors of the Company is creating internal control system and selection and implementation of the appropriate accounting policies in order to prepare the financial statements that are free from material misstatement in accordance with the Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies and Advice on the Uniform Chart of Accounts and Prospectus for the Financial Leasing, Factoring and Financing Companies published in the Official Newspaper No. 28861 dated 24 December 2013, Turkish Accounting Standards, Turkish Financial Reporting Standards, and other regulations published by BRSA(Banking Regulation and Supervision Agency).

***Explanation on the Responsibility of the Audit Company***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Audit Standards which are part of the Turkish Audit Standards published by the Public Oversight Accounting and Audit Standards Institution. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



**Opinion**

According to our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ak Faktoring Anonim Şirketi (Company) as at December 31, 2016 and the results of its operations for the year then ended in accordance with explanations and notes issued by the Banking Regulation and Supervision Agency regarding accounting and financial reporting principles.

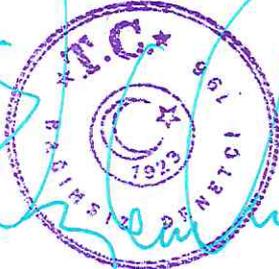
**Reports arising from other regulatory requirements**

1) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, no significant issue has arisen regarding whether the bookkeeping schedule of the Company for the period of 01 January - 31 December 2016 does not conform to the provisions of the TCC and the financial statements of the Company's articles of incorporation.

2) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, the Board of Directors has made the required explanations within the scope of the audit and issued the requested documents.

İstanbul, February; 14 2017

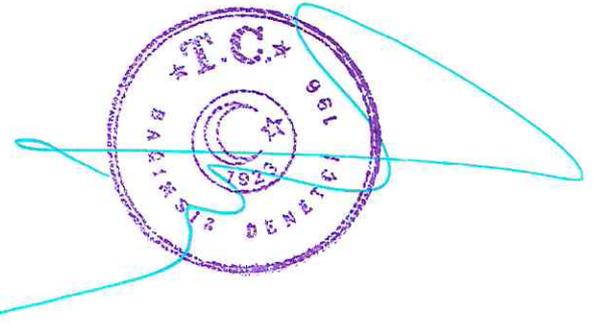
HSY Danışmanlık ve Bağımsız Denetim A.Ş.  
Member, Crowe Horwath International



Özkan Cengiz  
Partner, CPA

**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015

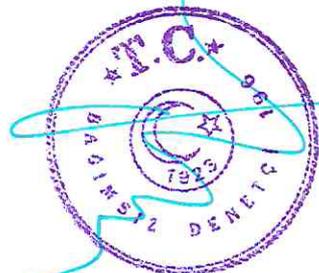
ASSETS	Notes	TURKISH LIRA (TRL)					
		Audited Current Period			Audited Prior Period		
		December 31, 2016			December 31, 2015		
		TRL	FC	Total	TRL	FC	Total
I. CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK	6	7.699	--	7.699	1.765	--	1.765
II. FAIR VALUE DIFFERENCE REFLECTED TO PROFIT/LOSS (Net)	7	--	--	--	--	--	--
2.1 Financial Assets held for trading		--	--	--	--	--	--
2.2 Fair Value Difference FV Categorized as Profit/Loss Statement		--	--	--	--	--	--
2.3 Derivative Marketable Securities in the Trade Book		--	--	--	--	--	--
III. BANKS	8	680.652	11.662	692.314	392.878	2.862	395.740
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS	9	--	--	--	--	--	--
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	10	960.000	--	960.000	--	--	--
VI. FACTORING RECEIVABLES (Net)	11	405.888.506	--	405.888.506	375.565.428	14.746.930	390.312.358
6.1 Factoring Receivables at reduced rate		317.833.931	--	317.833.931	311.914.943	--	311.914.943
6.1.1 Domestic		337.820.587	--	337.820.587	329.882.244	--	329.882.244
6.1.2 Overseas		--	--	--	--	--	--
6.1.3 Unearned Income (-)		(19.986.656)	--	(19.986.656)	(17.967.301)	--	(17.967.301)
6.2 Other Factoring Receivables (Net)		88.054.576	--	88.054.576	63.650.485	14.746.930	78.397.415
6.2.1 Domestic		88.054.576	--	88.054.576	63.650.485	--	63.650.485
6.2.2 Overseas		--	--	--	--	14.746.930	14.746.930
VII. FINANCIAL CREDITS	12	--	--	--	--	--	--
7.1 Consumer Loans		--	--	--	--	--	--
7.2 Credit Cards		--	--	--	--	--	--
7.3 Instalment Commercial Credits		--	--	--	--	--	--
VIII. LEASING RECEIVABLES	13	--	--	--	--	--	--
8.1 Leasing Receivables		--	--	--	--	--	--
8.1.1 Financial Leasing Receivables		--	--	--	--	--	--
8.1.2 Receivables from Operating Leasing		--	--	--	--	--	--
8.1.3 Unearned Revenue (-)		--	--	--	--	--	--
8.2 Investments Leased		--	--	--	--	--	--
8.3 Advances Given for Lease		--	--	--	--	--	--
IX. OTHER RECEIVABLES	14	2.030.053	--	2.030.053	1.832.088	--	1.832.088
X. NON-PERFORMING RECEIVABLES	15	13.178.207	--	13.178.207	5.930.993	--	5.930.993
10.1 Non-Performing Factoring Receivables		21.856.679	--	21.856.679	14.560.403	--	14.560.403
10.2 Non-Performing Financial Credits		--	--	--	--	--	--
10.3 Non-Performing Leasing Receivables		--	--	--	--	--	--
10.4 Special Provision (-)		(8.678.472)	--	(8.678.472)	(8.629.410)	--	(8.629.410)
XI. DERIVATIVE FINANCIAL ASSETS FOR HELD FOR CASH FLOW HEDGES	16	--	--	--	--	--	--
11.1 Fair Value Hedge Risk		--	--	--	--	--	--
11.2 Cash Flow Hedge Risk		--	--	--	--	--	--
11.3 Foreign Operations Net Investment Risk Hedge		--	--	--	--	--	--
XII. INVESTMENT HELD UNTIL MATURITY (Net)	17	--	--	--	--	--	--
XIII. SUBSIDIARIES (Net)	18	--	--	--	--	--	--
XIV. AFFILIATES (Net)	19	--	--	--	--	--	--
XV. JOINT VENTURES (Net)	20	--	--	--	--	--	--
XVI. TANGIBLE ASSETS (Net)	21	442.041	--	442.041	538.004	--	538.004
XVII. INTANGIBLE ASSETS (Net)	22	214.985	--	214.985	46.291	--	46.291
17.1 Goodwill		--	--	--	--	--	--
17.2 Other		214.985	--	214.985	46.291	--	46.291
XVIII. PREPAID EXPENSES	23	4.644.876	--	4.644.876	2.220.361	--	2.220.361
IXX. CURRENT TAX ASSETS	24.a	--	--	--	--	--	--
XX. DEFERRED TAX ASSETS	24.b	133.180	--	133.180	72.262	--	72.262
XXI. OTHER ASSETS	25	--	--	--	--	--	--
SUBTOTAL		428.180.199	11.662	428.191.860	386.600.070	14.749.792	401.349.862
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	26	--	--	--	--	--	--
18.1 Sale Purpose		--	--	--	--	--	--
18.2 Discontinued Operations Related		--	--	--	--	--	--
<b>TOTAL ASSETS</b>		<b>428.180.199</b>	<b>11.662</b>	<b>428.191.860</b>	<b>386.600.070</b>	<b>14.749.792</b>	<b>401.349.862</b>





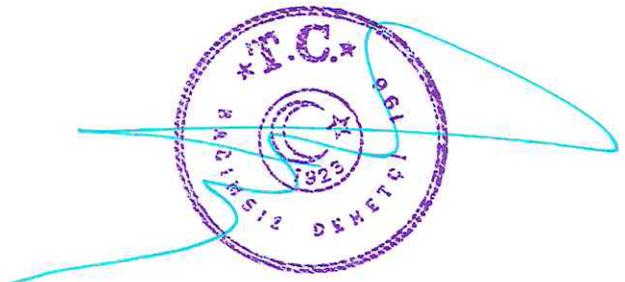
**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015

OFF-BALANCE SHEET ITEMS		TURKISH LIRA (TRL)						
		Notes	Audited Current Period			Audited Prior Period		
			December 31, 2016			December 31, 2015		
			TRL	FC	Total	TRL	FC	Total
I.	RISK OF FACTORING OPERATIONS ASSUMED	4.329.254	--	4.329.254	--	--	--	
II.	RISK OF FACTORING OPERATIONS NOT ASSUMED	40.538.677	--	40.538.677	36.612.454	--	36.612.454	
III.	GUARANTEES RECEIVED							
IV.	GUARANTEES GIVEN	43.1.a	2.163.749.231	12.492.630	2.176.241.861	1.603.111.905	26.833.992	1.629.945.897
V.	COMMITMENTS	43.1.b	4.510.695	--	4.510.695	1.651.632	--	1.651.632
		44	--	--	--	--	--	--
5.1	Irrevocable Commitments		--	--	--	--	--	--
5.2	Revocable Commitments		--	--	--	--	--	--
5.2.1	Lease Commitments		--	--	--	--	--	--
5.2.1.1	Financial Leasing Commitments		--	--	--	--	--	--
5.2.1.2	Operating Lease Commitments		--	--	--	--	--	--
5.2.2	Other		--	--	--	--	--	--
5.3	Lending Commitments		--	--	--	--	--	--
5.4	Guarantees Issued in Favor of Customers		--	--	--	--	--	--
VI.	DERIVATIVE FINANCIAL INSTRUMENTS		--	--	--	--	--	--
6.1	Derivative Financial Instruments for Cash Flow Hedges		--	--	--	--	--	--
6.1.1	Fair Value Hedge Risk Transactions		--	--	--	--	--	--
6.1.2	Cash Flow Hedge Risk Transactions		--	--	--	--	--	--
6.1.3	Foreign Operations Net Investment Risk Hedge Transactions		--	--	--	--	--	--
6.2	Trading Operations		--	--	--	--	--	--
6.2.1	Future Trading Transactions		--	--	--	--	--	--
6.2.2	Swap Trading Transactions		--	--	--	--	--	--
6.2.3	Exchange Option Transactions		--	--	--	--	--	--
6.2.4	Future Trading Transactions		--	--	--	--	--	--
6.2.5	Other		--	--	--	--	--	--
VII.	CUSTODY ASSETS	43.2	431.524.944	33.761.110	465.286.053	351.907.035	47.724.666	399.631.701
<b>TOTAL STATEMENT OF OFF-BALANCE SHEET ITEMS</b>			<b>2.644.652.800</b>	<b>46.253.740</b>	<b>2.690.906.540</b>	<b>1.993.283.026</b>	<b>74.558.658</b>	<b>2.067.841.684</b>



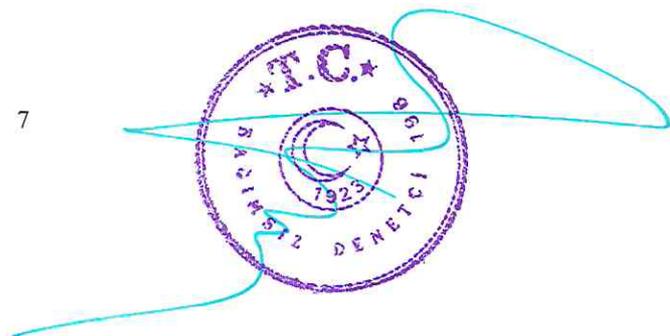
AK FAKTORİNG ANONİM ŞİRKETİ  
PROFIT OR LOSS STATEMENT FOR THE PERIOD JANUARY 01-DECEMBER 31, 2016 AND JANUARY 01-DECEMBER 31, 2015

INCOME AND EXPENSE ITEMS	Notes	TURKISH LIRA (TRL)	
		Audited	Audited
		Current Period	Prior Period
		January 01 - December 31, 2016	January 01 - December 31, 2015
<b>I. OPERATING INCOME</b>			
<b>FACTORING INCOME</b>		91.795.863	86.408.140
1.1 Interests Received from Factoring Receivables	33	91.795.863	86.408.140
1.1.1 Reduced		90.647.536	84.912.541
1.1.2 Other		69.483.526	70.436.419
1.2 Fees and Commissions Received from Factoring Receivables		21.164.010	14.476.122
1.2.1 Reduced		1.148.327	1.495.599
1.2.2 Other		1.032.723	1.438.945
<b>INCOME FROM FINANCING LOANS</b>		115.604	56.654
1.3 Interest Income from Financial Loans	34	--	--
1.4 Commission Income from Financial Loans		--	--
<b>LEASING INCOME</b>		--	--
1.1 Financial Leasing Income	35	--	--
1.2 Operational Leasing Income		--	--
1.2 Fees and Commission Income on Leasing Operations		--	--
<b>II. FINANCING EXPENSES (-)</b>		(56.296.770)	(47.218.209)
2.1 Interest Paid for Loans Used	36	(44.900.373)	(37.954.180)
2.2 Interest Paid for Liabilities from Factoring Transactions		--	--
2.3 Financial Leasing Expenses		--	--
2.4 Interest Given for Issued Securities		--	--
2.5 Other Interest Expenses		(8.226.557)	(6.100.350)
2.6 Fees and Commissions Paid		(14.856)	--
<b>III. GROSS PROFIT AND LOSS (+II)</b>		(3.154.985)	(3.163.679)
<b>IV. OPERATING EXPENSES (-)</b>		35.499.093	39.189.931
4.1 Staff Expenses	37	(9.497.957)	(7.992.897)
4.2 Expenses of Provisions for Termination Indemnities		(5.979.953)	(5.358.427)
4.3 Research and Development Expenses		(244.628)	(159.552)
4.4 General Operating Expenses		--	--
4.5 Other		(3.044.264)	(2.439.819)
<b>V. GROSS OPERATING PROFIT AND LOSS (+II)</b>		(229.113)	(35.099)
<b>VI. OTHER OPERATING INCOME</b>		26.001.135	31.197.034
6.1 Interest Received from Banks	38	7.865.641	7.199.209
6.2 Interest Received from Reserve Repurchase Agreements		58.306	13
6.3 Interest Received from Securities		--	--
6.3.1 Marketable Securities in the Trade Book		--	100.982
6.3.2 Fair Value Difference FV Categorized as Profit / Loss Statement		--	--
6.3.3 Financial Assets Ready to Sale		--	--
6.3.4 Investments to be Held Until Maturity		--	--
6.4 Dividend Income		--	100.982
6.5 Profit from Capital Market Transactions		--	--
6.5.1 Derivative Financial Instruments Transactions		--	--
6.5.2 Other		--	--
6.6 Foreign Exchange Gains		--	--
6.7 Other		4.037.666	7.009.300
<b>VII. SPECIAL PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>		3.769.669	88.914
<b>VIII. OTHER OPERATING INCOME (-)</b>		(14.991.536)	(7.829.157)
8.1 Impairment Losses on Securities	39	(3.510.782)	(6.785.923)
8.1.1 Fair Value Difference FV Impairment Loss Categorized as Profit / Loss Statement	40	--	--
8.1.2 Financial Assets Ready to Sale		--	--
8.1.3 Investments to be Held Until Maturity		--	--
8.2 Impairment Loss of Fixed Assets		--	--
8.2.1 Impairment Loss of Tangible Fixed Assets		--	--
8.2.2 Impairment Loss of Assets Held for Sale and Fixed Assets Related to Discontinued Operations		--	--
8.2.3 Special Assessment Impairment Loss		--	--
8.2.4 Impairment Loss of Other Intangible Fixed Assets		--	--
8.2.5 Impairment Loss of Subsidiaries, Affiliates and Joint Venture		--	--
8.3 Loss on Derivative Financial Transactions		--	--
8.4 Foreign Exchange Losses		--	--
8.5 Other		(3.510.782)	(6.785.923)
<b>IX. NET OPERATING INCOME AND EXPENSES (V+...+VIII)</b>		--	--
<b>X. INCOME RESULTED FROM MERGES</b>		15.364.457	23.781.163
<b>XI. PROFIT/LOSS ON NET MONETARY POSITION</b>		--	--
<b>XII. PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		--	--
<b>XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>		15.364.457	23.781.163
13.1 Current Tax Provisions		(3.097.375)	(4.740.678)
13.2 Deferred Tax Cost Effectiveness (-)	24.c	(3.158.292)	(4.790.605)
13.3 Deferred Tax Income Effectiveness (+)	24.b	--	(11.699)
<b>XIV. NET PROFIT AND LOSS SUSTAINED ACTIVITIES (NET) (XII±XIII)</b>	24.b	60.917	61.626
<b>XV. INCOME FROM DISCONTINUED OPERATIONS</b>		12.267.082	19.040.485
15.1 Income from Assets Held for Sale		--	--
15.2 Profit on Sale of Associates, Subsidiaries and Jointly Controlled Entities		--	--
15.3 Other Income from Discontinued Operations		--	--
<b>XVI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		--	--
16.1 Expense on Assets Held for Sale		--	--
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		--	--
16.3 Other Expenses from Discontinued Operations		--	--
<b>XVII. PRE TAX PROFIT AND LOSS ON DISCONTINUED ACTIVITIES (XV-XVI)</b>		--	--
<b>XVIII. TAX PROVISIONS FROM DISCONTINUED OPERATIONS (±)</b>		--	--
18.1 Current Tax Provisions		--	--
18.2 Deferred Tax Cost Effectiveness (-)		--	--
18.3 Deferred Tax Income Effectiveness (+)		--	--
<b>XIX. PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII)</b>		--	--
<b>XX. MINORITY SHARES</b>		--	--
<b>XX. NET PROFIT / LOSS (XIV+XIX)</b>		--	--
<b>EARNINGS PER SHARE</b>		12.267.082	19.040.485
Earnings Per Share from Continued Operations (Complete TRL)	41	0,65	1,02
Earnings Per Share from Discontinued Operations (Complete TRL)		0,65	1,02
<b>DILUTED EARNINGS PER SHARE</b>		--	--
Earnings Per Share from Continued Operations (Complete TRL)		0,65	1,02
Earnings Per Share from Discontinued Operations (Complete TRL)		0,65	1,02



**AK FAKTORİNG ANONİM ŞİRKETİ**  
OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31 2016 AND 2015

	Notes	TURKISH LIRA (TRL)	
		Audited Current Period	Audited Current Period
		January 01 - December 31, 2016	January 01 - December 31, 2015
<b>CURRENT PERIOD PROFIT/LOSS</b>		12.267.082	19.040.485
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other accumulated comprehensive income or expenses non-re-classifiable to profit or loss</b>			
Revaluation increase / decrease of fixed tangible assets		--	--
Revaluation increase / decrease of fixed intangible assets		--	--
Defined Benefit Plans Re-Measurement Gains / Losses		--	--
Shares not to be classified as profit/loss from other comprehensive income of investments valued by equity method		--	--
Other comprehensive income elements not to be classified as other profit or loss		--	--
Taxes regarding other comprehensive income not to be reclassified as profit/loss		--	--
Tax income /loss of the period		--	--
Deferred tax income /loss		--	--
<b>Other accumulated comprehensive income or expenses classifiable to profit or loss</b>			
Foreign currency exchange difference		--	--
Revaluation and/or classification earnings/losses of financial assets ready for sale		--	--
Cash Flow Hedge Earnings / Losses		--	--
Investment hedge earnings/losses related to foreign operations		--	--
Shares to be classified as profit/loss from other comprehensive income of investments valued by equity method		--	--
Other comprehensive income elements to be classified as other profit or loss		--	--
Taxes regarding other comprehensive income to be reclassified as profit/loss		--	--
Tax income /loss of the period		--	--
Deferred tax income /loss		--	--
<b>OTHER COMPREHENSIVE INCOME</b>		--	--
<b>TOTAL COMPREHENSIVE INCOME</b>		12.267.082	19.040.485
<b>Distribution of the Total Comprehensive Income</b>			
Minority Interest		--	--
Parent Company Shares		12.267.082	19.040.485

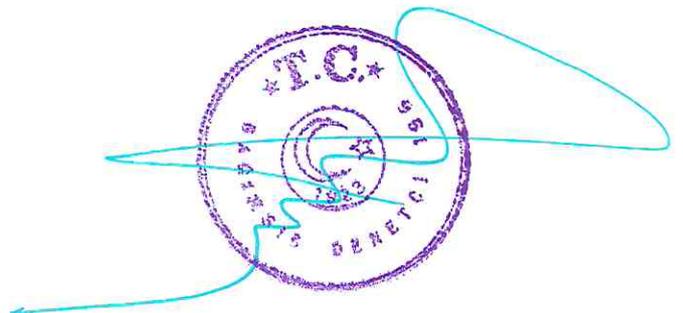






AK FAKTORİNG ANONİM ŞİRKETİ  
STATEMENT OF CASH FLOW FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31, 2016 AND 2015

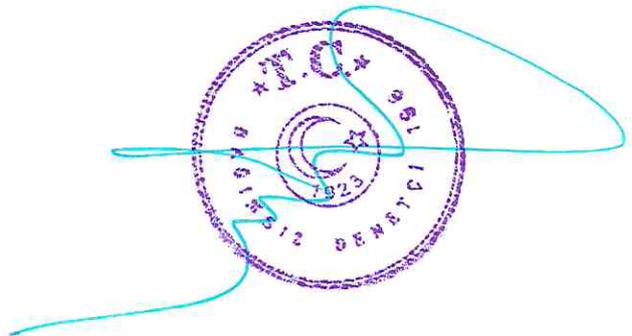
	Notes	TURKISH LIRA (TRL)	
		Audited Current Period	Audited Prior Period
		January 01 - December 31, 2016	January 01 - December 31, 2015
<b>A. CASH FLOWS OF MAIN OPERATIONS</b>			
1.1 Operating profit on assets and liabilities subject of main operation prior to change		29.814.756	25.144.110
1.1.1 Interests Received / Leasing Earnings	33	91.564.566	84.365.448
1.1.2 Interest Paid	27, 36	(53.438.653)	(45.061.129)
1.1.3 Rental Expenses		-	-
1.1.4 Dividend Receipt		-	-
1.1.5 Fees and Commissions Received	33	1.148.327	1.495.599
1.1.6 Other earnings acquired	38, 40	1.141.567	(2.851.780)
1.1.7 Collections from receivable on follow up accounted as loss	15	6.276	84.289
1.1.8 Cash payments to staff and service providers	37	(8.657.347)	(7.597.677)
1.1.9 Taxes Paid	24	(1.949.980)	(5.290.640)
1.1.10 Other		-	-
1.2 Changes in Operating Assets and Liabilities		(46.870.636)	(47.359.759)
1.2.1 Net (Increase) / Decrease in Factoring Receivables	11	(40.568.327)	(53.272.258)
1.2.2 Net (Increase) / Decrease in Financial Loans		-	-
1.2.4 Net (Increase) / Decrease in Rental Receivables		-	-
1.2.6 Net (Increase) / Decrease in Other Assets	14, 23, 25	(2.695.211)	172.984
1.2.6 Net (Increase) / Decrease in Factoring Payables	11	1.494.752	436.936
1.2.7 Net (Increase) / Decrease in Receivables Loans		-	-
1.2.8 Net (Increase) / Decrease in Matured Debt	14, 24, d	(5.164.992)	5.312.021
1.2.9 Net (Increase) / Decrease in Other Liabilities	29, 31	63.143	(9.442)
<b>I. Net Cash Provided from / (Used in) Operating Activities</b>		<b>(17.055.880)</b>	<b>(22.215.649)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Investments in Associates, Subsidiaries and Joint Ventures		-	-
2.2 Disposal of Subsidiaries, Associates and Joint Ventures		-	-
2.3 Securities and Properties Purchased	21, 22	(349.891)	(542.087)
2.4 Securities and Properties Sold	21, 22	-	-
2.5 Available-for-Sale Financial Assets		-	-
2.6 Held-for-Sale Financial Assets		-	-
2.7 Investments to be Held Until Maturity		-	-
2.8 Investments Held to Sales		-	-
2.9 Other Cash Flows Related to Investment Activities	7	-	6.005.036
<b>II. Net Cash Used in Investing Activities</b>		<b>(349.891)</b>	<b>5.462.949</b>
<b>C. CASH FLOWS RELATED TO FINANCIAL ACTIVITIES</b>			
3.1 Cash provided by credits and securities issued	27, 28	22.708.279	18.116.875
3.2 Cash Outflows from Loans and Marketable Securities Issued		-	-
3.3 Issued Equity Instruments		-	-
3.4 Dividend Payments		(5.000.000)	(1.530.000)
3.5 Financial Leasing Payments		-	-
3.6 Other Cash Flows Related to Financing Activities		-	-
<b>III. Net Cash Used in Financing Activities</b>		<b>17.708.279</b>	<b>16.586.875</b>
<b>IV. Currency Exchange Rate Difference's Influence on Cash and Cash Equivalent Assets</b>		<b>-</b>	<b>-</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>302.508</b>	<b>(165.825)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	6, 8	<b>397.505</b>	<b>563.330</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	6, 8	<b>700.013</b>	<b>397.505</b>



**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENT OF DIVIDEND DISTRIBUTION FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31, 2016 AND 2015

	TURKISH LIRA (TRL)	
	Audited	Audited
	Current Period	Prior Period
	January 01 - December 31, 2016	January 01 - December 31, 2015
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>		
1.1 PERIOD PROFIT	15.364.457	23.781.163
1.2 PAYABLE TAXES AND LEGAL LIABILITIES (-)	(3.158.292)	(4.790.605)
1.2.1 Income Tax	(3.158.292)	(4.790.605)
1.2.2 Income Tax Deduction	--	--
1.2.3 Other Taxes and Legal Liabilities	--	--
<b>A. NET PERIOD PROFIT (1.1-1.2)</b>	<b>12.206.165</b>	<b>18.990.558</b>
1.3 PREVIOUS PERIOD LOSS (-)	--	--
1.4 PRIMARY RESERVE (-)	610.308	949.528
1.5 BANKING AND SAVING COMPULSORY LEGAL FUNDS (-)	(60.917)	(49.927)
<b>B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]</b>	<b>11.595.857</b>	<b>18.090.957</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	--	--
1.6.1 Shareholders	--	1.275.000
1.6.2 Privileged Shareholders	--	--
1.6.3 Participating Shares	--	--
1.6.4 Participation Bonds	--	--
1.6.5 Profit and Loss Sharing Certificate Owners	--	--
1.7 DIVIDEND TO EMPLOYEE (-)	--	--
1.8 DIVIDEND TO THE BOARD OF DIRECTORS (-)	--	--
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	--	--
1.9.1 Shares Shareholders	--	3.725.000
1.9.2 Privileged Shareholders	--	--
1.9.3 Participating Shares	--	--
1.9.4 Participation Bonds	--	--
1.9.5 Profit and Loss Sharing Certificate Owners	--	--
1.10 SECOND LEGAL RESERVES (-)	--	--
1.11 STATUARY RESERVES (-)	--	--
1.12 GENERAL RESERVES	--	372.500
1.13 OTHER RESERVES	--	--
1.14 SPECIAL FUNDS	--	12.718.457
<b>II. RESERVES DISTRIBUTION</b>		
2.1 DISTRIBUTED RESERVES	--	--
2.2 SECOND LEGAL RESERVES (-)	--	--
2.3 SHARE TO PARTNERS (-)	--	--
2.3.1 Shareholders	--	--
2.3.2 Privileged Shareholders	--	--
2.3.3 Participating Shares	--	--
2.3.4 Participation Bonds	--	--
2.3.5 Profit and Loss Sharing Certificate Owners	--	--
2.4 SHARE TO EMPLOYEE (-)	--	--
2.5 SHARE TO THE BOARD OF DIRECTORS (-)	--	--
<b>III. PROFIT PER SHARE</b>		
3.1 SHAREHOLDERS	--	--
3.2 SHAREHOLDERS (%)	--	--
3.3 PRIVILEGED SHAREHOLDERS	--	--
3.4 PRIVILEGED SHAREHOLDERS (%)	--	--
<b>IV. DIVIDEND PER SHARE</b>		
4.1 SHAREHOLDERS	0,4547	0,7094
4.2 SHAREHOLDERS (%)	45,47	70,94
4.3 PRIVILEGED SHAREHOLDERS	--	--
4.4 PRIVILEGED SHAREHOLDERS (%)	--	--

-For the period 2016, the calculation was not continued after net period profit since the general assembly was not held.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 1. ORGANIZATION AND NATURE OF OPERATIONS

Ak Faktoring Anonim Şirketi was established with the title of "Ak Faktoring Hizmetleri Ticaret Anonim Şirketi" on September 18,1992. The title of the company has been decided to change by unanimous vote as "Ak Faktoring Anonim Şirketi" at the Extraordinary General Meeting of the Company held on October 12, 2012. The decision was announced in the Trade Registry Gazette numbered 8183 on October 31, 2012 and the company's title was registered as "Ak Faktoring Anonim Şirketi".

The company operates at address which is "Büyükdere Cad. Özsezen İş Merkezi C Blok No: 126 Kat: 9 Esentepe, Şişli / İstanbul". The main activity of the Company is to provide factoring services to industrial and commercial companies. The Company continues their factoring activities in one geographical region (Turkey).

The shareholding structure of the company is as follows:

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Altın Has Holding A.Ş.	% 100,00	25.499.625	% 100,00	25.499.625
İnan Altınbaş	> 1	75	> 1	75
Hüseyin Altınbaş	> 1	75	> 1	75
Abdülhamit Yurt	> 1	75	> 1	75
Atilla Keskin	> 1	75	> 1	75
Vedat Bayat	> 1	75	> 1	75
	% 100,00	25.500.000	% 100,00	25.500.000

As of December 31, 2016, the number of employees is 53. (December 31, 2015 - 47).

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

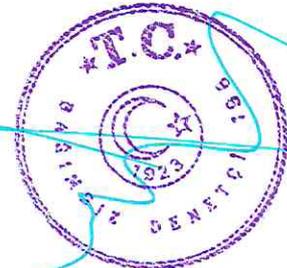
##### 2.1. Basis of Presentation

###### 2.1.1. Applied Accounting Standards

The Company's activities are accounted for in accordance with the Turkish Accounting Standards within the scope of the Communiqué on the Uniform Chart of Accounts and Explanatory Notes which will be applied to Financial Leasing, Factoring and Financing Companies which is published in the Official Gazette dated December 24, 2013 and numbered 28861.

In accounting for activities, provisions of the regulations have been applied about prepared on the basis of "Financial Leasing, Factoring and Financing Companies Law" which is published in the Official Gazette dated December 13, 2012, numbered 28496 and Accounting Practices and Financial Tables of Financial Leasing, Factoring, and Financing Companies which is published in Official Gazette dated December 24, 2013 and numbered 28861.

The Annex 1 of the Law No. 2499 was cancelled by the Decree No. 660 which is entered into force and to be published in the Official Gazette on November 2, 2011. And Public Oversight, Accounting and Auditing Standards Institution ("Institution") was established. In preparation of the financial statements, Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and related annex and interpretations ("TAS / TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("KGGK") have been taken a basis.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.1. Basis of Presentation (Cont'd)

#### 2.1.2. Functional and Reporting Currency

The functional currency of the Company is the Turkish Lira (TL) and the reporting currency is also Turkish Lira (TL).

The Company's financial statements have been subject to inflation adjustments in accordance with "Turkish Accounting Standard related to Financial Reporting in Hyperinflationary Economies" ("TAS 29") until December 31, 2004. The indicators that require inflation accounting application is stated to have been removed with general instruction issued by the Banking Regulation and Supervision Agency ("BRSA") dated April 28, 2005. And the application of inflation accounting has been terminated as of January 1, 2005.

#### 2.1.3. Adjustment of Financial Statements in Hyperinflationary Periods

The Company's financial statements have been subject to inflation adjustments in accordance with "Turkish Accounting Standard related to Financial Reporting in Hyperinflationary Economies" ("TAS 29") until December 31, 2004. The indicators that require inflation accounting application is stated to have been removed with general instruction issued by the Banking Regulation and Supervision Agency ("BRSA") dated April 28, 2005. And the application of inflation accounting has been terminated as of January 1, 2005.

#### 2.1.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis, or realize the asset and settle the liability simultaneously.

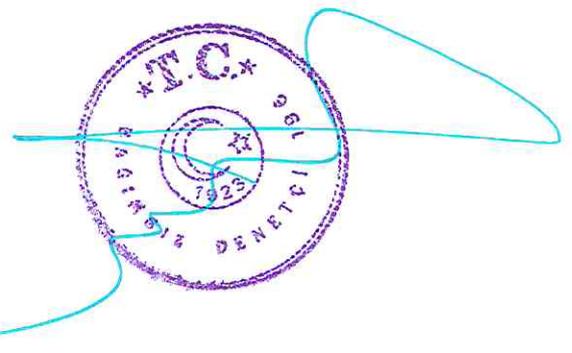
## 2.2. Changes in Accounting Policies

Significant changes in accounting policies and identified significant accounting errors are applied, retrospectively and the prior period financial statements are restated. The Company has applied their accounting policies consistent with the previous financial year.

## 2.3. Changes in the Accounting Estimates and Errors

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied: if changes in estimates are related to future periods. They are recognized both in the period where the change is applied and future periods prospectively. Correction of error are considered by retrospectively and the prior period financial statements are restated.

The preparation of financial statements in accordance with the Reporting Standards requires that management is to apply policies, to make decisions affected by reported amounts of assets, liabilities, income and expenses to make estimates and assumptions. Actual results may differ from these estimates. The estimates and the assumptions underlying estimates are constantly being reviewed. The updates to the accounting estimates are based on the period which is made the updates and on subsequent periods affected by these updates.



**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)**

**2.4. Comparative Information and Adjustment Financial Statements of Previous Period**

The current period financial statements and footnotes are presented comparatively with the prior period financial statements and footnotes. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when it is necessary.

The accounting principles are applied by the Company and showed consistency with accounting principles applied in previous periods.

The estimates and the assumptions underlying estimates are constantly being reviewed. The updates to the accounting estimates are based on the period which is made the updates and on subsequent periods affected by these updates.

**2.5 New and Revised Turkish Accounting Standards**

**a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements**

None.

**b) New and revised TAS applied with no material effect on the financial statements**

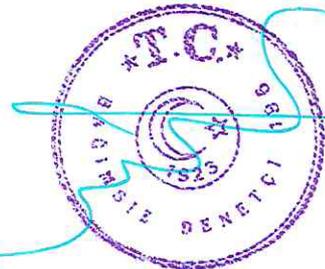
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants<sup>1</sup></i>
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations<sup>1</sup></i>
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>TFRS 1<sup>2</sup></i> <i>Disclosure Initiative<sup>2</sup></i>
Amendments to TAS 27 Amendments to TFRS 10 and TAS 28	<i>TFRS 5, TFRS 7, TAS 34, TAS 19<sup>2</sup></i> <i>Equity Method in Separate Financial Statements<sup>2</sup></i> <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to TFRS 10, TFRS 12 and TAS 28 TFRS 14	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i> <i>Regulatory Deferral Accounts<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

**Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.5 New and Revised Turkish Accounting Standards

#### b) New and revised TAS applied with no material effect on the financial statements

#### **Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants**

This amendment includes 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

#### **Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations**

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

#### **Annual Improvements 2011-2013 Cycle**

**TFRS 1:** Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

#### **Amendments to TAS 1 Disclosure Initiative**

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

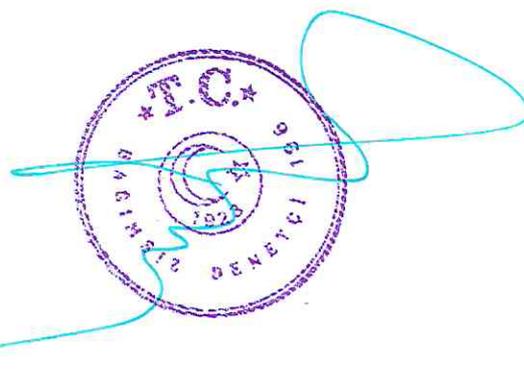
#### **Annual Improvements 2012-2014 Cycle**

**TFRS 5:** Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**TFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**TAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.5 New and Revised Turkish Accounting Standards

#### b) New and revised TAS applied with no material effect on the financial statements

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

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

##### *TFRS 14 Regulatory Deferral Accounts*

TFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

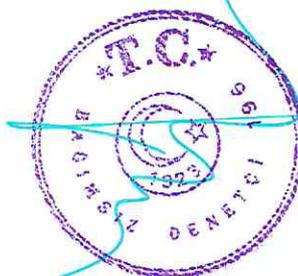
TFRS 14 also led to amendments in related provisions of TFRS 1.

#### c) New and revised TAS in issue but not yet effective

The Company has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.





**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)**

**2.5 New and Revised Turkish Accounting Standards**

**c) New and revised TAS in issue but not yet effective (Cont'd)**

**TFRS 9 *Financial Instruments***

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

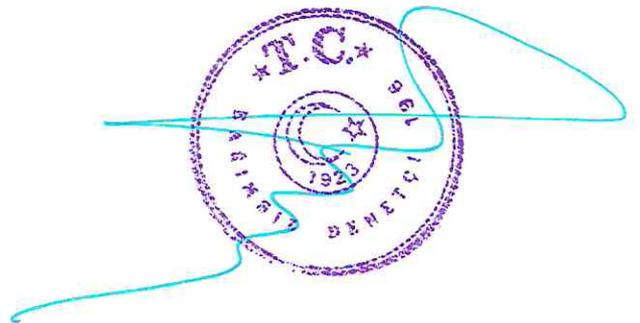
**TFRS 15 *Revenue from Contracts with Customers***

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.6. Summary of Significant Accounting Policies

#### a. Revenue Recognition

Interest, commission and fee income from factoring transactions are recognized on an accrual basis unearned portions of interest income from factoring transactions are also shown on an accrual basis. The doubtful factoring receivables are accounted for by deducting receivable receivables.

#### b. Financial Instruments

##### Financial Assets

Financial assets classified as financial assets at fair value through profit or loss and financial assets other than those at fair value through profit or loss are accounted for at the fair market value and the total amount of the expenditures that can be directly related to the purchase transaction. As a result of the purchase or sale of financial assets that are subject to the delivery condition of the investment instruments in accordance with the period determined by the related market are recorded or removed from recorded at the transaction date.

Financial assets are classified as "financial assets at fair value through profit or loss", "investments held-to-maturity", "available-for-sale financial assets" and "loans and receivables". The classification is determined at the time of initial recognition, depending on the purpose and nature of the acquisition of the financial asset.

##### Effective Interest Method

The effective interest method is the valuation of the financial asset at amortized cost and the redistribution method in which the relevant interest income is related. Effective interest rate which reduces the estimated cash receipts to be collected over the expected life of the financial instrument or, where appropriate, for a shorter period of time to the net present value of the related financial asset.

Income related to financial assets other than financial assets at fair value through profit or loss are calculated by using the effective interest method.

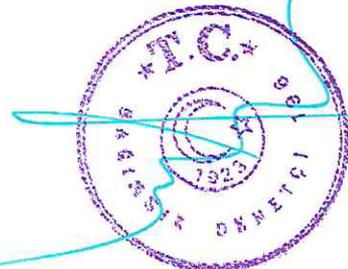
##### Fair Value Through Profit / Loss Assets

Financial assets at fair value through profit or loss are which held for trading purposes and not acquired for trading purposes and financial assets that are accounted for in this category during initial recognition. Financial assets are classified in the category, when a financial asset is acquired for short-term withdrawal or when it is concluded that a more accurate accounting presentation will be achieved during initial accounting. Financial assets that are derivative financial instruments that are not designated as an effective hedge against financial risk are also classified as financial assets at fair value through profit or loss.

Private sector investments based on credit, which are included in financial investments, are classified as trading securities for purchase and sale. Valuation gains and losses are recognized at fair value to be reflected in income statements in their subsequent valuation. Investments are where there is no reliable fair value, are valued at the discounted cost value. The discounted cost is calculated by the effective interest rate method.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.6. Summary of Significant Accounting Policies (Cont'd)

###### b. Financial Instruments (Cont'd)

###### Available-For-Sale Financial Assets

Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value. Similarly, investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since the fair value of these investments cannot be measured reliably. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss.

Available-for-sale monetary assets denominated in foreign currencies are determined on the basis of the currency in which the fair value is expressed and it is converted from the valid currency at the end of the reporting period. Foreign exchange gains / (losses) recognized in the income statement are determined based on the monetary asset's amortized cost value. Other foreign exchange gains and losses are recognized in other comprehensive income.

###### Factoring Receivables and Other Receivables

Factoring receivables and other receivables are accounted at their fair value at the date of initial recognition during the reporting periods after the first registration date, other receivables other than factoring receivables are stated at amortized cost by using the effective interest method. Factoring transactions are presented with their carrying values in subsequent reporting periods. During the first registration of factoring receivables, the prediction is that the registered values approximate to its fair value due to the consideration of the discount.

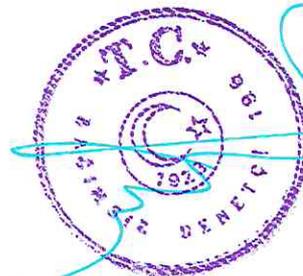
Specific provisions and free provisions are reserved for factoring receivables in accordance with the "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No. 28861 dated 24 December 2013 by BRSA.

###### Impairment in Financial Assets

Financial assets other than financial assets at fair value through profit or loss, are assessed whether any indication that a financial asset or a group of financial assets has suffered an impairment at each balance sheet date. When the occurrence of one or more events after the initial recognition of the financial asset and when there is an objective evidence that the related impairment loss is impaired as a result of the impact on the estimated future cash flow of the related financial asset or group of assets that can be reliably estimated, is depreciated and impairment loss occurs. The impairment loss for loans and receivables is the difference between the present value of the expected future cash flows which is discounted at the financial asset's original interest rate, and the carrying amount.

Except factoring receivables, the impairment is directly deducted from the carrying amount of the related financial asset in all other financial assets. In case the receivables cannot be collected, the respective amount is deducted from the provision account. Changes in the provision account are recognized in the income statement.

Except for available-for-sale equity instruments, if the impairment loss decreases in the following period and if the decrease can be associated with an event occurring after the recognition of the impairment loss, in case the impairment of the investment has never been accounted at the date on which the previously recognized impairment loss impairment is to be cancelled, it is cancelled in profit / loss as not exceeding the amount of the amortized cost.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### b. Financial Instruments (Cont'd)

##### Cash and Cash Equivalents

Cash and cash equivalents include balances with maturity of less than three months from the date of acquisition, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and specific demand deposits. The book value of these assets approximates their fair value.

##### Derivative Financial Instruments and Financial Liability Protection Accounting

The activities of the Company primarily expose the entity and expose it to financial risks that are subject to changes in interest rates. The company use derivative financial instruments (mainly exchange rate forward contracts) in order to manage the financial risks associated with currency and interest rate fluctuations related to future foreign currency and credit transactions. Derivative financial instruments are recorded at fair value at the date of the contract and are accounted for at fair value at subsequent reporting periods. Derivative financial instruments are recognized as held for trading because all necessary conditions are not fulfilled in order to be recognized as an item in hedge of hedge accounting, while providing hedge accounting. And the gain or loss realized by means of the related instruments is associated with the profit and loss statement.

##### Financial Liabilities

The Company's financial liabilities and equity instruments are classified in accordance with the definition of a contractual arrangement, a financial obligation and a tool based on equity. The contract representing the right of remaining assets after deducting all debts of the Company, is a financial instrument based on equity.

The accounting policies applied for based upon certain financial liabilities and equity instruments are given below.

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

##### Fair Value Difference Financial Liabilities Reflected in Profit or Loss

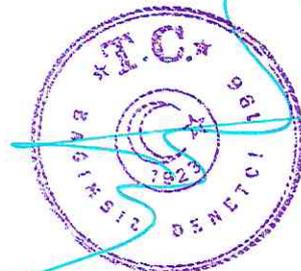
Financial liabilities at fair value through profit or loss are accounted for at fair value and they are revalued at the balance sheet date at fair value at each reporting period. The change in fair value is recognized in the income statement. Net gains or losses recognized in the income statement also include the interest paid for such financial liability.

##### Other Financial Liabilities

Other financial liabilities, including financial liabilities, are initially recognized at fair value, net of transaction costs.

Other financial liabilities are accounted with the interest rate calculated over the effective interest rate in subsequent periods and amortized cost using the effective interest method.

The effective interest method is the calculation of the amortized cost of the financial liability and the way in which the related interest expense is related to the redistribution. Effective interest rate which reduces the estimated cash receipts to be collected over the expected life of the financial instrument or, where appropriate, for a shorter period of time to the net present value of the related financial asset.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.6. Summary of Significant Accounting Policies (Cont'd)

###### c. *Tangible Fixed Assets and Depreciation*

Tangible assets are reflected accumulated depreciation and permanent value losses by deduction from the carrying value of the items accounted for using the effective interest method as of 31 December 2004 for items that were acquired before 01 January 2005 and the purchase cost value for items purchased after 31 December 2004.

Depreciation is amortized on a straight-line basis over the estimated useful lives of the tangible assets. Estimated useful lives of the related assets are as follows:

	Years
Furniture and fixtures	5 -10

Profit or loss arising from deduction of tangible assets are determined by comparing the amounts recovered and the amounts collected. And it is reflected in related income and expense accounts in the current period.

Costs of providing new products or services including costs of opening a new activity, advertising costs; costs to do business in a new location or with a new customer segment including training cost of staff; costs such as general management costs cannot be directly associated with the asset, thus, not included in the acquisition cost due to the fact that they are not included in the purchase price of the tangible asset and because the asset is not put in place to bring it into the necessary position and status so that it can operate in the direction of the management's objectives.

###### d. *Intangible Assets and Depreciation*

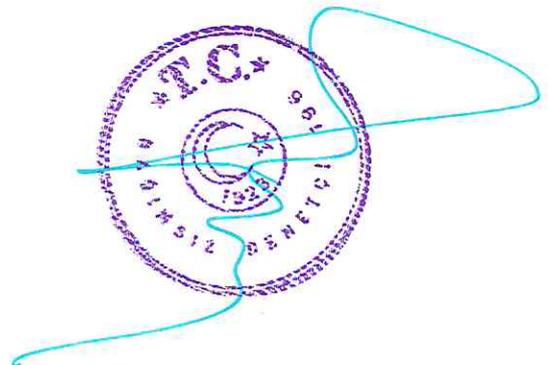
The intangible assets are taken into the financial statements in according with the criteria of being identifiable, having control over the related resource and the existence of an economic benefit expected to be obtained in the future. In this framework, expenditures related to training activities, expenditures related to advertising and promotional activities, partially or fully reorganization expenditures and expenditure on initial activities, except those that can be included in the cost of tangible assets are taken into financial statements as expense when they are accrued.

###### e. *Impairment of Assets*

The impairment test is applied when it is not possible to recover the carrying amount for assets subject to repayment or when events occur. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the big one of the fair value or value in use after deduction of the selling costs. For the purpose of assessing impairment, assets are grouped at the lowest level where the identifiable cash flows are present (cash-generating units). Non-financial assets subject to impairment are reviewed at each reporting date for possible cancellation of impairment.

###### f. *Capital Increases*

Capital increases from existing shareholders are approved and registered at annual general meetings and they are accounted over their nominal values.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.6. Summary of Significant Accounting Policies (Cont'd)

###### g. Provisions for Severance Payment

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as TAS 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

###### h. Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

###### i. Borrowing Costs

All borrowing costs are recorded in the income statement for the periods in which are incurred.

###### j. The Effects of Changes in Foreign Exchange Rates

The financial statements of each Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each entity are expressed in Turkish Liras (TRY).

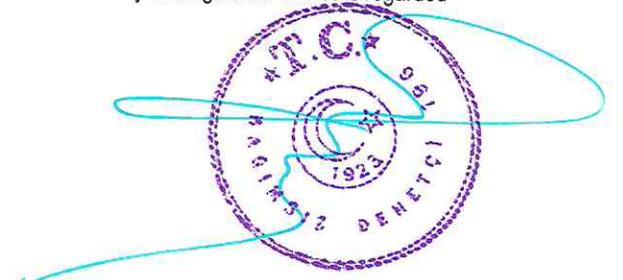
The exchange rates used by the Company as of December 31, 2016 and December, 31 2015 are as follows:

	TRY / USD	TRY / EUR	TRY / GBP
December 31, 2016	: 3,5192	3,7099	4,3189
December 31, 2015	: 2,9076	3,1776	4,3007

A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction. Assets and liabilities for each statement of financial position presented are translated to Turkish Liras (TRY) at the buying rate of TCMB at the date of that balance sheet.

###### k. Earnings per Share

Earnings per share are determined by dividing net income by the weighted average number of shares outstanding during the year. The shares of the Company by distributing shares to existing shareholders from retained earnings and allowable reserves ("Bonus Shares") to increase their capital. When calculating earnings per share, these shares are considered as issued shares. The weighted average number of shares used in earnings per share computations is derived by issuing bonus shares is regarded as backward.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### l. Subsequent Events

Events after the balance sheet date comprise any events between the balance sheet date and the date of authorization of the financial statements for issue, even if any events after the balance sheet date occurred subsequent to the announcement on the Company's profit or following the publicly disclosed financial information.

The Company restates its financial statements if such adjusting subsequent events arise.

#### m. Finance Leasing

Leasing – The Company as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Acquired assets, lease, rental, or at the date the fair value of the asset at the lower of the present value of the minimum lease payments is activated by using. The corresponding liability to the lessor is shown in the balance sheet as a finance lease obligation. Finance lease payments finance charges and reduction of the lease obligation are divided as to the payment of the principal that provides, and thus allows us to calculate interest on the balance remaining principal of the debt at a fixed rate.

Financial expenses the Company's general policy details, which include financing costs capitalized within the scope of the above except for the portion of the borrowing are recognized in profit or loss. Contingent rents are recorded as an expense in the period in which they are incurred.

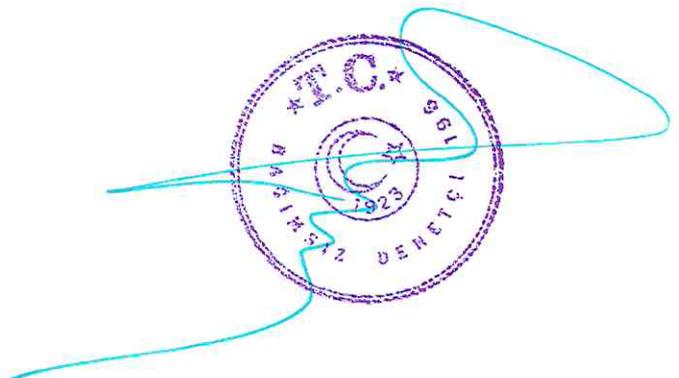
#### n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. The subsidiaries of the Company have deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future.

Deferred tax assets and liability are not recognized in which case arising from initial recognition of goodwill or an asset/liability (except business combinations) which, at the time of the transaction, does not affect either the accounting or the taxable profit.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### n. Taxation (Cont'd)

Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. Deferred tax assets or a portion of the deferred tax asset will allow to obtain the full benefits of sufficient taxable income to the extent that it is not possible, reduce the carrying value of deferred tax assets.

Deferred taxes assets resulted from these types of investments and shares are calculated under the condition that it has the high probability that the related differences will be extinct in the future and the adequate profit will be gain to exploit these differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the balance sheet date. The measurement reflects the entity's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

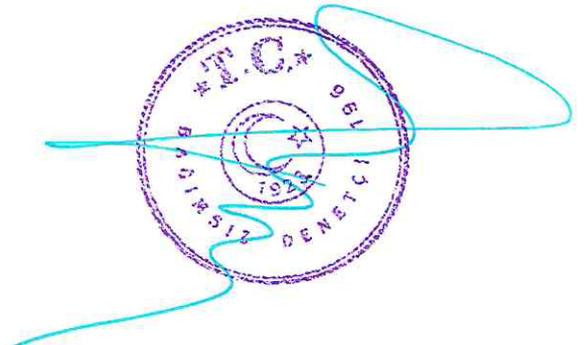
Items which are associated with items recognized directly in equity or accounted as liabilities or current tax, except for those arising from initial recognition of business combinations and deferred tax are accounted as expense or income in the income statement. The tax effect is taken into account in the business combination, in the calculation of goodwill or in determining the excess of the cost of the acquisition over the fair value of the acquire identifiable assets, liabilities and contingent liabilities of the acquired subsidiary.

#### o. Cash Flow Statement

In the cash flow statement, cash flows for the period in a format that is classified according to the investment and financing activities.

Cash flows from operating activities represent the cash flows of the Company's operations. Cash flows related to investing activities shows the Company's investment activities (asset investments and financial investments).

Cash flows relating to financing activities represent the resources used in the Company's financing activities and the repayment of these funds.





**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)**

**2.6. Summary of Significant Accounting Policies (Cont'd)**

**r. Related Party**

The ability of a party to be considered as a related party to the Company depends on the following criteria:

- (a) The subject party, directly or indirectly through one or more intermediaries:
  - (i) Has control or joint control over the reporting entity; (including subsidiaries and affiliates in the same business segment subsidiaries)
  - (ii) has significant influence over the reporting entity; or
  - (iii) has joint control over the reporting entity,
- (b) The party is a subsidiary of the entity;
- (c) The party has a business partnership that the entity is a joint venture;
- (d) The party is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (e) The party is a close family member of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or under significant influence, or in which any individual referred to in (d) or (e) has significant voting rights, directly or indirectly, or
- (g) It requires that the entity has benefit plans that are provided to the employees of the entity or an entity that is a related party of the entity after they leave the company.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. In the following financial statements, the shareholders of the Company, its affiliates and the companies associated with them, their key managers and other known groups are referred to as related parties.

**s. Segment Reporting**

Reporting of Financial Information by Segments is reporting in accordance with different kinds of products and services produced financial information and different geographic regions where the business operates about the better understanding of the past performance of the enterprises by the financial statement users, the better assessment of risks and yields and being able to make a more accurate decision about the enterprise as a whole.

**t. Government Incentives and Grants**

All government grants, including grants non-monetary government stated at fair value, reasonable assurance can be obtained by businesses will be fulfilled and the grants by the company's requirements for obtaining recognized in the financial statements when they are incurred.

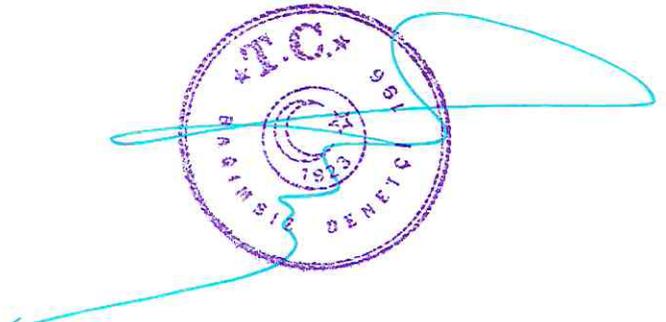
It may be waived loans obtained from the state, in the event there is a reasonable assurance that the company will fulfill the conditions of the waiver is accepted as a government grant. The Company does not have any incentives or grants as of 31 December 2016 and 31 December 2015.

**u. Non-Current Assets Held for Sale and Discontinued Operations**

**i) Non-Current Assets Held for Sale**

If the company intends to purchase a fixed asset and if the sale is likely to occur within 12 months, the related asset is classified as held for sale in the statement of financial position. Equipment held for sale are valued at the lower of carrying amount or fair value. Recoverability of the carrying amount is measured not by the use of the asset but by sale.

Assets received as collateral by the Company are classified as held for sale after their acquisition, when it comes to reducing the cash collection ability of the funds used.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

##### 2.6. Summary of Significant Accounting Policies (Cont'd)

##### u. Non-Current Assets Held for Sale and Discontinued Operations (Cont'd)

###### ii) Discontinued Operations

An entity is a party to a binding sales contract for almost all of the assets that can be directly attributed to the discontinued operation or approval of a detailed and formal plan by the board of directors or similar managing body concerning the suspension or if an announcement is made about the related plan, Public disclosure is made.

Related provisions are complied with in the scope of impairment of assets in discontinued operations on the basis of financial statements and valuation principles, provisions, contingent assets and liabilities, tangible assets, and benefits The Company has no discontinued operations as of 31 December 2016 and 31 December 2015.

#### 3. BUSINESS COMBINATIONS

None. (December 31, 2015 - None).

#### 4. JOINT VENTURES

None. (December 31, 2015 - None).

#### 5. SEGMENT REPORTING

None. (December 31, 2015 - None).

#### 6. CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK

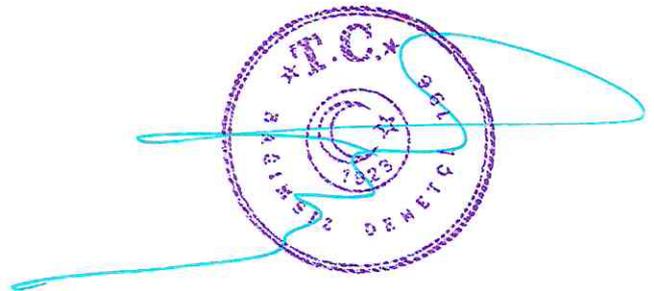
	31.12.2016		31.12.2015	
	TP	YP	TP	YP
Cash register	7.699	--	1.765	--
	<b>7.699</b>	<b>--</b>	<b>1.765</b>	<b>--</b>

#### 7. FAIR VALUE DIFFERENCES REFLECTED P/L (Net)

None. (December 31, 2015 - None).

#### 8. BANKS

	31.12.2016		31.12.2015	
	TP	YP	TP	YP
Demand deposit	440.652	11.662	392.878	2.862
Term deposit	240.000	--	--	--
	<b>680.652</b>	<b>11.662</b>	<b>392.878</b>	<b>2.862</b>



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**9. RECEIVABLES FROM REVERSE REPO TRANSACTIONS**

None. (December 31, 2015 - None).

**10. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Capital Stock	960.000	--	--	--
<i>Birikim Varlık Yönetim A.Ş.</i>	10.000	--	--	--
<i>Final Varlık Yönetim A.Ş.</i>	950.000	--	--	--
	<b>960.000</b>	<b>--</b>	<b>--</b>	<b>--</b>

Company has shares with 0,10% and TRY 10.000 on behalf of Birikim Varlık Yönetim A.Ş. and 1,90% and amount to TRY 950.000 on behalf of Final Varlık Yönetim A.Ş.

**11. FACTORING RECEIVABLES / PAYABLES****a. Factoring Receivables**

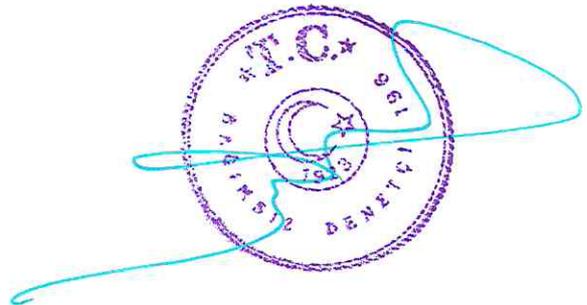
	31.12.2016		31.12.2015	
	TP	YP	TP	YP
Discounted factoring receivables	320.977.558	--	327.809.268	--
Other factoring receivables	86.326.944	--	63.650.485	14.746.930
Restructured factoring receivables	15.565.100	--	346.500	--
Interest income accrual of factoring receivables	3.005.561	--	1.726.476	--
Unearned interest income from factoring receivables (-)	(19.986.656)	--	(17.967.301)	--
	<b>405.888.506</b>	<b>--</b>	<b>375.565.428</b>	<b>14.746.930</b>

Maturity distribution of factoring receivables:

31.12.2016	Up to	Up to	Between 3	Between 1	Total
	1 month	3 months	months and 1 year	month and 5 years	
Factoring receivables	51.266.995	135.186.676	200.701.724	18.733.112	405.888.506

31.12.2015	Up to	Up to	Between 3	Between 1	Total
	1 month	3 months	months and 1 year	month and 5 years	
Factoring receivables	6.810.683	109.280.120	247.616.245	26.605.310	390.312.358



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS (Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 11. FACTORING RECEIVABLES / PAYABLES – (Cont'd)

##### a. Factoring Receivables – (Cont'd)

The details of factoring receivables according to the sectors are as follows;

Sector	31.12.2016	31.12.2015
	Amount ('000)	Amount ('000)
Textile and textile products industry	96.945	41.840
Construction	66.612	121.050
Other manufacturing industry	32.371	30.643
Wholesale and retail trade services	31.065	27.364
Transport, storage and communication	28.668	10.964
Other social and personal services	24.318	24.483
Transport vehicles industry	20.556	41.198
Food, beverage and tobacco industry	19.198	11.241
Agriculture	18.456	4.415
Chemical and chemical products and synthetic industry	15.319	5.438
Removing mines that produces energy	14.734	23.295
Other non-metallic industry	13.764	7.275
The paper and paper products industry	13.260	3.121
Leather and leather products industry	11.496	5.558
Hotels and restaurants (tourism)	6.723	21.879
Rubber and plastic products industry	4.706	13.172
Machinery and equipment industry	3.775	196
Metal main industry and processed material production	2.437	10.061
Electrical and optical appliances industry	1.472	5.087
	<b>425.875</b>	<b>408.280</b>

##### b. Factoring Payables

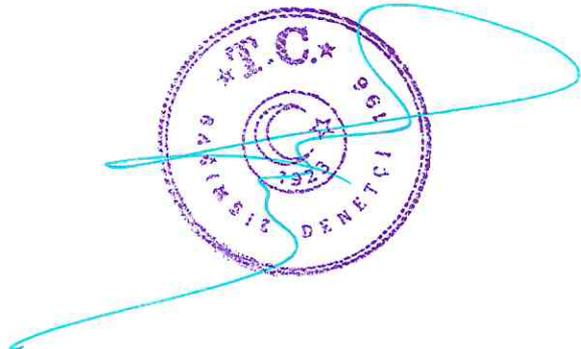
As at 31 December 2016 and 31 December 2015, the details of short-term factoring payables are as follows:

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Factoring payables	2.197.011	--	702.259	--
	<b>2.197.011</b>	<b>--</b>	<b>702.259</b>	<b>--</b>

Factoring payables represent amounts that have been collected on behalf of the factoring customers and which have not yet been deposited into the accounts of the related factoring customers.

#### 12. FINANCE CREDITS

None. (December 31, 2015 – None.)



**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**13. RECEIVABLES / PAYABLES FROM LEASING TRANSACTIONS**

None. (December 31, 2015 – None.)

**14. OTHER RECEIVABLES / PAYABLES**

a) **Other Receivables**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Miscellaneous receivables	2.030.053	--	1.832.088	--
<i>BSMV from customers</i>	1.258.301	--	1.268.727	--
<i>Other</i>	771.752	--	563.361	--
	<b>2.030.053</b>	<b>--</b>	<b>1.832.088</b>	<b>--</b>

b) **Other Payables**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Miscellaneous debts	285.556	--	5.559.242	--
Miscellaneous debts	283.210	--	5.557.371	--
<i>Miscellaneous debts (Note 42.2)</i>	--	--	5.478.126	--
<i>Debts to other parties</i>	283.210	--	79.245	--
<i>Due to personnel</i>	2.345	--	1.871	--
	<b>285.556</b>	<b>--</b>	<b>5.559.242</b>	<b>--</b>

**15. NON-PERFORMING RECEIVABLES**

As of 31 December 2016 and 31 December 2015, the details of the non-performing factoring receivables and provision of the Company are as follows:

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Non-performing receivables	21.856.679	--	14.560.403	--
Special provisions (-)	(8.678.472)	--	(8.629.410)	--
<b>Non-performing receivables, net</b>	<b>13.178.207</b>	<b>--</b>	<b>5.930.993</b>	<b>--</b>



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**15. NON-PERFORMING RECEIVABLES – (Cont'd)**

	31.12.2016		31.12.2015	
	Total non-performing factoring receivables	Provision	Total non-performing factoring receivables	Provision
Overdue within 1-3 months	--	--	811.912	(40.595)
Overdue within 3-6 months	4.537.344	(468.626)	216.615	(43.815)
Overdue within 6-12 months	17.319.335	(8.209.846)	9.973.752	(4.986.876)
Overdue within 1 years and more	--	--	3.558.124	(3.558.124)
	<b>21.856.679</b>	<b>(8.678.472)</b>	<b>14.560.403</b>	<b>(8.629.410)</b>

The movement of provision for factoring receivables as of 31 December 2016 and 31 December 2015 is as follows:

	31.12.2016	31.12.2015
Opening balance, January 01	(8.629.410)	(2.153.402)
Expenses for the period (Note 39)	(14.991.536)	(7.829.157)
Transferred receivables (*)	14.838.386	1.268.860
Cancelled provisions (Note 38)	104.088	84.289
<b>Closing balance</b>	<b>(8.678.472)</b>	<b>(8.629.410)</b>

(\*) The Company has transferred its factoring receivables to " Final Varlık Yönetim A.Ş. " which were booked as provision totally before and has no possibility to collect.

**16. DERIVATIVE AND FINANCIAL ASSETS AND LIABILITIES**

None. (December 31, 2015 – None.)

**17. INVESTMENTS HELD TO MATURITY (Net)**

None. (December 31, 2015 – None.)

**18. SUBSIDIARIES (Net)**

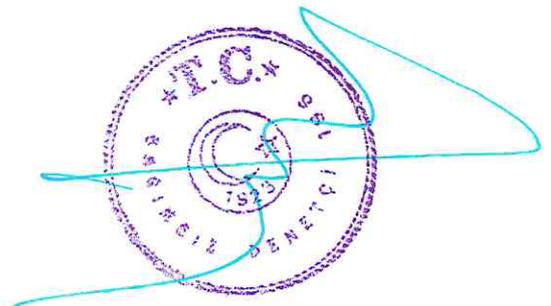
None. (December 31, 2015 – None.)

**19. JOINT VENTURES (Net)**

None. (December 31, 2015 – None.)

**20. AFFILIATES (Net)**

None. (December 31, 2015 – None.)



**AK FAKTORİNG ANONİM ŞİRKETİ**

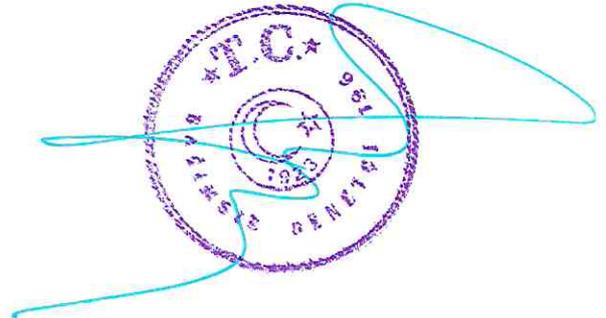
**AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**21. TANGIBLES (Net)**

Movements of property, plant and equipment for the period 01 January - 31 December 2016 and 2015 are as follows:

<b>Cost</b>	<b>Furniture and fixtures</b>
<b>January 01, 2015</b>	<b>291.203</b>
Additions	542.087
Disposals (-)	--
<b>December 31, 2015</b>	<b>833.290</b>
Additions	87.418
Disposals (-)	--
<b>December 31, 2016</b>	<b>920.708</b>
<b>Accumulated Depreciation</b>	
<b>January 01, 2015</b>	<b>147.141</b>
Additions	148.146
Disposals (-)	--
<b>December 31, 2015</b>	<b>295.286</b>
Additions	183.382
Disposals (-)	--
<b>December 31, 2016</b>	<b>478.668</b>
<b>Net registered value</b>	
<b>January 01, 2015</b>	<b>144.062</b>
<b>December 31, 2015</b>	<b>538.004</b>
<b>December 31, 2016</b>	<b>442.041</b>



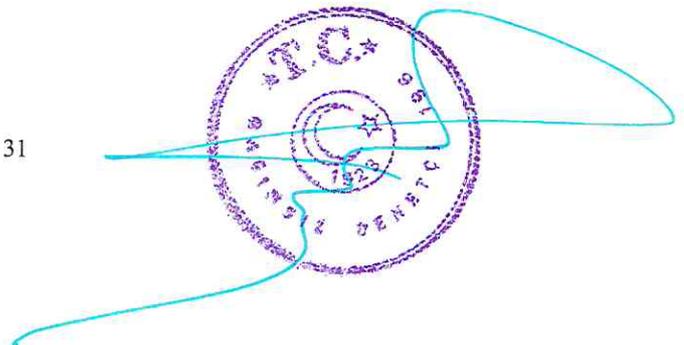
**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**22. INTANGIBLES (Net)**

Movements of intangibles for the period 01 January - 31 December 2016 and 2015 are as follows:

<b>Cost</b>	<b>Rights</b>
<b>January 01, 2015</b>	<b>232.179</b>
Additions	--
Disposals (-)	--
<b>December 31, 2015</b>	<b>232.179</b>
Additions	227.498
Disposals (-)	--
<b>December 31, 2016</b>	<b>459.677</b>
<b>Accumulated Depreciation</b>	
<b>January 01, 2015</b>	<b>133.464</b>
Additions	52.424
Disposals (-)	--
<b>December 31, 2015</b>	<b>185.888</b>
Additions	58.804
Disposals (-)	--
<b>December 31, 2016</b>	<b>244.692</b>
<b>Net registered value</b>	
<b>January 01, 2015</b>	<b>98.715</b>
<b>December 31, 2015</b>	<b>46.291</b>
<b>December 31, 2016</b>	<b>214.985</b>





## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 23. PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Prepaid interest expenses	4.413.701	--	1.888.579	--
Other	231.175	--	331.782	--
	<b>4.644.876</b>	<b>--</b>	<b>2.220.361</b>	<b>--</b>

Deferred Income	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Commission income collected for cash	511.689	--	258.297	--
	<b>511.689</b>	<b>--</b>	<b>258.297</b>	<b>--</b>

#### 24. TAX ASSETS AND LIABILITIES

##### a) Corporate Tax

In Turkey, the corporation tax rate of the fiscal year 2016 is 20% (December 31, 2015: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No further tax is payable unless the profit is distributed.

The Law on the Amendment to the Tax Procedural Law, the Income Tax Law and the Corporate Tax Law No. 5024 published in the Official Gazette on 30 December 2003, income or corporation's taxpayers who determine their earnings on a balance sheet basis prepares their financial statements by adjusting the inflation since January 01, 2004. According to the law, for making inflation adjustment, the cumulative interest rate (DIE TEFE increase rate) of last 36 months exceeding %100 and last 12 months (DIE TEFE increase rate) exceeding %10. Inflation adjustment was not made for 2008, 2009 and 2010 as these conditions were not met.

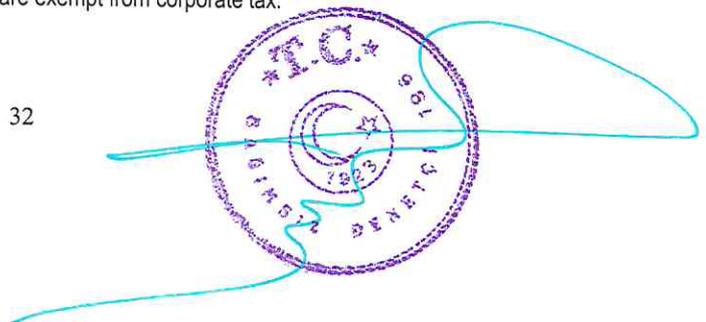
Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered profit distribution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

Companies declare their advance tax returns at 20% (2015: 20%) on their quarterly financial profits and pay until the 14th day of the second month following that period and pay till the 17th day. The temporary tax paid during the year shall be deducted from the corporation tax that will be calculated on the tax declaration of the institutions that will be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded, or any other financial debt to the state can be deducted.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

##### *Exemption for Domestic Participation Gains:*

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 24. TAX ASSETS AND LIABILITIES – (Cont'd)

##### a) Corporate Tax – (Cont'd)

###### *Emission Premium Exemption*

The issued shares that are from the foundation of incorporated company or increasing capital, emission premium gains from excess of nominal value are exempt from corporate tax.

###### *Exemption for Foreign Affiliate Earnings*

The Company that has no legal head office located in Turkey, participating in 10% or more of the corporation for at least one year continuously for a period of one year from the capital of a joint stock company or limited liability company, At least 15% (the main activity subject to financing or insurance companies, at least the rate of the corporate tax applied in Turkey), and the transfer of the taxes to the Turkey until the taxation declaration of the annual corporations related to the taxation period Subsidiary earnings are exempt from corporate tax.

###### *Exemption from Sales Gains for Real Estate, Subsidiary Share, Subscription Right, Founder and Pre-emptive Bonds*

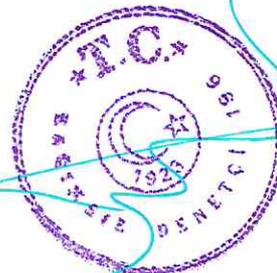
75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

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

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.

###### *Transfer Pricing*

Article 13 of Corporation Tax Law numbered 5520 introduces new arrangements about the transfer pricing came into force as of 1 January 2007. Significant changes took place in the arrangements related to the transfer pricing following the respective article based on the transfer pricing guidance of EU and OECD. In this framework, the entities are required to use the prices or amounts to be determined according to the peers for the purpose of sales or service buy and sale transactions carried out with affiliated persons. The principle of suitability with the peers means that the price or amount to be used for the purpose of goods or service buy and sale carried out with the affiliated persons is suitable for the price or amount that would have arisen if there had been no relation between them. The entities will determine the prices or amounts suitable for the peers that will be applied for the purpose of transactions carried out with the affiliated persons by using the methods laid out in the respective law according to the nature of the transaction.



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**24. TAX ASSETS AND LIABILITIES – (Cont'd)****a) Corporate Tax – (Cont'd)**

The details of current tax asset / (liability) as of 31 December 2016 and 31 December 2015 are as follows:

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Corporate tax	(3.158.292)	--	(4.790.605)	--
Prepaid taxes and funds (-)	1.949.981	--	3.754.468	--
<b>Total tax assets / (liabilities), net</b>	<b>(1.208.311)</b>	<b>--</b>	<b>(1.036.137)</b>	<b>--</b>

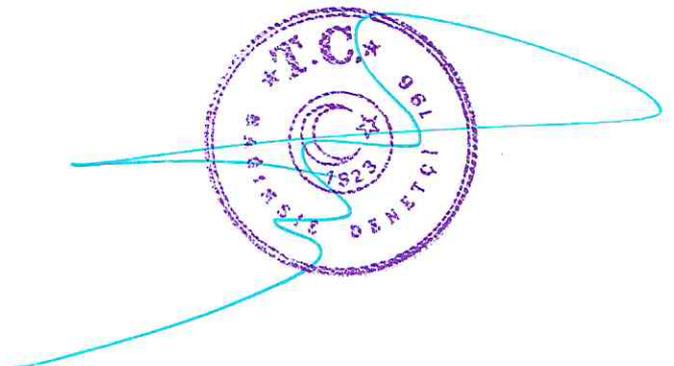
**b) Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities.

The rate to be applied to deferred tax assets and liabilities calculated using liability method over temporary differences in the prospective periods is 20% for the Company (2015 – 20%).

Movement of deferred tax details in the periods ended on December 31, 2016 and December 31, 2015 are as follows:

	Cumulative temporary difference		Deferred tax	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Deferred tax assets:</b>				
Provision for severance pay	(474.313)	(294.499)	94.863	58.900
Provision for unused annual leave	(192.804)	(69.442)	38.561	13.888
<b>Total deferred tax assets</b>	<b>(667.117)</b>	<b>(363.941)</b>	<b>133.423</b>	<b>72.788</b>
<b>Deferred tax liabilities:</b>				
Intangible and intangibles	1.219	2.630	(244)	(526)
<b>Total deferred tax liabilities</b>	<b>1.219</b>	<b>2.630</b>	<b>(244)</b>	<b>(526)</b>
<b>Deferred tax assets, net</b>	<b>(665.898)</b>	<b>(361.311)</b>	<b>133.180</b>	<b>72.262</b>



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**24. TAX ASSETS AND LIABILITIES – (Cont'd)****b) Deferred Tax Assets and Liabilities – (Cont'd)**

<b>Movement of tax assets / (liabilities)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Opening balance, January 01	72.262	22.335
Deferred tax income / (expense)	60.918	49.927
<b>Closing balance</b>	<b>133.180</b>	<b>72.262</b>

**c) Provision for Operating Tax**

The tax provision in the profit and loss statements is summarized below:

	<b>January, 01 – December 31, 2016</b>	<b>January, 01 – December 31, 2015</b>
Current period tax income / (expense), net	(3.158.292)	(4.790.605)
Deferred tax income / (expense), net	60.917	49.927
	<b>(3.097.375)</b>	<b>(4.740.678)</b>

**d) Taxes and Liabilities to be Paid**

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>TRY</b>	<b>Other</b>	<b>TRY</b>	<b>Other</b>
BSMV	351.923	--	398.454	--
SSI premiums to be paid	241.882	--	95.553	--
Income tax	108.610	--	100.104	--
SSI premiums to be paid	3.192	--	2.800	--
	<b>705.606</b>	<b>--</b>	<b>596.911</b>	<b>--</b>

**25. OTHER ASSETS**

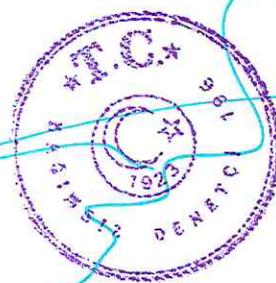
None. (December 31, 2015 – None.)

**26. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET) AND PAYABLES****a) Assets Held for Sale**

None. (December 31, 2015 – None.)

**b) Discontinued Operations**

None. (December 31, 2015 – None.)



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**27. BANK LOANS**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Bank loans	242.594.087	--	223.440.613	--
Funds provided from factoring companies	75.100.101	--	46.645.775	--
Loans from abroad	--	--	5.000.000	--
Interest accrual	5.034.668	--	5.837.434	--
	<b>322.728.856</b>	<b>--</b>	<b>280.923.822</b>	<b>--</b>

**28. ISSUED BONDS AND SECURITIES (Net)**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Issued securities	40.000.000	--	60.000.000	--
<i>Bonds</i>	40.000.000	--	60.000.000	--
<i>Securities</i>	--	--	--	--
Interest of securities/bonds issued	606.377	--	--	--
<i>Bonds</i>	606.377	--	--	--
<i>Securities</i>	--	--	--	--
	<b>40.606.377</b>	<b>--</b>	<b>60.000.000</b>	<b>--</b>

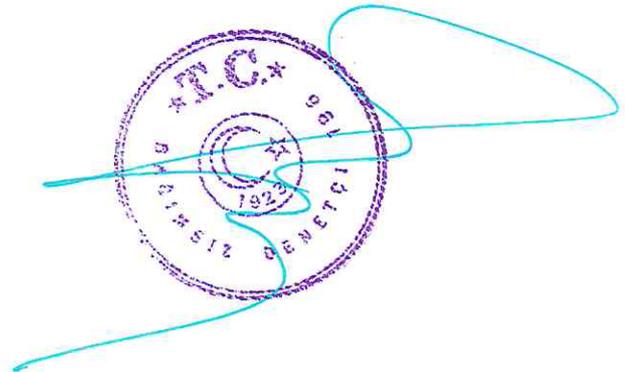
As of December 31, 2016

As of August 25, 2016 the Company has issued bonds that is amount of TRY 40.000.000 with a maturity of 1 year. As of ending period interest accrual was realized that is amount to TRY 606.377. The first interest coupon payment was made on November 24, 2016 and the other coupon payments will be made on February 23, 2017, May 25, 2017 and August 24, 2017. The principal payment will be made with the last coupon payment.

The Board of Directors decision has been made on October 03, 2016 regarding the issue of bonds amounting to TRY 110.000.000 and the approval of CMB is awaited for issuance.

As of December 31, 2015

As of September 30, 2015 the Company had issued bonds that is amount of TRY 60.000.000 with a maturity of 1 year. Bonds issued through Tacirler Yatırım Menkul Değerler Anonim Şirketi. The first interest coupon payment was made on 31 December 2015 and the other coupon payments was made on 31 March 2016, 30 June 2016 and 29 September 2016. The principal payment was made with the last coupon payment.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 29. OTHER LIABILITIES

None. (December 31, 2015 – None.)

#### 30. PAYABLES AND EXPENSE PROVISION

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Provision for severance pay	474.313	--	294.499	--
Provision for unused annual leave	192.804	--	69.442	--
Other provisions	105.000	--	--	--
	<b>772.117</b>	<b>--</b>	<b>363.941</b>	<b>--</b>

#### EMPLOYEE BENEFITS

##### Provision for severance pay

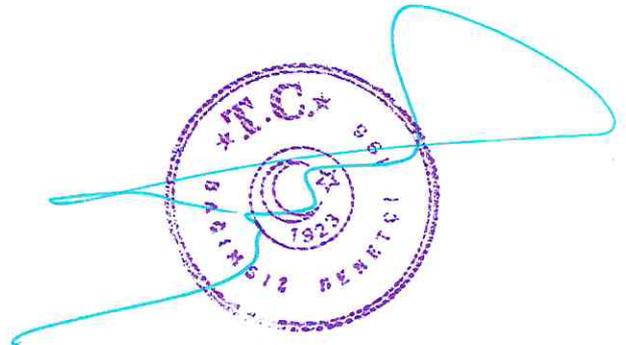
In accordance with the provisions of the current Labour Code, there is a liability to pay severance pay to employees if the contract is terminated in the way to entitled to take severance pay. Furthermore, in accordance with the Social Insurance Law No: 506 dated March 6, 1981, numbered 2422 and dated August 25, 1999, numbered 4447 and amended article 60 of the current Social Insurance Law, there is liability to pay severance pay to the employees who have right to leave job by taking severance pay.

The amount payable consists of one month's salary limited to a maximum of TRY 4.297 for each year of service as of December 31, 2016. (December 31, 2015: TRY 3.828).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of %1,12 (2015: %2,99) real discount calculated by using %8,53 (2015: %7,00) annual inflation rate and %9,75 (2015: %10,30) discount rate.

<b>Movement of severance pay:</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
January 01	294.499	164.730
Service cost	179.814	129.769
<b>Closing balance</b>	<b>474.313</b>	<b>294.499</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS (Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 31. LOANS SIMILAR WITH CAPITAL

None. (December 31, 2015: None.)

#### 32. EQUITY

##### 32.1. Paid in capital and capital reserves

The paid in capital of the Company is TRY 25.500.000 that is consisted of 25.500.000 shares that each share is amount to TRY 1. (December 31, 2015: TRY 25.500.000 / 25.500.000 issued share.)

The owners and rates of the shares are as follows:

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Altın Has Holding A.Ş.	% 100,00	25.499.625	% 100,00	25.499.625
İnan Altınbaş	> 1	75	> 1	75
Hüseyin Altınbaş	> 1	75	> 1	75
Abdülhamit Yurt	> 1	75	> 1	75
Atilla Keskin	> 1	75	> 1	75
Vedat Bayat	> 1	75	> 1	75
	% 100,00	25.500.000	% 100,00	25.500.000

There are no privileges granted to shares.

##### 32.2. Capital reserves

None. (December 31, 2015 – None.)

##### 32.3.a Other comprehensive income and expenses that will not be classified in profit or loss statement.

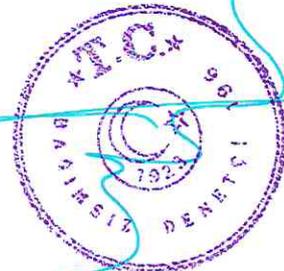
None. (December 31, 2015 – None.)

##### 32.3.b Other comprehensive income and expenses that will be classified in profit or loss statement.

None. (December 31, 2015 – None.)

##### 32.4. Profit Reserves

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Legal reserves	2.955.579	--	1.633.551	--
Extraordinary reserves	18.453.677	--	5.735.217	--
	21.409.256	--	7.368.768	--



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**32. EQUITY – (Cont'd)****32.5. Retained Earnings**

None. (December 31, 2015 – None.)

**32.6. Minority Interests**

None. (December 31, 2015 – None.)

**33. FACTORING INCOME**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Interest income	90.647.536	84.912.541
Fee and commission income	1.148.327	1.495.599
	<b>91.795.863</b>	<b>86.408.140</b>

**34. FINANCE LOAN INCOME**

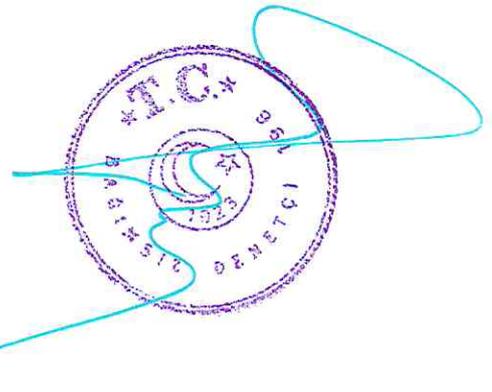
None. (January 01-December 31, 2015 – None.)

**35. LEASING INCOME**

None. (January 01-December 31, 2015 – None.)

**36. FINANCIAL EXPENSES**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Interest paid to the loans used (Domestic)	(44.458.143)	(36.965.113)
Interest expense on issued securities	(8.226.557)	(6.100.350)
Fees and commission expenses	(3.154.985)	(3.163.679)
Interest paid to the loans used (Abroad)	(442.230)	(989.067)
Other interest expense	(14.856)	--
	<b>(56.296.770)</b>	<b>(47.218.209)</b>





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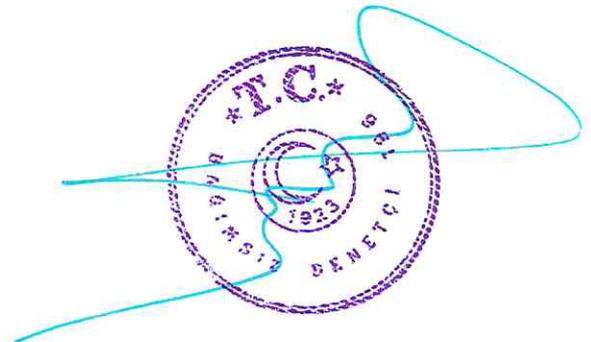
**37. OPERATING EXPENSES**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Personnel expenses	(5.979.953)	(5.358.427)
Provision for severance pay	(244.628)	(159.552)
Other expenses (Unused annual leave)	(229.113)	(35.099)
General operating expenses	(3.044.264)	(2.439.819)
Office rent and dues	(503.361)	(469.900)
Bank transaction costs	(480.966)	(245.320)
Vehicle rental expenses	(394.032)	(360.180)
Subscription fees	(298.230)	(223.483)
Depreciation and amortization expenses	(242.185)	(200.569)
Consultancy expenses	(191.635)	(165.765)
IT expenses	(172.632)	(114.719)
Legal cases expenses	(141.316)	(27.380)
Office expenses	(126.803)	(175.415)
Fuel expenses	(117.559)	(110.201)
Taxes and fees	(113.988)	(142.958)
Communication expenses	(75.683)	(75.686)
Transportation expenses	(33.615)	(56.004)
Stationery expenses	(32.386)	(30.880)
Travel expenses	(30.991)	(25.319)
Repair and maintenance expenses	(1.226)	(2.562)
Other	(87.657)	(13.478)
	<b>(9.497.957)</b>	<b>(7.992.897)</b>

**38. OTHER OPERATING INCOME**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Foreign exchange profits	4.037.666	7.009.300
No longer required provision for factoring receivables (Note 15)	104.088	84.289
Interest income from banks	58.306	13
Other interest income	--	100.982
Interest income from securities	--	100.982
Other income except interest	3.665.581	4.625
Other (*)	3.665.581	4.625
	<b>7.865.641</b>	<b>7.199.209</b>

(\*)As of June 30, 2016 the receivables from 18 Companies that is amount to TRY 14.838.385 has been transferred to Final Varlık Yönetim A.Ş. and collected TRY 3.600.000 for these receivables. (Note- 42.5).



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))**39. PROVISION FOR NON-PERFORMING RECEIVABLES**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Special provision for non-performing receivables expenses (Note: 15)	(14.991.536)	(7.829.157)
	<b>(14.991.536)</b>	<b>(7.829.157)</b>

**40. OTHER OPERATING EXPENSES**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Foreign exchange losses	(3.510.782)	(6.785.923)
	<b>(3.510.782)</b>	<b>(6.785.923)</b>

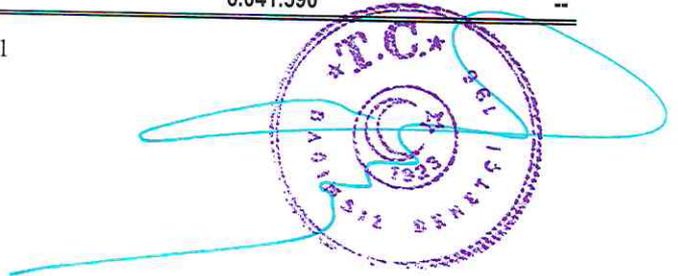
**41. EARNINGS PER SHARE**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Total issued shares at the beginning of the period	25.500.000	8.500.000
Issued bonus shares	--	17.000.000
Total issued shares at the end of the period	25.500.000	25.500.000
Total issued weighted average shares	18.728.022	18.728.022
<b>Net profit / (loss) (TRY)</b>	<b>12.267.082</b>	<b>19.040.485</b>
<b>Earnings per share (%)</b>	<b>65,50%</b>	<b>101,67%</b>
<b>Earnings per share (TRY)</b>	<b>0,65 TL</b>	<b>1,02 TL</b>

There is no privilege to participate in the profit of the company.

**42. DISCLOSURE OF RELATED PARTY****42.1. Receivables from Related Parties**

Receivables from related parties (Note -14)	31.12.2016	31.12.2015
Receivables from group companies <i>Final Varlık Yönetim A.Ş.</i>	6.041.590	--
<b>Total</b>	<b>6.041.590</b>	<b>--</b>



AK FAKTORİNG ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

42. DISCLOSURE OF RELATED PARTY – (Cont'd)

42.2. Due to Related Parties

Due to related parties (Note -14)	31.12.2016	31.12.2015
<u>Due to group companies</u>		
Altınhas Holding A.Ş. ( Other)	--	5.150.000
Altınhas Holding A.Ş. (Trade )	192.473	328.126
<b>Total</b>	<b>192.473</b>	<b>5.478.126</b>

42.3. Guarantee, Pledges, Mortgages from Related Parties

Pledge	31.12.2016	31.12.2015
- TRY	541.400.000	436.750.000
- USD\$	18.300.000	25.000.000
- EURO	4.000.000	4.000.000

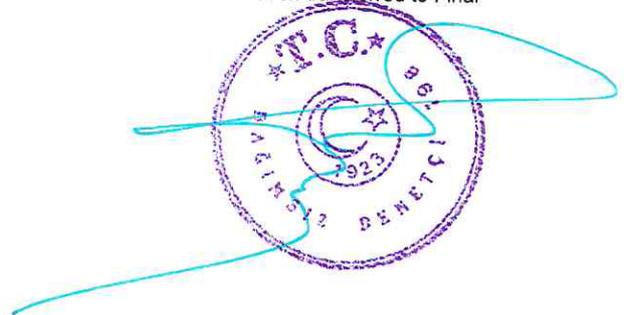
42.4. Payments to Related Parties (Expenses)

	January 01 - December 31, 2016	January 01 - December 31, 2015
<b>Altınhas Holding A.Ş.</b>	<b>4.486.172</b>	<b>4.197.104</b>
Pledge commission	2.635.449	2.416.549
Interest expenses	774.197	893.243
Office rent and building	479.028	463.629
Vehicle rent and fuel expenses	453.698	368.796
IT expenses	73.568	35.502
Miscellaneous expenses	70.231	19.385
<b>Pama Mağazacılık A.Ş.</b>	<b>1.264</b>	<b>--</b>
Representation Expenses	1.264	--
	<b>4.487.436</b>	<b>4.197.104</b>

42.5 Income from Related Parties (Profits)

	January 01 - December 31, 2016	January 01 - December 31, 2015
Final Varlık Yönetim A.Ş. (Not 15)	3.600.000	5.000
<b>Total</b>	<b>3.600.000</b>	<b>5.000</b>

As of June 30, 2016 the receivables from 18 Companies that is amount to TRY 14.838.385 has been transferred to Final Varlık Yönetim A.Ş. and collected TRY 3.600.000 (Note-15).



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**42. DISCLOSURE OF RELATED PARTY – (Cont'd)****42.6. Fees and Similar Benefits Paid to Senior Managers**

	January 01 - December 31, 2016	January 01 - December 31, 2015
Fees and similar benefits	630.000	560.000
	<b>630.000</b>	<b>560.000</b>

**43. CONTINGENT ASSETS AND LIABILITIES****43.1. Off Balance Sheet Commitments****a) Guarantees Taken**

As of December 31, 2016 and December 31, 2015, the guarantees received against the Company's factoring receivables are as follows;

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Guarantee checks from customers	1.993.207.231	--	1.474.974.905	7.590.135
Customer mortgages	168.750.000	--	124.500.000	--
Customer pledges	1.655.000	--	3.500.000	--
Guarantee notes taken from customers	137.000	12.492.630	137.000	19.243.857
	<b>2.163.749.231</b>	<b>12.492.630</b>	<b>1.603.111.905</b>	<b>26.833.992</b>

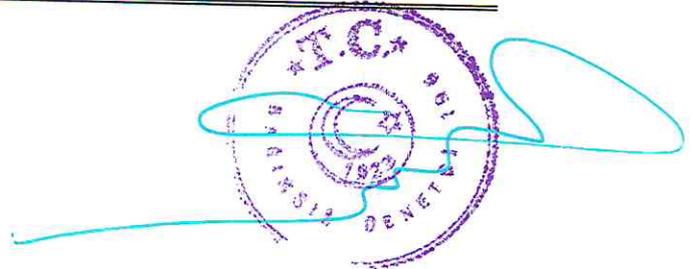
**b) Guarantees, Pledges and Mortgages Given (GPM)**

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Letter of guarantee given	4.510.695	--	1.651.632	--
	<b>4.510.695</b>	<b>--</b>	<b>1.651.632</b>	<b>--</b>

**43.2. Securities**

As of December 31, 2016 and December 31, 2015, the assets held by the Company as factoring receivables are as follows;

	31.12.2016		31.12.2015	
	TRY	Other	TRY	Other
Customer cheques	352.556.616	18.723.276	320.527.761	36.325.536
Customer notes	78.968.328	15.037.834	31.379.274	11.399.130
	<b>431.524.944</b>	<b>33.761.110</b>	<b>351.907.035</b>	<b>47.724.666</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 43. CONTINGENT ASSETS AND LIABILITIES – (Cont'd)

##### 43.3. Ongoing Lawsuits:

As of December 31, 2016:

The Company has started legal follow-up for TRY 8.678.472 of total TRY 21.856.679.

In the accompanying financial statements, the necessary provisions are made with respect to the ongoing lawsuits filed by the Company.

As of December 31, 2015:

The Company has started legal follow-up for TRY 8.629.410 of total TRY 14.560.403.

#### 44. COMMITMENTS

None. (December 31, 2015 - None.)

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### Risk Management Objectives and Principles

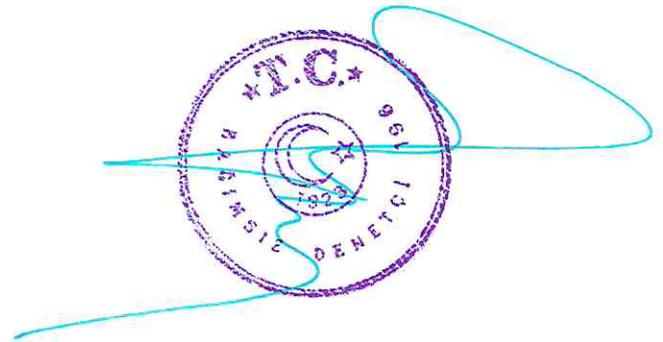
The significant financial instruments of Company are receivables from factoring operating, bank loans, bonds payables and financial payables that includes funds which was used by related parties. The main aim of these financial instruments is to operate the main activity and provide the funding source. The most important risks arising from the financial instruments of the Company are interest rate risk, liquidity risk, exchange risk and credit risk.

The Company follows the related risks summarized below and developing policies mentioned below for those risks.

##### Credit Risk

Credit risk is the risk of suffering loss in terms of financial because of not meeting the obligation of financial instrument by the other side. The Company tries to manage the credit risk by limiting transactions and constantly valuating the reliability of the parties to whom it relates. According to company procedures, all customers who want to work with credits are passed through loan review stages and necessary guarantees are taken. In addition, the receivables are continuously monitored and the Company's suspicious credit / receivable risk is minimized.

The carrying values in the statement of financial position reflect the Company's maximum credit risk.



AK FAKTORİNG ANONİM ŞİRKETİ

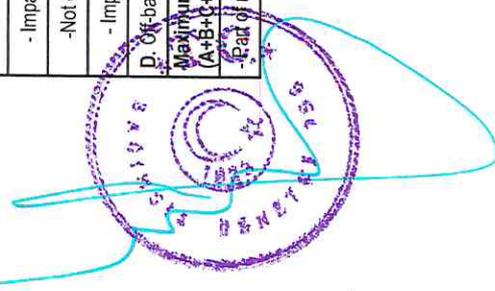
AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Credit Risk – (Cont'd)

	December 31, 2016											Held assets until maturity Financial loans Related party	
	Trade receivables			Doubtful receivables			Financial loans			Other receivables			Banks Doubtful receivables Related party
	Related Party	Other Party		Related Party	Other Party		Related Party	Other Party		Related Party	Other Party		
Maximum credit risk to which the company exposed as of the date of reporting (A+B+C+D+E)	--	405.888.506		--	13.178.207		--	--	--	2.030.053		692.314	--
- Part of maximum risk that is secured with guarantee	--	170.405.000		--	--		--	--	--	--		--	--
A. Net book values of financial assets which are not overdue or exposed to decrease in value	--	405.888.506		--	--		--	--	--	2.030.053		692.314	--
B. Book values of financial assets of which conditions are renegotiated otherwise exposed to overdue or decrease in value	--	--		--	--		--	--	--	--		--	--
C. Net book values of assets of which are overdue but not have decreased values	--	--		--	13.178.207		--	--	--	--		--	--
- Overdue (Gross book value)	--	--		--	21.856.679		--	--	--	--		--	--
- Impairment (-)	--	--		--	(8.678.472)		--	--	--	--		--	--
-Not overdue (Gross book value)	--	--		--	--		--	--	--	--		--	--
- Impairment (-)	--	--		--	--		--	--	--	--		--	--
D. Off-balance sheet risk	--	--		--	--		--	--	--	--		--	--
Maximum credit risk to which the company exposed as of the date of reporting (A+B+C+D+E)	--	--		--	--		--	--	--	--		--	--
- Part of maximum risk that is secured with guarantee	--	--		--	--		--	--	--	--		--	--



AK FAKTORİNG ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Credit Risk – (Cont'd)

	December 31, 2015																	
	Trade receivables				Doubtful receivables				Financial loans				Other receivables				Banks Doubtful receivables Related party	Held assets until to maturity Financial loans Related party
	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party						
Maximum credit risk to which the company exposed as of the date of reporting (A+B+C+D+E)	--	390.312.358	--	5.930.993	--	--	--	1.832.088	--	--	--	--	395.740	--				
- Part of maximum risk that is secured with guarantee	--	128.000.000	--	--	--	--	--	--	--	--	--	--	--	--				
A. Net book values of financial assets which are not overdue or exposed to decrease in value	--	390.312.358	--	--	--	--	--	1.832.088	--	--	--	--	395.740	--				
B. Book values of financial assets of which conditions are renegotiated otherwise exposed to overdue or decrease in value	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
C. Net book values of assets of which are overdue but not have decreased values	--	--	--	5.930.993	--	--	--	--	--	--	--	--	--	--				
- Overdue (Gross book value)	--	--	--	14.560.403	--	--	--	--	--	--	--	--	--	--				
- Impairment (-)	--	--	--	(8.629.410)	--	--	--	--	--	--	--	--	--	--				
- Secured part with guarantee of net value, etc.	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
Not overdue (Gross book value)	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
- Impairment (-)	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
- Secured part with guarantee of net value, etc.	--	--	--	--	--	--	--	--	--	--	--	--	--	--				
D. Part of maximum risk that is secured with guarantee	--	--	--	--	--	--	--	--	--	--	--	--	--	--				

**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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**45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)**

**Risk Management Objectives and Principles – (Cont'd)**

Liquidity Risk

Liquidity risk is the risk that a company cannot meet its funding needs. Liquidity risk is reduced by balancing cash inflows and outflows with the support of credits given by reliable lenders.

The details of financial assets and liabilities according to their maturity is presented considering the period of the financial statement to the maturity date.

The maturity details of non-derivative financial liabilities as of 31 December 2016 and 31 December 2015 is as follows.





AK FAKTORING ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Liquidity Risk – (Cont'd)

The maturity details of non-derivative financial liabilities as of 31 December 2016 is as follows.

Maturity according to contracts	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>365.532.244</b>	<b>365.532.244</b>	<b>288.252.901</b>	<b>77.279.343</b>	--	--
Loans	322.728.856	322.728.856	286.055.891	36.672.965	--	--
Factoring payables	2.197.011	2.197.011	2.197.011	--	--	--
Issued securities	40.606.377	40.606.377	--	40.606.377	--	--

Expected Maturity	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>285.556</b>	<b>285.556</b>	<b>285.556</b>	--	--	--
Other payables	285.556	285.556	285.556	--	--	--

AK FAKTORING ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Liquidity Risk – (Cont'd)

The maturity details of non-derivative financial liabilities as of 31 December 2015 is as follows.

Maturity according to contracts	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>341.626.081</b>	<b>341.626.081</b>	<b>178.541.081</b>	<b>163.085.000</b>	--	--
Loans	280.923.822	280.923.822	177.838.822	103.085.000	--	--
Factoring payables	702.259	702.259	702.259	--	--	--
Issued securities	60.000.000	60.000.000	--	60.000.000	--	--

Expected Maturity	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>5.559.242</b>	<b>5.559.242</b>	--	<b>5.559.242</b>	--	--
Other payables	5.559.242	5.559.242	--	5.559.242	--	--

## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

##### Risk Management Objectives and Principles – (Cont'd)

###### Market Risk:

Market risk is the risk of affect the Company negatively depending the changes in interest, foreign exchange rates, and other financial contracts. The main risk for the Company is the changes in interest and foreign exchange rate.

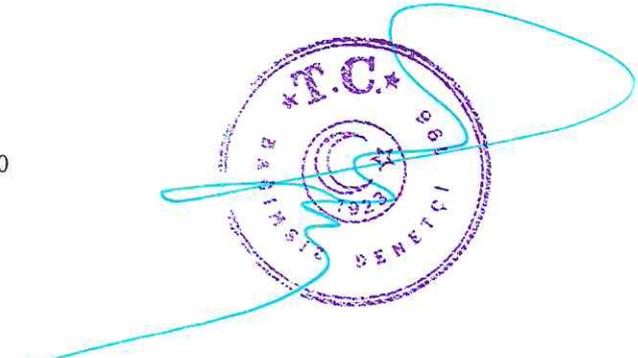
##### a) Foreign Exchange Position and Sensitivity Analysis

The Company is exposed to foreign currency risk because of the exchange rate using in translation of assets and liabilities to local currency. Company analysis the foreign exchange risk with foreign currency.

	31.12.2016	31.12.2015
Assets in foreign currency (*)	11.302.472	36.770.422
Liabilities in foreign currency (-) (**)	(6.851.064)	(35.614.820)
<b>Net foreign currency position</b>	<b>4.451.408</b>	<b>1.155.602</b>

(\*) Total of indexed to foreign currency and foreign currency factoring receivables

(\*\*) Indexed to foreign currency bank loans



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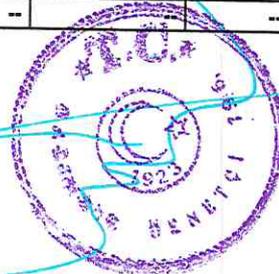
AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

a) Foreign Exchange Position and Sensitivity Analysis – (Cont'd)

Foreign Exchange Position				
December 31, 2016				
	TRY Equivalent (Reporting Currency)	USD	EUR	GBP
1. Factoring Receivables	11.290.810	2.216.334	941.018	--
2a. Monetary Financial Assets (including cash, banks)	11.662	1.785	1.450	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. Current Assets (1+2+3)</b>	<b>11.302.472</b>	<b>2.218.119</b>	<b>942.468</b>	<b>--</b>
5. Factoring Receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>11.302.472</b>	<b>2.218.119</b>	<b>942.468</b>	<b>--</b>
10. Factoring Payables	--	--	--	--
11. Financial Liabilities	6.851.064	1.352.508	563.712	--
12a. Other monetary financial liabilities	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--
<b>13. Current Liabilities (10+11+12)</b>	<b>6.851.064</b>	<b>1.352.508</b>	<b>563.712</b>	<b>--</b>
14. Factoring Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>6.851.064</b>	<b>1.352.508</b>	<b>563.712</b>	<b>--</b>
<b>19. Net asset / liability position of off- balance sheet derivative instruments</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
19a. Hedged amount of assets	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--
<b>20. Net foreign currency position asset / liabilities (9-18+19)</b>	<b>4.451.408</b>	<b>865.611</b>	<b>378.756</b>	<b>--</b>
<b>21. Net foreign currency asset/liability position of monetary items</b>	<b>4.451.408</b>	<b>865.611</b>	<b>378.756</b>	<b>--</b>
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--
23. Hedged of foreign currency assets	--	--	--	--
24. Hedged of foreign currency liabilities	--	--	--	--
25. Export	--	--	--	--
26. Import	--	--	--	--



AK FAKTORİNG ANONİM ŞİRKETİ

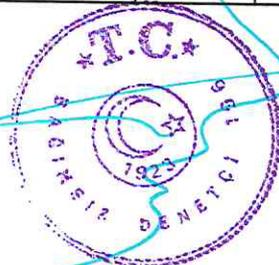
AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

a) Foreign Exchange Position and Sensitivity Analysis – (Cont'd)

Foreign Exchange Position				
December 31, 2015				
	TRY Equivalent (Reporting Currency)	USD	EUR	GBP
1. Factoring Receivables	36.767.560	4.311.365	2.984.928	3.428.960
2a. Monetary Financial Assets (including cash, banks)	2.862	1	900	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. Current Assets (1+2+3)</b>	<b>36.770.422</b>	<b>4.311.366</b>	<b>2.985.828</b>	<b>3.428.960</b>
5. Factoring Receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>36.770.422</b>	<b>4.311.366</b>	<b>2.985.828</b>	<b>3.428.960</b>
10. Factoring Payables	--	--	--	--
11. Financial Liabilities	35.614.820	4.214.057	2.711.197	3.428.960
12a. Other monetary financial liabilities	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--
<b>13. Current Liabilities (10+11+12)</b>	<b>35.614.820</b>	<b>4.214.057</b>	<b>2.711.197</b>	<b>3.428.960</b>
14. Factoring Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>35.614.820</b>	<b>4.214.057</b>	<b>2.711.197</b>	<b>3.428.960</b>
19. Net asset / liability position of off- balance sheet derivative instruments	--	--	--	--
19a. Hedged amount of assets	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--
<b>20. Net foreign currency position asset / liabilities (9-18+19)</b>	<b>1.155.602</b>	<b>97.309</b>	<b>274.631</b>	<b>--</b>
<b>21. Net foreign currency asset/liability position of monetary items</b>	<b>1.155.602</b>	<b>97.309</b>	<b>274.631</b>	<b>--</b>
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--
23. Hedged of foreign currency assets	--	--	--	--
24. Hedged of foreign currency liabilities	--	--	--	--
25. Export	--	--	--	--
26. Import	--	--	--	--



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

##### Foreign Currency Sensitivity Analysis

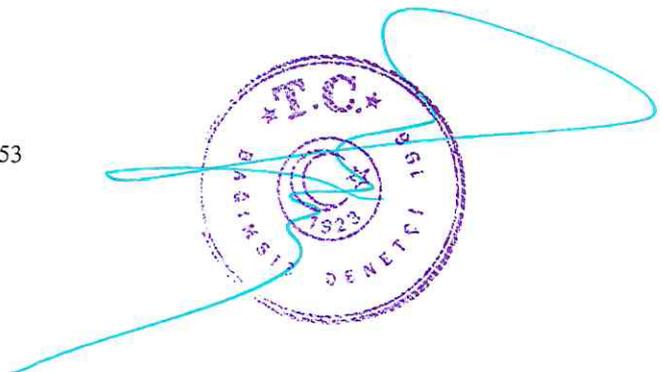
###### Foreign Currency Risk:

Company uses the foreign exchange position to dedicate the foreign currency risk. According to the foreign exchange position, Company measures foreign currency risk periodically that will arise from changes in the foreign exchange rate.

Foreign currency risk is being controlled by balancing the assets and liabilities in the foreign currency. In this context, foreign exchange position is estimated by considering the changes in assets and liabilities in the foreign currency in the next interim financial period. After estimating the foreign exchange position, Company determines the derivative product and the volume of the derivate product that may be used according to the conditions of the market and expectations. If the exchange currency position is open, Company is buyer of foreign currency. If the exchange currency position is close, Company is seller of foreign currency and apply to derivative transactions.

The Company's foreign currency risk-sensitive financial assets are cash in foreign currency (cash, deposits in the bank), factoring receivables in foreign currencies and other receivables in foreign currencies and current assets. The Company's foreign currency risk-sensitive financial liabilities are trade payables and bank loans that is indexed to bank loans.

	31.12.2016		31.12.2015	
	At balance sheet date	At the report date	At balance sheet date	At the report date
USD \$	3,5192	3,6869	2,9076	2,9348
AVRO €	3,7099	3,9228	3,1776	3,2714
GBP	4,3189	4,6063	4,3007	4,2527



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AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Foreign Currency Sensitivity Analysis– (Cont'd)

As of balance sheet date, the effect of changes in foreign exchange rate to foreign currency position:

Foreign Currency Sensitivity Analysis					
December 31, 2016					
	Profit/Loss		Equity		
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	
<b>In case of appreciation / depreciation of USD against TRY at 10%</b>					
1- USD net asset/liabilities	304.626	(304.626)			
2- Part of hedged (-)	--	--	--	--	--
<b>3- USD net effect (1+2)</b>	<b>304.626</b>	<b>(304.626)</b>			
<b>In case of appreciation / depreciation of EUR against TRY at 10%</b>					
4- EUR net asset/liabilities	140.515	(140.515)			
5- Part of hedged (-)	--	--	--	--	--
<b>6- EUR USD net effect (4+5)</b>	<b>140.515</b>	<b>(140.515)</b>			
<b>In case of appreciation / depreciation of GBP against TRY at 10%</b>					
7- GBP net asset/liabilities	--	--	--	--	--
8- Part of hedged (-)	--	--	--	--	--
<b>9- Other net effect (7+8)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>445.141</b>	<b>(445.141)</b>			

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AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS  
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45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Foreign Currency Sensitivity Analysis– (Cont'd)

Foreign Currency Sensitivity Analysis					
December 31, 2015					
	Profit/Loss		Equity		
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	Depreciation of foreign currency
In case of appreciation / depreciation of USD against TRY at 10%					
1- USD net asset/liabilities	28.294	(28.294)	--	--	--
2- Part of hedged (-)	--	--	--	--	--
<b>3- USD net effect (1+2)</b>	<b>28.294</b>	<b>(28.294)</b>	--	--	--
In case of appreciation / depreciation of EUR against TRY at 10%					
4- EUR net asset/liabilities	87.267	(87.267)	--	--	--
5- Part of hedged (-)	--	--	--	--	--
<b>6- EUR USD net effect (4+5)</b>	<b>87.267</b>	<b>(87.267)</b>	--	--	--
In case of appreciation / depreciation of GBP against TRY at 10%					
7- GBP net asset/liabilities	--	--	--	--	--
8- Part of hedged (-)	--	--	--	--	--
<b>9- Other net effect (7+8)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>115.561</b>	<b>(115.561)</b>	<b>--</b>	<b>--</b>	<b>--</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

##### a) Interest Rate Position and Sensitivity Analysis

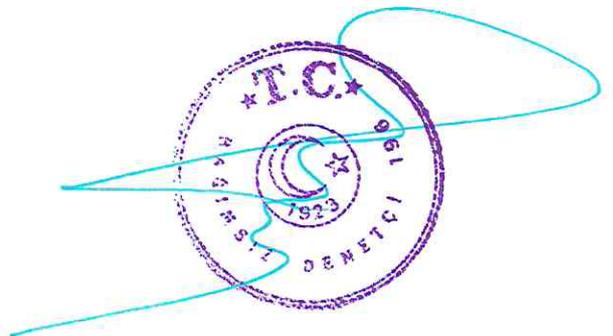
###### Interest Rate Position:

The Company's sensitive financial assets are factoring receivables and sensitive financial liabilities, bank loans, issued securities and payables to related parties.

The Company manages payments and receivables with similar maturities, so they project to balance interest increase and decrease.

Weighted average interest rates applied to sensitive assets and liabilities of the Company are as follows:

	31.12.2016				31.12.2015				
	%	TRY	USD \$	EURO	GBP	TRY	USD \$	EURO	GBP
<b><u>Assets</u></b>									
Bank deposits	--	--	--	--	--	--	--	--	--
Financial assets held for trading	--	--	--	--	--	--	--	--	--
Factoring receivables		22,24	11,10	11,21	--	22	12,05	11,65	12
<b><u>Liabilities</u></b>									
Loans		14,85	5,49	4,10	--	13,6	4,2	3,65	5,5
Factoring payables		--	--	--	--	--	--	--	--
Issued securities		15,82	--	--	--	15,7	--	--	--



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2016 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)****b) Interest Rate Position and Sensitivity Analysis – (Cont'd)**

The interest position of the Company is as follows.

Interest Position		
	31.12.2016	31.12.2015
<b>Fixed interest financial instruments</b>	<b>141.442.494</b>	<b>153.116.019</b>
Factoring receivables	405.888.507	390.312.358
Loans (-)	(262.249.002)	(236.494.080)
Factoring payables (-)	(2.197.011)	(702.259)
<b>Variable rate financial instruments</b>	<b>(101.086.232)</b>	<b>(104.429.742)</b>
Financial assets for trading	--	--
Loans (-)	(60.479.855)	(44.429.742)
Issued securities (-)	(40.606.377)	(60.000.000)

If interest rate increase/ (decrease) by 1 point, it will increase/(decrease) the net profit that is in the accompanying income statement which is amount to TRY – 1.010.862 (December 31, 2015: 1.044.297).

**Capital Risk Management Policies and Procedures**

In capital management, the Company aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Company follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount as shown in balance sheet, trade and other payables and loans.

	31.12.2016	31.12.2015
Total payables	369.015.522	349.440.609
<u>Less:</u>		
Cash and cash equivalents	(7.699)	(1.765)
Banks	(692.314)	(395.740)
<b>Net payables</b>	<b>368.315.509</b>	<b>349.043.104</b>
Total equity	59.176.339	51.909.253
Debt/Equity Ratio	622%	672%

The primary purpose of the Board of Company is to maximize the shareholder value and maintain a strong credit rating and healthy capital ratios. The company manages and corrects capital structure according to the changes in economic conditions. As of December 31, 2016 there is not any change in purpose, politics or process. (December 31, 2015: None)



**46. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)**

The Company has determined the estimated fair values of its financial instruments by using available market information and appropriate valuation methods however, evaluating market information and estimating fair values requires interpretation and judgment. Consequently, the estimates presented may not necessarily indicative the amounts the of the Company could obtain in the market. The following methods and assumptions were used to estimate the fair value of financial instruments

**Financial Assets**– Monetary items in foreign currency are exchanged by using the exchange rate at the balance sheet date because they approximate their fair values. Financial assets are deemed to approximate their carrying values because having short-term maturity, making provision for possible loss according to the economic and sectoral conditions.

**Financial Liabilities** – Monetary items in foreign currency are exchanged by using the exchange rate at the balance sheet date because they approximate their fair values. Financial assets and other liabilities are deemed to approximate their carrying values because having short-term maturity.

**47. SUBSEQUENT EVENTS**

According to the decision of the Board of Directors dated February 09, 2017 Yılmaz Bişgen was appointed as a Board Member in place of Cem Özdemir who abandoned from the Company's Board of Directors. (December 31, 2015 – None)

**48. OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR PREVENT THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS**

None. (December 31, 2015 – None)

