AK FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2011
TOGETHER WITH INDEPENDENT
AUDITORS' REPORT

ERNST & YOUNG

Güney Bağımsız Denetim ve SMMM AŞ
Büyükdere Cad. Beytem Plaza
No:22 K:9-10, 34381 - Şişli
İstanbul - Turkey
Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
www.ey.com

Independent auditor's report

To the Board of Directors of Ak Finansal Kiralama A.Ş.

We have audited the accompanying financial statements of Ak Finansal Kiralama A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2011 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ak Finansal Kiralama A.Ş. as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

20 April 2012
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

INDEX TO FINANCIAL STATEMENTS

CONTENTS	PAGE

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

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

ASSETS	Notes	2011	2010
Cash and cash equivalents	5	157,036	86,761
Finance lease receivables	6	1,502,007	1,058,233
Other assets and prepaid expenses	8	38,276	28,188
Assets held for sale	10	1,557	109
Property and equipment, net	9	1,458	427
Intangible assets, net	9	583	38
Derivative financial instruments	7	61	-
Deferred tax asset, net	15	7,377	12,728
Total assets		**1,708,355**	**1,186,484**
LIABILITIES			
Borrowings	11	1,301,004	833,362
Accounts payable	12	51,858	48,408
Advances from customers	12	45,472	12,484
Derivative financial instruments	7	1,577	785
Other liabilities	13	1,923	3,468
Employment benefits	14	611	435
Total liabilities		**1,402,445**	**898,942**
EQUITY			
Share capital	16	88,400	88,400
Adjustment to share capital	16	(13,393)	(13,393)
Total paid-in share capital	16	75,007	75,007
Legal reserves	17	19,588	15,373
Retained earnings	17	211,315	197,162
Total equity		**305,910**	**287,542**
Total liabilities and equity		**1,708,355**	**1,186,484**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Notes	2011	2010
Interest income from direct finance leases		102,587	87,888
Interest income on placements and transactions with banks		9,584	2,666
Total interest income		**112,171**	**90,554**
Interest expense on borrowings		(51,004)	(32,167)
Interest expense from derivative financial instruments		(1,707)	(1,191)
Net interest income		**59,460**	**57,196**
Foreign exchange gains, including net gains or losses from dealing in foreign currency		2,725	538
Net interest income after foreign exchange gains and losses		**62,185**	**57,734**
Fee and commission income, net		991	2,517
Impairment loss on finance lease receivables	6	(14,666)	(3,267)
Recoveries from impaired lease receivables	6	8,080	14,453
Other income/expenses, net		(432)	1,172
Operating profit		**56,158**	**72,609**
Operating expenses	18	(12,439)	(10,410)
Income before tax		**43,719**	**62,199**
Taxation on income	15	(5,351)	(11,322)
Net income for the year		**38,368**	**50,877**
Other comprehensive income		-	-
Total comprehensive income		**38,368**	**50,877**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Notes	2011	2010
Cash flows from operating activities			
Net income for the year		38,368	50,877
Adjustments for:			
Depreciation and amortization	9,18	137	148
Loss on disposal of property and equipment		(4)	-
Remeasurement of derivative financial instruments at fair value	7	(731)	766
Provision for employment termination benefits	14	106	169
Provision for legal proceedings	13	(51)	(100)
Provision for personnel performance bonus	13	1,400	670
Provision for impaired receivables	6	14,666	3,267
Deferred tax charge	15	5,351	3,350
Corporate tax charge	15	-	7,972
Taxes paid	15	(5,235)	-
Interest income, net		(62,185)	(57,734)
Interest paid		(46,395)	(31,887)
Interest received		101,360	89,914
Unrealized foreign currency (gains)/losses		(15,651)	152
Cash flows from operating profit before changes in operating assets and liabilities		**31,136**	**67,564**
Changes in operating assets and liabilities			
Net (increase) in finance lease receivables		(448,074)	(87,153)
Net decrease/(increase) in other assets and prepaid expenses		(6,301)	3,080
Personnel performance bonus paid	13	(670)	(820)
Reserve for employment termination benefits paid	14	(15)	(109)
Net increase in accounts payables		3,450	20,171
Net increase/(decrease) in advances from customers		32,988	11,517
Net (decrease) in other liabilities		(193)	55
Net cash (used in)/provided by operating activities		**(387,679)**	**14,305**
Cash flows from investing activities			
Purchase of property and equipment	9	(1,772)	(68)
Sales of property and equipment	9	1,042	-
Net cash used in from investing activities		**(730)**	**(68)**
Cash flows from financing activities			
Proceeds from borrowings, net		463,033	(32,357)
Dividends paid		(20,000)	-
Net cash provided by/(used in) financing activities		**443,033**	**(32,357)**
Net increase/(decrease) in cash and cash equivalents		54,624	(18,120)
Effect of foreign exchange rate changes on cash and cash equivalents		15,651	(152)
Cash and cash equivalents at the beginning of the year	5	86,761	105,033
Cash and cash equivalents at the end of the year	5	**157,036**	**86,761**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Paid in share capital					
	Share capital	Adjustment to share capital	Total paid-in share capital	Legal reserves	Retained earnings	Total Equity
Balance at 1 January 2010	**88,400**	**(13,393)**	**75,007**	**12,398**	**149,260**	**236,665**
Transfers	-	-	-	2,975	(2,975)	-
Net income for the year	-	-	-	-	50,877	50,877
Balance at 31 December 2010	**88,400**	**(13,393)**	**75,007**	**15,373**	**197,162**	**287,542**
Balance at 1 January 2011	**88,400**	**(13,393)**	**75,007**	**15,373**	**197,162**	**287,542**
Transfers	-	-	-	4,215	(4,215)	-
Dividends paid	-	-	-	-	(20,000)	(20,000)
Net income for the year	-	-	-	-	38,368	38,368
Balance at 31 December 2011	**88,400**	**(13,393)**	**75,007**	**19,588**	**211,315**	**305,910**

The accompanying notes form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

Ak Finansal Kiralama A.Ş., ("the Company") was established in İstanbul, Turkey on 14 November 1988,with the name BNP-AK-DRESDNER Finansal Kiralama A.Ş. pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. At 26 January 2005, the shares of the Company, held by the BNP Paribas Group and Dresdner Bank A.G. were purchased by Akbank T.A.Ş.. Pursuant to the sales, the Company's name is changed to Ak Finansal Kiralama A.Ş. The registered office address of the Company is Taksim Gümüşsuyu Caddesi , No: 42, 6th floor, Beyoğlu, İstanbul, Turkey.

The Company's main shareholder is Akbank T.A.Ş. as at 31 December 2011, the Company employs 61 employees (2010 – 60 employees).

The financial statements as at and for the year ended 31 December 2011 have been approved for the issue by the Board of Directors on March 19, 2012 and by the General Assembly on March 22, 2012. The financial statements approved by the Board of Directors and General Assembly were subsequently changed due to the decision of the Constitutional Court dated 9 February 2012 and numbered E:2010/93, K. 2012/20 related to the utilization of investment allowances. This amendment has not resulted change into the net income or loss of the Company but has resulted in a classification between current corporate tax and deferred tax charges for the year ended 31 December 2011.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PRESENTATION

Accounting standards

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

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

Going concern

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

Functional and presentation currency

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

2.2. CHANGES IN ACCOUNTING POLICIES

2.2.1 Comparatives and restatement of prior year financial statements

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

2.2.2 Changes in accounting policy and disclosures

The accounting policies adopted in preparation of the financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2011. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs

The new standards, amendments and interpretations which are effective as at January 1, 2011 are as follows:

IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company. There are separate transitional provisions for each standard. The amendments that are effective as at January 1, 2011 are as follows:

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

This amendment did not have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets. The amendment affects disclosures only and had no impact on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment did not have significant impact on the financial position or performance of the Company.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when IAS 27 is applied earlier. This amendment did not have significant impact on the financial position or performance of the Company.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets. The amendment affects disclosures only and had no impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRIC 13 Customer Loyalty Programmes

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. This amendment did not have significant impact on the financial position or performance of the Company.

Standards issued but not yet effective and not early adopted

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

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after July 1, 2011.Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The impact of this amendment is not expected on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. This standard will have no impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard will have no impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents comprise cash and due from banks with less then 90 days original maturity.

Related parties

For the purpose of these financial statements, the shareholders, of the Company key management personnel and Board members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 19).

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(i) As lessor

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

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

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

To date, the Company has not entered into operating leases over company assets.

(ii) As lessee

Financial leases are recognized on an accrual basis according to their agreements.

Allowance for impairment of lease receivables

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

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

Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 6).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and interest rate swaps are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2011. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 7).

Property and equipment

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

Furniture and fixtures	5-6 years
Office equipment and motor vehicles	3 - 10 years
Leasehold improvements	Shorter of lease period or useful lives

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

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

Intangible assets

Intangible assets comprise computer software costs and are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 3-5 years.

Operating lease as lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Borrowing costs

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

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

Deferred income taxes

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

The principal temporary differences arise from the unused investment allowances, general loan loss provisions, provision for impaired lease receivables, derivative financial instruments, provisions for employment termination benefits and personnel bonus (Note 15).

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

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Employment termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees calculated in accordance with the this Law (Note 14).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenue recognition

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

Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities.

Foreign currency transactions

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

Comparatives

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

Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The table below summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2011 and 2010.

2011	**Assets**	**%**	**Liabilities**	**%**
Turkey	1,591,471	93	832,823	59
European countries	110,594	7	531,092	38
Other	6,290	0	38,530	3
	1,708,355	**100**	**1,402,445**	**100**

2010	**Assets**	**%**	**Liabilities**	**%**
Turkey	1,117,887	94	645,218	72
European countries	66,531	5	253,145	28
Other	2,066	1	579	0
	1,186,484	**100**	**898,942**	**100**

Maximum exposure to credit risk

	2011	**2010**
Credit risk exposures relating to balance sheet items:		
Due from banks	157,036	86,761
Lease receivables, net	1,502,007	1,058,233

b. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps to mitigate the risk of rising interest rates.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

i) *Currency risk*

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within and asset-liability balancing transactions and derivatives.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below. Portfolio provision for leasing receivables in the balance sheet is considered as Turkish Lira in the calculation of the Net Currency Position.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2011 and 2010.

	Foreign Currency		
2011	**US$**	**EUR**	**Total**
Assets			
Cash and cash equivalents	48,358	66,506	114,864
Finance lease receivables	548,145	607,900	1,156,045
Other assets and prepaid expenses	1,054	9,826	10,880
Assets held for sale	-	-	-
Property and equipment, net	-	-	-
Intangible assets, net	-	-	-
Derivative financial instruments	5	56	61
Deferred tax asset	-	-	-
Total assets	**597,562**	**684,288**	**1,281,850**
Liabilities			
Borrowings	527,177	689,219	1,216,396
Accounts payable	16,787	24,470	41,257
Advances from customers	11,488	27,775	39,263
Derivative financial instruments	215	1,362	1,577
Other liabilities	-	-	-
Reserve for employment termination benefits	-	-	-
Total liabilities	**555,667**	**742,826**	**1,298,493**
Net balance sheet position	**41,895**	**(58,538)**	**(16,643)**
Off-balance sheet derivative instruments net notional position	**(440)**	**(1,060)**	**(1,500)**
Total net balance sheet position	**41,455**	**(59,598)**	**(18,143)**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency		
2010	**US$**	**EUR**	**Total**
Assets			
Cash and cash equivalents	40,072	22,044	62,116
Finance lease receivables	360,918	471,507	832,425
Other assets and prepaid expenses	562	2,760	3,322
Assets held for sale	-	-	-
Property and equipment, net	-	-	-
Intangible assets, net	-	-	-
Deferred tax asset	-	-	-
Total assets	**401,552**	**496,311**	**897,863**
Liabilities			
Borrowings	390,014	443,348	833,362
Accounts payable	1,803	42,312	44,115
Advances from customers	1,890	10,457	12,347
Derivative financial instruments	703	82	785
Other liabilities	-	-	-
Reserve for employment termination benefits	-	-	-
Total liabilities	**394,410**	**496,199**	**890,609**
Net balance sheet position	**7,142**	**112**	**7,254**
Off-balance sheet derivative instruments net notional position	**(729)**	**(675)**	**(1,404)**
Total net balance sheet position	**6,413**	**(563)**	**5,850**

At 31 December 2011, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL1.8889=US$1 and TL2.4438=EUR1 (2010 – TL1.5460=US$1 and TL2.0491=EUR1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL strengthens against the relevant currency.

	US Dollar Impact		EURO Impact	
	2011	**2010**	**2011**	**2010**
Profit and Loss	4,145	641	(5,960)	(56)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

ii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2011	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	179,060	517,221	705,666	-	1,401,947
Accounts payable	51,858	-	-	-	51,858
Advances from customers	45,472	-	-	-	45,472
Total liabilities	**276,390**	**517,221**	**705,666**	-	**1,499,277**
Cash inflow / (outflow) from derivative financial instruments, net	(589)	(250)	(661)	-	(1,500)

2010	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Liabilities					
Borrowings	69,090	233,497	597,572	-	900,159
Accounts payable	48,408	-	-	-	48,408
Advances from customers	12,484	-	-	-	12,484
Total liabilities	**129,982**	**233,497**	**597,572**	-	**961,051**
Cash inflow / (outflow) from derivative financial instruments, net	(296)	(1,108)	-	-	(1,404)

iii) Interest rate risk

The Company is exposed to interest rate risk due to borrowings and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and finance lease receivables, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2011 would increase/decrease by TL 1,428 (2010 – decrease/increase by TL 1,130). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The interest rate swaps settle on a quarterly basis. The Company will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated in order to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

2011	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets					
Cash and cash equivalents	110,608	-	-	46,428	157,036
Finance lease receivables	141,015	281,064	830,355	249,573	1.502.007
Other assets and prepaid expenses	-	-	-	38,276	38,276
Assets held for sale	-	-	-	1,557	1,557
Property and equipment, net	-	-	-	1,458	1,458
Intangible assets, net	-	-	-	583	583
Derivative financial instruments	61	-	-	-	61
Deferred tax asset	-	-	-	7,377	7,377
Total assets	**251,684**	**281,064**	**830,355**	**345,252**	**1,708,355**
Liabilities					
Borrowings	352,065	462,632	486,307	-	1,301,004
Accounts payable	-	-	-	51,858	51,858
Advances from customers	-	-	-	45,472	45,472
Derivative financial instruments	1,577	-	-	-	1,577
Other liabilities	-	-	-	1,923	1,923
Reserve for employment termination benefits	-	-	-	611	611
Total liabilities	**353,642**	**462,632**	**486,307**	**99,864**	**1,402,445**
Net re-pricing gap	**(101,958)**	**(181,568)**	**344,048**	**245,388**	**305,910**
Cash inflow / (outflow) from derivative financial instruments, net	(589)	(250)	(661)	-	(1,500)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

2010	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets					
Cash and cash equivalents	71,445	-	-	15,316	86,761
Finance lease receivables	246,928	211,722	493,222	106,361	1,058,233
Other assets and prepaid expenses	-	-	-	28,188	28,188
Assets held for sale	-	-	-	109	109
Property and equipment, net	-	-	-	427	427
Intangible assets, net	-	-	-	38	38
Deferred tax asset	-	-	-	12,728	12,728
Total assets	**318,373**	**211,722**	**493,222**	**163,167**	**1,186,484**
Liabilities					
Borrowings	259,027	222,058	352,277	-	833,362
Accounts payable	-	-	-	48,408	48,408
Advances from customers	-	-	-	12,484	12,484
Derivative financial instruments	785	-	-	-	785
Other liabilities	-	-	-	3,468	3,468
Reserve for employment termination benefits	-	-	-	435	435
Total liabilities	**259,812**	**222,058**	**352,277**	**64,795**	**898,942**
Net re-pricing gap	**58,561**	**(10,336)**	**140,945**	**98,372**	**287,542**
Cash inflow / (outflow) from derivative financial instruments, net	(296)	(677)	(431)	-	(1,404)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. *Fair value of financial instruments*

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

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

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

The fair values of certain financial assets excluding finance lease receivables and borrowings are considered to approximate their respective carrying values due to their short-term nature.

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

	Carrying amount		Fair value	
	2011	2010	2011	2010
Finance lease receivables	1,252,434	951,861	1,262,548	964,163
Borrowings	1,301,004	833,362	1,294,090	839,547

The discount rate used to calculate the fair value of US$, EUR and TL borrowings as at 31 December 2011 are %4.07 %4.53 and %12.03, respectively.

The discount rate used to calculate the fair value of US$, EUR and TL finance lease receivables as at 31 December 2011 are %6.68, %7.61 and %13.71, respectively.

Fair value hierarchy

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

2011

	Level 1	Level 2	Level 3
Fair value measurement of financial assets	-	61	-
Total assets	**-**	**61**	**-**
Fair value measurements of derivative financial instruments	-	1,577	-
Total liabilities	**-**	**1,577**	**-**

2010

	Level 1	Level 2	Level 3
Fair value measurement of financial assets	-	-	-
Total assets	**-**	**-**	**-**
Fair value measurements of derivative financial instruments	-	785	-
Total liabilities	**-**	**785**	**-**

d. Capital risk management

According to article 23 of "Regulation on the Incorporation and Operating Principles of Leasing, Factoring and Finance Companies" that was published in Official Gazette on 10 October 2006, the total amount of leasing companies' net leasing receivables and other receivables from lessees, may not exceed thirty times of their equities.

e. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of finance lease receivables

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

Deferred taxation

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	2011			2010		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks						
-demand deposits	34,541	11,887	46,428	1,576	13,740	15,316
-time deposits	80,323	30,285	110,608	60,540	10,905	71,445
Total cash and cash equivalents	**114,864**	**42,172**	**157,036**	**62,116**	**24,645**	**86,761**

For the purposes of cash flow statements, cash and cash equivalents comprise TL 157,036 and TL 86,761 at 31 December 2011 and 2010, respectively.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	2011	**2010**
Gross finance lease receivables	1,470,409	1,119,025
Unearned finance income	(230,527)	(175,238)
	1,239,882	**943,787**
Invoiced lease receivables	12,552	8,074
Impaired lease receivables	53,645	34,854
Provision for impaired lease receivables	(34,538)	(27,952)
	1,271,541	**958,763**
Equipments to be leased	42,966	77,633
Advances to vendors	187,500	21,837
Net finance lease receivables	**1,502,007**	**1,058,233**

At 31 December 2011 and 2010 the finance lease receivables according to their interest type are as follows:

Gross finance lease receivables:	**2011**	**2010**
Fixed rate	1,324,581	924,912
Floating rate	145,828	194,113
	1,470,409	**1,119,025**

At 31 December 2011 and 2010 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross 2011**	**Net performing 2011**
31 December 2012	478,956	409,529
31 December 2013	346,482	287,420
31 December 2014	216,039	181,028
31 December 2015	143,160	119,380
31 December 2016 and after	285,772	242,525
	1,470,409	**1,239,882**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

	Finance Lease Receivables	
	Gross	Net performing
Year Ending	2010	2010
31 December 2011	374,323	314,927
31 December 2012	275,794	229,857
31 December 2013	169,219	143,507
31 December 2014	98,747	83,015
31 December 2015 and after	200,942	172,481
	1,119,025	**943,787**

Finance lease receivables can be analyzed as follows:

Year Ending	2011	2010
Neither past due nor impaired	1,239,882	943,787
Past due but not impaired	12,552	8,074
Impaired	53,645	34,854
Gross	**1,306,079**	**986,715**
Less: allowances for impairment	(34,538)	(27,952)
Net finance lease receivables	**1,271,541**	**958,763**

The total impairment provision for finance lease receivables at 31 December 2011 is TL 34,538 (2010 – TL 27,952) of which TL 28,717 (2010 – TL 18,858) represents the individually impaired loans and of which TL 5,821 (2010 – TL 9,094) represents the portfolio provision in the performing portfolio.

The Company obtains transfer of rights of receivables, mortgages, pledged securities, blocked deposits and guarantee letters as collateral from its customers.

The aging of past due but not impaired finance lease receivables as at 31 December 2011 and 2010 are as follows:

	2011		2010	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	7,855	110,061	3,921	138,319
30-60 days	2,183	30,580	1,712	22,637
60 -150 days	2,514	35,226	2,441	11,528
	12,552	**175,867**	**8,074**	**172,484**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Movements in provision for impaired finance lease receivables for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
At 1 January	27,952	39,138
Impairment expense during the year	14,666	3,267
Recoveries of amounts previously provided for	(8,080)	(14,453)
At 31 December	**34,538**	**27,952**

Economic sector risk concentrations for the gross finance lease receivables as of 31 December 2011 and 2010 are as follows:

	2011	%	2010	%
Health	175,201	12	190,974	17
Energy and natural sources	179,443	12	12,120	1
Steel and mining	156,802	11	144,647	13
Transportation	148,323	10	139,048	12
Construction	126,501	9	81,452	7
Production	118,112	8	47,800	4
Textile	98,601	7	75,091	7
Financial institutions	95,793	7	76,332	7
Food and beverage	86,995	6	38,008	3
Printing	53,097	4	42,548	4
Chemistry	21,790	1	35,660	3
Technology, telecommunication, media and entertainment	20,459	1	10,671	1
Agriculture	17,683	1	18,162	2
Tourism	14,636	1	43,719	4
Petroleum and chemistry	14,198	1	28,268	3
Automotive	9,229	1	4,315	0
Wholesale and retail trade	5,668	0	2,107	0
Machinery and metal industry	5,409	0	10,930	1
Education	1,554	0	2,627	0
Other	120,915	8	114,546	10
	1,470,409	**100**	**1,119,025**	**100**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

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

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

The Company has no finance lease payables as at 31 December 2011 and 2010.

As of 31 December 2011, there are no restructured lease receivables during the year (2010 – TL 8,884).

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
2011			
Foreign exchange derivatives			
Currency forwards transactions	71,276	61	215
Interest rate derivatives			
Swap agreements	202,774	-	1,362
Total Over the Counter ("OTC")	**274,050**	**61**	**1,577**

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
2010			
Foreign exchange derivatives			
Currency forwards transactions	-	-	-
Interest rate derivatives			
Swap agreements	169,777	-	785
Total Over the Counter ("OTC")	**169,777**	-	**785**

Derivative financial instruments are further analyzed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 20) and financial risk management (Note 3).

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

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	2011	2010
Deferred VAT	15,859	17,487
Prepaid expenses	8,916	1,740
Prepaid temporary corporate tax	5,235	-
Insurance, notary and other receivables	4,965	5,028
Prepaid corporate tax related 2009	3,201	3,201
Other	100	732
	38,276	**28,188**

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property and equipment:

	1 January 2011	Additions	Disposals	Transfer	31 December 2011
Cost					
Land improvements	299	-	(34)	88	353
Furniture and fixtures	155	346	(130)	-	371
Leasehold improvements	67	641	(71)	-	637
Office equipment	477	136	(201)	-	412
	998	**1,123**	**(436)**	**88**	**1,773**
Accumulated depreciation					
Land improvements	-		-	-	
Furniture and fixtures	(131)	(11)	110	-	(32)
Leasehold improvements	(15)	(21)	15	-	(21)
Office equipment	(425)	(11)	174	-	(262)
	(571)	**(43)**	**299**	**-**	**(315)**
Net book value	**427**				**1.458**

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

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	1 January 2010	Additions	Disposals	Transfer	31 December 2010
Cost					
Land improvements	-	-	-	299	299
Furniture and fixtures	155		-	-	155
Leasehold improvements	17	50	-	-	67
Office equipment	460	17	-	-	477
	632	**67**	**-**	**299**	**998**
Accumulated depreciation					
Land improvements	-	-	-	-	-
Furniture and fixtures	(106)	(25)	-	-	(131)
Leasehold improvements	(11)	(4)	-	-	(15)
Office equipment	(389)	(36)	-	-	(425)
	(506)	**(65)**	**-**	**-**	**(571)**
Net book value	**126**				**427**

b) Intangible assets

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Rights	786	649	(606)	829
	786			**829**
Accumulated amortization				
Rights	(748)	(94)	596	(246)
	(748)			**(246)**
Net book value	**38**			**583**

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

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Rights	785	1	-	786
	785	**1**	**-**	**786**
Accumulated amortization				
Rights	(665)	(83)	-	(748)
	(665)	**(83)**	**-**	**(748)**
Net book value	**120**			**38**

NOTE 10 - ASSETS HELD FOR SALE

	2011	2010
Possessed Collaterals- Land	1,557	109
	1,557	**109**

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

NOTE 11 - BORROWINGS

	2011			2010		
	Interest rates per annum(%)	Balance in original currency	TL	Interest rates per annum(%)	Balance in original currency	TL
Domestic borrowings						
Fixed rate borrowings:						
EUR	4.73	117,853	288,009	4.58	100,558	206,053
US$	4.51	130,607	246,703	4.06	162,494	251,216
TL	11.49	54,395	54,395	-	-	-
Floating rate borrowings:						
EUR	4.21	22,162	54,160	3.63	43,226	88,574
US$	2.97	38,085	71,939	2.65	43,186	66,766
JPY	-			-	-	-
Total domestic borrowing			**715,206**			**612,609**
Foreign borrowings						
Fixed rate borrowings:						
EUR	4.49	105,586	258,030	3.67	50,371	103,215
US$	3.91	49,209	92,950	2.71	34,622	53,526
TL	13.00	30,213	30,213	-	-	-
Floating rate borrowings:						
EUR	4.31	36,427	89,020	3.47	22,208	45,506
US$	4.13	61,193	115,585	2.44	11,970	18,506
Total foreign borrowings			**585,798**			**220,753**
Total borrowings			**1,301,004**			**833,362**

NOTE 12 - ACCOUNTS PAYABLE AND ADVANCES RECEIVED

Accounts payable mainly consist of investment purchases which are subject to financial leases from suppliers regarding the financial leasing agreements. Accounts payable with respect to new financial leasing agreements at 31 December 2011 amount to TL 51,858 (2010 – TL 48,408).

Advances received are related with the amounts received from customers regarding the financial leasing agreements. Advances received with respect to new financial leasing agreements at 31 December 2011 amount to TL 45,472 (2010 – TL 12,484).

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

NOTE 13 - OTHER LIABILITIES

	2011	2010
Provision for tax charge	-	2,256
Provision for personnel performance bonus	1,400	670
Provision for tax lawsuit (Note 20)	211	262
Withholding taxes and duties payable	308	280
Other	4	-
	1,923	**3,468**

NOTE 14 - EMPLOYMENT BENEFITS

	2011	2010
Provision for unused vacation	321	236
Reserve for employment termination benefits	290	199
	611	**435**

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 2,731.85 (31 December 2010 – TL 2,517.01) (in full "TL" amount) for each year of service.

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

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

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2011 and 2010:

	2011	2010
Discount rate (%)	4.66	4.66
Turnover rate to estimate the probability of retirement (%)	11	11

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of TL 2,731.85 (in full "TL" amount) which is effective as of 31 December 2011 has been taken into consideration in calculating the provision for employment termination benefits of the Company whereas TL 2,623.23 (in full "TL" amount) which was effective from 1 January 2011 as of 31 December 2010.

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

NOTE 14 - EMPLOYMENT BENEFITS (Continued)

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

	2011	2010
At 1 January	**199**	**139**
Paid during the year	(15)	(109)
Increase during the year	106	169
At 31 December	**290**	**199**

NOTE 15 - TAXATION

	2011	2010
Current tax charge	-	(7,972)
Deferred tax charge	(5,351)	(3,350)
	(5,351)	**(11,322)**

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

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

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

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

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

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

NOTE 15 - TAXATION (Continued)

Exemption for investment allowance

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

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.

b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

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

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

According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2010. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette.

With the 5th article of the new tax code numbered 6009 and published in the Official Gazette dated 1 August 2010 certain amendments were made with respect to the utilization of investment allowances. According to this new tax code, utilization of the investment allowances is limited to 25% of the income generated by the Company within the current year. Accordingly, companies in Turkey are obliged to pay corporate income taxes amounting to 20% of 75% of their taxable income remained after the utilization of the investment allowances. Consequently, the Company paid corporate tax for the year 2010.

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

NOTE 15 - TAXATION (Continued)

As mentioned above, via the amendments made to the Corporate Tax Code on 1 August 2010 utilization of investment allowances is limited to 25% of the income generated within the current year.

On the other hand on 9 February 2012 Constitutional Court cancelled this 25% limitation on the utilization of investment allowances during the determination of the corporate tax base and this decision of the Constitutional Court has been published on the Official Gazette on 18 February 2012.

However, the Constitutional Court also stated to suspend the application of the 25% limitation rule until the decision regarding the cancellation of this rule is published in the Official Gazette.

The Company decided to benefit from the investment allowance for the year 2011 in full (100%) and at the end not to be made a corporate tax payment by benefiting investment allowance. The Company has prepared the financial statement according to this decision as of and for the year ended 31 December 2011.

Income tax

	2011	**2010**
Income taxes currently payable	-	7,972
Prepaid taxes	(5,235)	(5,716)
Income taxes payable / (asset)	**(5,235)**	**2,256**

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

	2011	2010
Profit before taxes	**43,719**	62,199
Theoretical tax expense with 20% tax rate	**(8,744)**	(12,440)
Non-deductible expenses and others	**(3,628)**	(1,539)
Investment allowances used	**7,021**	2,657
Current year tax (expense)	**(5,351)**	(11,322)

Deferred taxes:

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

Based on the decision of the Constitutional Court decision mentioned above, the Company Management calculated deferred tax assets over the TL 20,994 (2010- TL 56,101) of the total investment allowance amounting to TL 63,577 (2010- TL 69,388) that it calculated based on best estimates as of 31 December 2011.

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

NOTE 15 - TAXATION (Continued)

The breakdown of deductible and taxable temporary differences is as follows:

	Cumulative timing differences		Deferred assets / (liabilities)	
	2011	**2010**	**2011**	**2010**
Unused investment incentive allowances	20,994	56,101	4,199	11,220
Provision for leasing receivables	12,233	5,409	2,447	1,082
Valuation of derivative financial instruments	1,516	785	303	157
Provision for personnel bonus	1,400	670	280	134
Provision for unused vacation	321	236	64	47
Provision for employment termination benefits	290	199	58	40
Provision for legal proceedings	211	262	42	52
Deferred income tax assets			**7,393**	**12,732**
Difference in valuation of borrowings	(82)	(22)	(16)	(4)
Deferred income tax liabilities			(16)	(741)
Net temporary differences			**7,377**	**12,728**

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

NOTE 16 - SHARE CAPITAL

At 31 December 2011 the Company's authorized share capital consists of TL 8,840,000,000 shares with a par value of Kr 1 each (2010 – TL 8,840,000,000 shares with a par value of Kr 1 each).

At 31 December 2011 and 2010, the share capital is as follows:

	2011		2010	
	Shares (%)	TL	Shares (%)	TL
Akbank T.A.Ş	99.985	88,387	99.985	88,387
Hacı Ömer Sabancı Holding A.Ş.	0.005	4	0.005	4
Tursa Sabancı Turizm ve Yatırım Hizm A.Ş.	0.005	4		
Ak Sigorta A.Ş.	-	-	0.005	4
Bimsa Bilgi İşlem A.Ş.	0.003	4	0.003	4
Ak Yatırım Menkul Değerler A.Ş.	0.002	1	0.002	1
	100.00	**88,400**	**100.00**	**88,400**
Adjustment to share capital		(13,393)		(13,393)
		75,007		75,007

NOTE 17 - RETAINED EARNINGS AND LEGAL RESERVES

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

At 31 December 2011 and 2010 reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law is as follows:

	2011	2010
Legal reserves	19,588	15,373

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders.

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

NOTE 18 - OPERATING EXPENSES

	2011	2010
Staff costs	8,700	6,618
Legal proceedings expense	1,325	1,447
Rent expenses	480	619
Office management expenses	474	198
Communication expenses	186	155
Audit and consultancy expenses	159	275
Advertisement expenses	146	47
Depreciation and amortization expense (Note 9)	137	148
Taxes and duties other than on income	102	141
Travel expenses	33	121
Other	697	641
	12,439	**10,410**

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

a) Balances with related parties

Assets

	2011	2010
Due from banks		
Akbank T.A.Ş. (Shareholder)	118,383	29,775
Akbank N.V. (Other related parties)	149	56,294
	118,532	**86,069**

Net finance lease receivables – (Leasing transaction)

	2011	2010
Shareholder		
Akbank T.A.Ş.	88,870	71,751
Other related parties		
Çimsa Çimento Sanayi ve Ticaret A.Ş.	1,905	3,640
Advansa Sasa Polyester Sanayi A.Ş.	1,188	1,756
Sabancı Üniversitesi	-	473
Akçansa Çimento Sanayi ve Ticaret A.Ş.	3	278
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	-	57
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	-	19
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	-	-
Avivasa Emeklilik ve Hayat A.Ş.	1	-
	91,967	**77,974**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Liabilities

Borrowings

	2011	2010
Akbank T.A.Ş. (Shareholder)	351,010	253,105
	351,010	**253,105**

Trade payables

Ak Sigorta A.Ş. (Other related parties)	3,131	2,660

b) Transactions with related parties

Interest income from direct finance leases

Shareholder		
Akbank T.A.Ş.	7,233	4,056
Other related parties		
Çimsa Çimento Sanayi ve Ticaret A.Ş.	144	217
Advansa Sasa Polyester Sanayi A.Ş.	111	156
Sabancı Üniversitesi	-	100
Akçansa Çimento Sanayi ve Ticaret A.Ş.	6	84
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	2	14
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	1	8
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	-	4
Enerjisa Enerji Üretim A.Ş.	-	1
	7,497	**4,640**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	6,558	2,522
Akbank N.V. (Other related parties)	269	101
	6,827	**2,623**

Commission income

Ak Sigorta A.Ş. (Other related parties)	1,043	1,018
Diğer	-	28
	1,043	**1,046**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2011	2010
Commission expenses		
Akbank T.A.Ş. (Shareholder)	-	277
Service expenses (operating expenses)		
Akbank T.A.Ş. (Shareholder)	105	89
Interest expense on borrowings		
Akbank T.A.Ş. (Shareholder)	16,182	12,740
Akbank N.V. (Other related parties)	641	11
	16,823	**12,751**
Rent expenses (operating expenses)		
Ak Yatırım Menkul Değerler A.Ş. (Shareholder)	233	373
Akbank T.A.Ş. (Shareholder)	47	49
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	67	-
	347	**422**
Remuneration of top management		
Remuneration of top management	**1,279**	**1,126**
Contingent liabilities		
Guarantee letters		
Akbank T.A.Ş.(Shareholder)	**115,910**	**32,260**
Letter of credit		
Akbank T.A.Ş. (Shareholder)	104,129	48,955
Akbank N.V (Other related parties)	-	328
	104,129	**49,283**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Forward transaction		
Akbank T.A.Ş. (Shareholder)	71,276	-
Interest rate swap transactions		
Akbank T.A.Ş. (Shareholder)	202,774	169,777
	274,050	**169,777**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2011 and 2010.

Legal Proceedings

The Company has provided for a total provision of TL 211 against certain open legal cases as of 31 December 2011 (2010 – TL 262).

Commitments under derivative instruments

	2011		2010	
	Original currency	**TL Thousand**	**Original currency**	**TL Thousand**
Forward sales transaction				
USD	33,853	63,945	-	-
EUR	3,000	7,331	-	-
Interest rate swap purchases				
USD	20,000	37,778	56,800	87,813
EUR	67,516	164,996	40,000	81,964
		274,050		**169,777**

Guarantees given

The Company has letters of credit in the amount of TL 104,129 (2010 – TL 63,501) for the leased asset imports. Letters of guarantees were given to tax offices, courts and banks for the Hermes credit utilized amounting to TL 115,910 (2010 – TL 32,260). The guarantee given for Hermes credit is TL 104,129 (2010 – TL 29,322).

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Contingent liabilities

With the temporary article 69 added to the Income Tax Code by the Code 5479, a regulation was introduced stating that the investment allowance amounts calculated within the scope of investment expenses realized until the date 31 December 2005 can be deducted from 2006, 2007 and 2008 earnings only. Therefore, investment allowance right not used as at 31 December 2008 were not to be transferred to and utilized in following years.

Because of the fact that retrospective rights of the Company had been cancelled with temporary article 69, the Company filed the first advance tax return of 2009 through reservation by claiming that they should be allowed to benefit from investment incentive allowance, and initiated a tax case at tax court within this scope. On 30 March 2010, Republic of Turkey Istanbul 2nd Tax Court ruled (with reference to the Constitutional Court decision mentioned below) that the investment incentive allowance, which the Company could not use within 2008 due to their insufficient profit, can be transferred to the following years and used within the scope of deduction, and the tax amount levied by rejecting the mentioned declaration through reservation is not in compliance with the laws. Furthermore, according to the decision of Istanbul Tax Court dated on 30 November 2011 related to 2009 second advance tax, litigation process finalized in favor of the Company and the Company requested refund of 2009 second advance tax from Tax Office.

With the decision numbered 2006/95 E and 2009/144 K; and dated 15 October 2009 of the Constitutional Court promulgated in the Official Gazette dated 8 January 2010, the time limitation was repealed with regard to the investment incentive allowances which have been already granted.

In 2009 third and fourth advance tax returns and 2009 annual corporate tax return, the Company benefited from investment incentive allowance practice.

In tax inspection reports issued within the scope of tax inspection conducted at the Company within 2010, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2010; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

Tax penalty notifications issued with regard to the mentioned reports were communicated to the Company within July 2010 period. Accordingly, the Company was imposed with principal corporate tax amount of TL 7,358 (excluding delay interest) and tax loss penalty of TL 20,240.

The Company requested settlement for these taxes and penalty amounts imposed against them, but their right to litigation is still preserved. The Company management foresees that; considering the related annulment decision of the Constitutional Court, decision of Istanbul Tax Office taken with regard to 2009 first and second advance tax period of the Company and the decision of the Constitutional Court dated 9 February 2012 and numbered E:2010/93, K. 2012/20 which was published on the Official Gazette on 18 February 2012, if litigation is initiated against the tax penalty notifications issued with regard to the year 2009, the litigation process will be finalized in favor of the Company. Accordingly, no provision has been recorded into the financial statements as of 31 December 2011 and 2010 related to the abovementioned tax issue.

NOTE 21 - SUBSEQUENT EVENTS

According to the board of directors decision numbered 457 dated 20 January 2012, the Company has decided to issue the bond with the nominal value of TL 150,000,000 (full "TL" amount) and a 24 month-period in accordance with Capital Market Board Communiqué Serial: II numbered 22 "Borrowing Principles Board Registration and Sale" Communiqué's 4. The Company issued the bond on 24 February 2012, with the value of TL 150,000,000 (full "TL" amount).

....