AK FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012
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 2012 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

March 29, 2013
Istanbul, Turkey

AK FİNANSAL KİRALAMA A.Ş.

INDEX TO FINANCIAL STATEMENTS

CONTENTS	PAGE

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012

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

ASSETS	Notes	2012	2011
Cash and cash equivalents	5	153,465	157,036
Finance lease receivables	6	2,076,810	1,502,007
Other assets and prepaid expenses	8	40,549	38,276
Assets held for sale	10	11,833	1,557
Property and equipment, net	9	1,201	1,458
Intangible assets, net	9	601	583
Derivative financial instruments	7	3,568	61
Deferred tax asset, net	16	-	7,377
Total assets		**2,288,027**	**1,708,355**
LIABILITIES			
Borrowings	11	1,676,119	1,301,004
Debt securities issued	12	151,228	-
Accounts payable	13	108,357	51,858
Advances from customers	13	21,902	45,472
Derivative financial instruments	7	2,471	1,577
Other liabilities	14	2,771	1,923
Employment benefits	15	743	611
Deferred tax liability, net	16	2,113	-
Total liabilities		**1,965,704**	**1,402,445**
EQUITY			
Share capital	17	88,400	88,400
Adjustment to share capital	17	(13,393)	(13,393)
Total paid-in share capital	17	75,007	75,007
Legal reserves	18	23,776	19,588
Hedge Reserves	7	(62)	-
Retained earnings	18	223,602	211,315
Total equity		**322,323**	**305,910**
Total liabilities and equity		**2,288,027**	**1,708,355**

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

AK FİNANSAL KİRALAMA A.Ş.

STATEMENT OF COMPHERENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2012	2011
Interest income from direct finance leases		142,275	102,587
Interest income on placements and transactions with banks		9,487	9,584
Total interest income		**151,762**	**112,171**
Interest expense on borrowings		(86,779)	(51,004)
Net interest income		**64,983**	**61,167**
Foreign exchange gains, including net gains or losses from dealing in foreign currency		3,843	2,725
Net interest income after foreign exchange gains or losses		**68,826**	**63,892**
Net trading, hedging and fair value income/(loss)		4,100	(1,707)
Fee and commission income/(expenses), net		2,312	991
Impairment loss on finance lease receivables	6	(8,876)	(14,666)
Recoveries from impaired lease receivables	6	3,229	8,080
Other income/(expenses), net		114	(432)
Operating profit		**69,705**	**56,158**
Operating expenses	19	(12,656)	(12,439)
Income before tax		**57,049**	**43,719**
Taxation on income	16	(15,575)	(5,351)
Net income for the year		**41,474**	**38,368**
Other comprehensive income		**(62)**	**-**
- Cash flow Hedge Reserve	7	(62)	-
Total comprehensive income		**41,412**	**38,368**
Earnings per share	22	0.4692	0.4340

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(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**	**Hedge reserves**	**Retained earnings**	**Total Equity**
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)
Total comprehensive income	-	-	-	-	-	38,368	38,368
- Net income for the year	-	-	-	-	-	-	-
-Other Compherensive Income	-	-	-	-	-	38,368	38,368
Balance at 31 December 2011	**88,400**	**(13,393)**	**75,007**	**19,588**	**-**	**211,315**	**305,910**
Balance at 1 January 2012	**88,400**	**(13,393)**	**75,007**	**19,588**	**-**	**211,315**	**305,910**
Transfers	-	-	-	4,188	-	(4,188)	-
Dividends paid	-	-	-	-	-	(24,999)	(24,999)
Total comprehensive income	-	-	-	-	(62)	41,474	41,412
- Net income for the year	-	-	-	-	-	41,474	41,474
-Other Compherensive Income	-	-	-	-	(62)	-	(62)
Balance at 31 December 2012	**88,400**	**(13,393)**	**75,007**	**23,776**	**(62)**	**223,602**	**322,323**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	2012	2011
Cash flows from operating activities			
Net income for the year		41,474	38,368
Adjustments for:			
Depreciation and amortization	9,19	494	137
Loss on disposal of property and equipment		-	(4)
Remeasurement of derivative financial instruments at fair value	7	2,613	(731)
Provision for employment termination benefits	15	339	106
Provision for legal proceedings	14	(190)	(51)
Provision for personnel performance bonus	15	800	1,400
Provision for impaired receivables	6	8,876	14,666
Deferred tax charge	16	9,490	5,351
Corporate tax charge	16	6,085	-
Taxes paid	16	(4,494)	(5,235)
Interest income and foreign exchange gain/(loss), net		(68,826)	(62,185)
Interest paid		(81,779)	(46,395)
Interest received		135,269	101,360
Unrealized foreign currency gains/(losses)		507	(15,651)
Cash flows from operating profit before changes in operating assets and liabilities		**50,658**	**31,136**
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(576,849)	(448,074)
Net decrease/(increase) in other assets and prepaid expenses		(2,273)	(6,301)
Personnel performance bonus paid	15	(1,400)	(670)
Reserve for employment termination benefits paid	15	(253)	(15)
Net increase in accounts payables		56,499	3,450
Net (increase)/decrease in advances from customers		(23,570)	32,988
Net decrease in other liabilities		(848)	(193)
Net cash (used in)/provided by operating activities		**(498,036)**	**(387,679)**
Cash flows from investing activities			
Purchase of property and equipment and intangibles	9	(352)	(1,772)
Sales of property and equipment	9	108	1,042
Net cash used in from investing activities		**(244)**	**(730)**
Cash flows from financing activities			
Proceeds from borrowings, net		520,215	463,033
Dividends paid		(24,999)	(20,000)
Net cash provided by/(used in) financing activities		**495,216**	**443,033**
Net increase/(decrease) in cash and cash equivalents		(3,064)	54,624
Effect of foreign exchange rate changes on cash and cash equivalents		(507)	15,651
Cash and cash equivalents at the beginning of the year	5	157,036	86,761
Cash and cash equivalents at the end of the year	5	**153,465**	**157,036**

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 Sabancı Center Kule: 2 Kat: 8-9. 4.Levent İstanbul, Turkey.

The parent of the Company is Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.S and as at 31 December 2012, the Company employs 63 employees (2011 – 61 employees).

The financial statements as at and for the year ended 31 December 2012 have been approved by the Board of Directors on March 29, 2013. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

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 communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), 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 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 currently enforceable legal 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 on the going concern basis.

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 Thousands of Turkish Lira ("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.

2.2.2 Changes in accounting policy and disclosures

The accounting policies adopted in preparation of the financial statements as at December 31, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. 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 1 January 2012 are as follows:

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

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. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (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. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1 July 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. The amendment affects presentation only and will have no 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 1 January 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 recognizing actuarial gain/loss on defined benefit plans under other compherensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company assessed the impact of the amended standard on the financial position or performance and the impact is immaterial.

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 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 amendment will not 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. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. This amendment will not have any impact on the financial position or performance of the Company

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 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.

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 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. This amendment will not have any impact 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 1 January 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 amendment will not have any 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 1 January 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 amendment will not have any impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 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 amendment will not have any impact on the financial position or performance of the Company.

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 1 January 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 amendment will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Company does not expect any impact of the project on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This project has not yet been endorsed by the EU. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted.

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 and their close family members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 20).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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) Operating lease as lessee

Leases that do not transfer to the company substantially all of the risks and incidential to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

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 2012. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 7).

Hedge accounting

The Company makes use of derivative instruments to manage exposures to interest rate including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Company applies hedge accounting for transactions that meet the specified criteria. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the instruments that are used in hedging transactions are highly effective changes in values of hedged items.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the 'Cash flow hedge' reserve The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in 'net trading, hedging and fair value income'.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 fair value less costs to sell.

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.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value". As of December 31, 2012 assets held for sale are stated at their book values.

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, 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

Defined Benefit Plans:

Obligations related to employee termination benefits 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 in accordance with the this Law and is calculated using the projected unit credit method (Note 15).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Contribution Plans:

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.

Short Term Plans:

The company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

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.

Contingent assets and liabilities

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.

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. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate 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. For specific treasury transactions, the opinion of Funding Committee, which was established by the approval of Board of Directors, is asked. Depending on the instrument and transaction amount, the approval of Board of Directors is also required.

b. 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 adopts a detailed and thorough credit analysis, assessment and approval process. It works with selected and creditworthy counterparties and obtains sufficient and where appropriate additional collateral as a means of mitigating the risk of financial loss from defaults. A diversified portfolio by sector and asset and focus on assets with deep secondary market and higher residual value is achieved. The Company regularly monitors the ability of the counterparties to pay amounts in full when due, analyzes the financial position of the counterparties and monitors the condition of the leased assets. The Company's risk limits are continuously measured and monitored.

The table below summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2012 and 2011.

2012	**Assets**	**%**	**Liabilities**	**%**
Turkey	2,192,838	95	995,466	43
European countries	86,342	4	830,165	49
Other	8,847	1	140,073	8
	2,288,027	**100**	**1,965,704**	**100**

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**

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Maximum exposure to credit risk

	2012	**2011**
Credit risk exposures relating to balance sheet items:		
Lease receivables, net	2,076,810	1,502,007
Due from banks	153,465	157,036
Derivative financial instruments	3,568	61

Further credit risk related disclosures are provided in Note 6.

c. 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 and currency risk, including interest rate swaps, currency swaps, cross currency swaps and forwards.

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.

i) Currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed with asset-liability balancing transactions and derivatives. Currency risk is managed and reviewed by using clearly defined, approved and carefully monitored risk limit of foreign exchange position on a monthly basis.

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.

(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 foreign currency exchange rate risk at 31 December 2012 and 2011.

	Foreign Currency		
2012	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Total**
Assets			
Cash and cash equivalents	7,862	39,724	47,586
Finance lease receivables	801,634	829,036	1,630,670
Other assets and prepaid expenses	6,806	19,119	25,925
Derivative financial instruments	13	-	13
Total assets	**816,315**	**887,879**	**1,704,194**
Liabilities			
Borrowings	662,750	783,064	1,445,814
Accounts payable	51,461	50,110	101,571
Advances from customers	4,629	11,513	16,142
Derivative financial instruments	1,077	1,394	2,471
Total liabilities	**719,917**	**846,081**	**1,565,998**
Net balance sheet position	**96,398**	**41,798**	**139,196**
Off-balance sheet derivative instruments net notional position	**(70,320)**	**(66,822)**	**(137,142)**
Total net balance sheet position	**26,078**	**(25,024)**	**1,054**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency		
2011	**US$ (TL Equivalent)**	**EUR(TL Equivalent)**	**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
Derivative financial instruments	5	56	61
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
Reserve for employment termination benefits	215	1,362	1,577
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)**

At 31 December 2012, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL1.7826=US$1 and TL2.3517=EUR1 (2011 – TL1.8889=US$1 and 2.4438=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 weakens against the relevant currency.

	US Dollar Impact (TL Equivalent)		**EURO Impact (TL Equivalent)**	
	2012	**2011**	**2012**	**2011**
Profit and Loss	2,608	4,145	(2,502)	(5,960)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

ii) 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 derivatives such as interest rate swap contracts and cross currency swaps. Hedging activities are regularly evaluated regularly to ensure optimal hedging strategies are applied. Interest rate is managed and reviewed by using clearly defined, approved and carefully monitored risk limits such as repricing maturity gap analysis and economic value change analysis (stress tests).

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 related interest rate swaps and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2012 would increase by TL 2,417 (2011 –increase by TL 1,428). 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 float rate debt issued 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 in Note 7. 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.

(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.

2012	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Assets				
Cash and cash equivalents	119,812	-	-	119,812
Finance lease receivables	408,542	386,552	930,384	1,725,478
Derivative financial instruments	407	3,161	-	3,568
Total assets	**528,761**	**389,713**	**980,384**	**1,898,858**
Liabilities				
Borrowings	532,924	575,113	568,082	1,676,119
Securities to be issued	151,228	-	-	151,228
Derivative financial instruments	204	2,267	-	2,471
Total liabilities	**684,356**	**577,380**	**568,082**	**1,829,818**
Net re-pricing gap	**(155,595)**	**(187,667)**	**412,302**	**69,040**

2011	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Assets				
Cash and cash equivalents	110,608	-	-	110,608
Finance lease receivables	141,015	281,064	830,355	1,252,434
Derivative financial instruments	61	-	-	61
Total assets	**251,684**	**281,064**	**830,355**	**1,363,103**
Liabilities				
Borrowings	352,065	462,632	486,307	1,301,004
Derivative financial instruments	1,577	-	-	1,577
Total liabilities	**353,642**	**462,632**	**486,307**	**1,302,581**
Net re-pricing gap	**(101,958)**	**(181,568)**	**344,048**	**60,522**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d) 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 Company makes a detailed and complete analysis of the projected cash inflows (mainly lease installments) and cash outflows (mainly bank loan payments and payments to suppliers according to leasing transactions) and determines the exact cash requirements. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk.

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.

2012	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	282,446	625,444	1,009,629	1,917,519
Debt securities issued	1,228	16,320	154,080	171,628
Accounts payable	108,357	-	-	108,357
Advances from customers	21,902	-	-	21,902
Total liabilities	**413,933**	**641,764**	**1,163,709**	**2,219,406**
Cash inflow / (outflow) from derivative financial instruments, net	47	5,138	-	5,185

2011	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Borrowings	179,060	517,221	705,666	1,401,947
Securities to be issued	-	-	-	-
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)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. 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 amounts derived from cash flow models.

The fair values of certain financial assets and liabilities excluding finance lease receivables, debt securities issued 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	
	2012	**2011**	**2012**	**2011**
Finance lease receivables	1,804,929	1,252,434	1,892,612	1,262,548
Borrowings	1,676,119	1,301,004	1,562,726	1,294,090
Debt securities issued	151,228	-	167,517	-

The discount rate used to calculate the fair value of US$, EUR and TL borrowings and debt securities issued as at 31 December 2012 are %4.57, %4.18 and %8.63, respectively.

The discount rate used to calculate the fair value of US$, EUR and TL finance lease receivables as at 31 December 2012 are %5.87 %6.71 and %13.18, 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:

2012

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	3,568	-
Total assets	**-**	**3,568**	**-**
Derivative financial liabilities held for trading	-	2,374	-
Derivative financial liabilities held for hedging purpose	-	97	-
Total liabilities	**-**	**2,471**	**-**

2011

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	61	-
Total assets	**-**	**61**	**-**
Derivative financial liabilities held for trading	-	1,577	-
Total liabilities	**-**	**1,577**	**-**

f. 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.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, 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:

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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. (Note 6)

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

	2012			2011		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks						
-demand deposits	20,279	13,374	33,653	34,541	11,887	46,428
-time deposits	27,307	92,505	119,812	80,323	30,285	110,608
Total cash and cash equivalents	**47,586**	**105,879**	**153,465**	**114,864**	**42,172**	**157,036**

For the purposes of cash flow statements, cash and cash equivalents comprise TL 153,465 and TL 157,036 at December 31, 2012 and 2011, respectively.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	2012	2011
Gross finance lease receivables	2,141,368	1,470,409
Unearned finance income	(348,024)	(230,527)
	1,793,344	**1,239,882**
Invoiced lease receivables	11,585	12,552
Impaired lease receivables	37,426	53,645
Provision for impaired lease receivables	(27,298)	(34,538)
	1,815,057	**1,271,541**
Equipments to be leased	123,061	42,966
Advances to vendors	138,692	187,500
Net finance lease receivables	**2,076,810**	**1,502,007**

At 31 December 2012 and 2011 the finance lease receivables according to their interest type are as follows:

Gross finance lease receivables:	2012	2011
Fixed rate	1,733,990	1,324,581
Floating rate	407,378	145,828
	2,141,368	**1,470,409**

At 31 December 2012 and 2011 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross 2012**	**Net performing 2012**
31 December 2013	649,431	537,419
31 December 2014	470,580	388,349
31 December 2015	342,369	285,926
31 December 2016	246,774	210,052
31 December 2017 and after	432,214	371,598
	2,141,368	**1,793,344**

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

	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**

Finance lease receivables can be analyzed as follows:

Year Ending	2012	2011
Neither past due nor impaired	1,793,344	1,239,882
Past due but not impaired	11,585	12,552
Impaired	37,426	53,645
Gross	**1,842,355**	**1,306,079**
Less: allowances for impairment	(27,298)	(34,538)
Net finance lease receivables	**1,815,057**	**1,271,541**

The total impairment provision for finance lease receivables at December 31, 2012 is TL 27,298 (2011 – TL 34,538) of which TL 20,611 (2011 – TL 28,717) represents the individually impaired loans and of which TL 6,687 (2011 – TL 5,821) 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.

Collateral amount amounting to TL24, 962 (December 31, 2011: TL41, 806) has been obtained for impaired finance lease receivables amounting to TL37, 426 (December 31, 2011 – TL53, 649).

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of past due but not impaired finance lease receivables as at 31 December 2012 and 2011 are as follows:

	2012		2011	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	4,333	307,415	7,855	110,061
30-60 days	4,024	55,597	2,183	30,580
60 -150 days	3,228	29,338	2,514	35,226
	11,585	**392,350**	**12,552**	**175,867**

Movements in provision for impaired finance lease receivables for the years ended 31 December 2012 and 2011 are as follows:

	2012	2011
At 1 January	**34,538**	**27,952**
Impairment expense during the year	8,876	14,666
Write-off (*)	(12,887)	-
Recoveries of amounts previously provided for	(3,229)	(8,080)
At 31 December	**27,298**	**34,538**

(*) With the asset sale, the company sold %100 provisioned 219 unit of non performing loans to the Final Varlık Management A.Ş for TL 1,100. Lease receivables amounting TL 12,887 has been written-off from records.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 31 December 2012 and 2011 are as follows:

	2012	%	2011	%
Transportation	454,929	21	148,323	10
Construction	235,811	11	126,501	9
Textile	227,072	11	98,601	7
Energy and natural sources	177,413	8	179,443	12
Health	182,839	9	175,201	12
Steel and mining	157,385	7	156,802	11
Production	120,212	6	118,112	8
Food and beverage	104,468	5	86,995	6
Financial institutions	89,585	4	95,793	7
Printing	52,609	2	53,097	4
Automotive	44,703	2	9,229	1
Technology, telecommunication, media and entertainment	32,660	2	20,459	1
Tourism	29,805	1	14,636	1
Petroleum and chemistry	21,645	1	14,198	1
Agriculture	20,268	1	17,683	1
Wholesale and retail trade	18,095	1	5,668	0
Chemistry	15,894	1	21,790	1
Education	2,109	0	1,554	0
Machinery and metal industry	1,818	0	5,409	0
Other	152,048	7	120,915	8
	2,141,368	**100**	**1,470,409**	**100**

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

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company may cancel 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 2012 and 2011.

As of 31 December 2012, there are no restructured lease receivables during the year (2011 – None).

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values Assets	Liabilities
2012			
Foreign exchange derivatives	**300,635**	**3,555**	**980**
Currency swap transactions	300,635	3,555	980
Interest rate derivatives	**52,792**	**13**	**1,394**
Interest Swap agreements	52,792	13	1,394
Derivatives used for hedging	**132,435**	**-**	**97**
Derivatives designated as cash flow hedges:			
Interest Swap agreements	132,435	-	97
Total Over the Counter ("OTC")	**485,862**	**3,568**	**2,471**

In order to hedge cash flow risk with respect to floating rate borrowings the company started to apply cash flow accounting from November 24, 2012 onwards. The hedging instruments are EUR and USD interest rate swaps with floating pay, fixed receive legs and the hedged item is the cash outflows of interests of floating EUR and USD borrowings.

As of December 31, 2012 losses arising from cash flow hedges recognized under equity, net of reclassification to statement income and net off tax, is TL 62 (December 31, 2011: None).

There were no transactions for which cash flow hedge accounting had to be ceased as of December 31, 2012 as a result of highly probable cash flows no longer being expected to occur.

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

Derivative financial instruments are further analyzed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 21) and financial risk management (Note 3).

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

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	2012	2011
Prepaid expenses(*)	21,928	8,916
Insurance, notary and other receivables	10,579	4,965
Deferred VAT	7,909	15,859
Prepaid temporary corporate tax	-	5,235
Prepaid corporate tax related to 2009	-	3,201
Other	133	100
	40,549	**38,276**

(*) As of December 31, 2012 prepaid expenses amounting to TL 20,123 is commission payments to correspondent banks based on borrowings. (December 31, 2011: TL7.328)

NOTE 9 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property and equipment:

	1 January 2012	Additions	Disposals	Transfer	31 December 2012
Cost					
Land improvements	353	-	(96)	-	257
Furniture and fixtures	371	6	-	-	377
Leasehold improvements	637	2	-	-	639
Office equipment and motor vehicles	412	78	(12)	-	478
	1,773	**86**	**(108)**	**-**	**1,751**
Accumulated depreciation					
Land improvements	-	2	-	-	2
Furniture and fixtures	32	72	-	-	104
Leasehold improvements	21	128	-	-	149
Office equipment and motor vehicles	262	45	(12)	-	295
	315	**247**	**(12)**	**-**	**550**
Net book value	**1,458**				**1,201**

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

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

	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 and motor vehicles	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 and motor vehicles	(425)	(11)	174	-	(262)
	(571)	**(43)**	**299**	**-**	**(315)**
Net book value	**427**				**1.458**

b) Intangible assets

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Rights	829	266	-	1,095
	829	**266**	**-**	**1,095**
Accumulated amortization				
Rights	246	248	-	494
	246	**248**	**-**	**494**
Net book value	**583**	**18**	**-**	**601**

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

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

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

NOTE 10 - ASSETS HELD FOR SALE

	2012	2011
Possessed Collaterals- Land	11,833	1,557
	11,833	**1,557**

(*) In the current year company repossessed collateral of TL 10,939 on a secured finance receivable which had defaulted and classified as non performing. The asset (mortgage) repossessed is classified as asset held for sale as it is planned to be sold within a year. The sale to third parties is in the process and expected to be finalized in 2013.

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

NOTE 11 - BORROWINGS

	2012			2011		
	Interest rates per annum(%)	**Balance in original currency**	**TL**	**Interest rates per annum(%)**	**Balance in original currency**	**TL**
Domestic borrowings						
Fixed rate borrowings:						
EUR	5.07	72,702	170,974	4.73	117,853	288,009
US$	5.45	128,715	229,446	4.51	130,607	246,703
TL	9.32	147,350	147,350	11.49	54,395	54,395
Floating rate borrowings:						
EUR	2.57	3,635	8,549	4.21	22,162	54,160
US$	4.43	62,432	111,291	2.97	38,085	71,939
Total domestic borrowing			**667,610**			**715,206**
Foreign borrowings						
Fixed rate borrowings:						
EUR	3.98	197,441	464,322	4.49	105,586	258,030
US$	4.37	89,944	160,334	3.91	49,209	92,950
TL	7.89	82,955	82,955	13.00	30,213	30,213
Floating rate borrowings:						
EUR	2.51	59,199	139,219	4.31	36,427	89,020
US$	2.40	90,698	161,679	4.13	61,193	115,585
Total foreign borrowings			**1,008,509**			**585,798**
Total borrowings			**1,676,119**			**1,301,004**

	31 December 2012	**31 December 2011**
Short Term Borrowings	696,173	595,438
Long Term Borrowings	979,946	705,566
	1,676,119	**1,301,004**

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

NOTE 12 –DEBT SECURITIES ISSUED

	31 December 2012	31 December 2011
Debt secuities issued (*)	151,228	-
	151,228	**-**

(*) The company has issued a floating rate bond amounting to nominal TL150,000. The issue dates is February 24,2012 and the maturity of the bond is February 21,2014.

NOTE 13 - 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 2012 amount to TL 108,357 (2011 – TL 51,858).

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 2012 amount to TL 21,902 (2011 – TL 45,472).

NOTE 14 - OTHER LIABILITIES

	2012	2011
Income tax payable	1,591	-
Withholding taxes and duties payable	359	308
Provision for personnel performance bonus	800	1,400
Provision for lawsuit	21	211
Other	-	4
	2,771	**1,923**

NOTE 15 - EMPLOYMENT BENEFITS

	2012	2011
Reserve for employment termination benefits	376	290
Provision for unused vacation	367	321
	743	**611**

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

NOTE 15 - EMPLOYMENT BENEFITS (Continued)

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 3,125.25 (31 December 2011 – 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 2012 and 2011:

	2012	2011
Discount rate (%)	3.57	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 3,129.85 (in full "TL" amount) which is effective as of January1, 2013 has been taken into consideration in calculating the provision for employment termination benefits of the Company (December 31, 2011:TL 2,731.85 (in full "TL" amount) which was effective from 1 January 2012 as of 31 December 2011).

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

	2012	2011
At 1 January	**290**	**199**
Paid during the year	(253)	(15)
Increase during the year	339	106
At 31 December	**376**	**290**

NOTE 16 - TAXATION

	2012	2011
Current tax charge	(6,085)	-
Deferred tax charge	(9,490)	(5,351)
	(15,575)	**(5,351)**

NOTE 16 - TAXATION (Continued)

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.

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).

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

NOTE 16 - TAXATION (Continued)

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 2011. 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 2011 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 2011.

As mentioned above, via the amendments made to the Corporate Tax Code on 1 August 2011 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.

The Company decided to benefit from the investment allowance for the year 2012 in full (100%). The Company has prepared the financial statements according to this decision as of and for the year ended 31 December 2012.

Income tax

	2012	2011
Income taxes currently payable	6,085	-
Prepaid taxes	(4,494)	(5,235)
Income taxes payable / (asset)	**1,591**	**(5,235)**

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

NOTE 16 - TAXATION (Continued)

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

	2012	2011
Profit before taxes	57,049	43,719
Theoretical tax expense with 20% tax rate	(11,410)	(8,744)
Non-deductible expenses and others	(4,165)	(3,628)
Investment allowances used	-	7,021
Current year tax (expense)	**(15,575)**	**(5,351)**

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 utilized all remaining investment allowances (for which TL 20,994 of deferred tax asset had been provided as of December 31, 2011) in current year; consequently there are no deferred tax assets calculated with respect to investment allowances as of December 31, 2012.

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

NOTE 16 - TAXATION (Continued)

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

	Cumulative timing differences		Deferred assets / (liabilities)	
	2012	**2011**	**2012**	**2011**
Unused investment incentive allowances	-	20,994	-	4,199
Provision for leasing receivables	14,540	12,233	2,908	2,447
Valuation of derivative financial instruments	-	1,516	-	303
Debt securities accruals	1,228	-	246	-
Provision for personnel bonus	800	1,400	160	280
Provision for unused vacation	367	321	73	64
Provision for employment termination benefits	376	290	75	58
Valuation in valuation of borrowing accruals	174	-	35	-
Provision for legal proceedings	21	211	4	42
Total	**17,506**	**36,965**	**3,501**	**7,393**
Finance Lease Accruals	(26,168)	-	(5,234)	-
Valuation of derivative financial instruments	(1,097)	-	(219)	-
Valuation of fixed assets	(408)	-	(82)	-
Other	(397)	(82)	(79)	(16)
Total	**(28,070)**	**(82)**	**(5,614)**	**(16)**
Net	**(10,564)**	**36,883**	**(2,113)**	**7,377**

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

NOTE 17 - SHARE CAPITAL

At 31 December 2012 the Company's authorized share capital consists of TL 8,840,000,000 shares with a par value of Kr 1 each (2011 – TL 8,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 31 December 2012 and 2011, the share capital is as follows:

		2012		**2011**
	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	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 18 - 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 2012 and 2011 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:

	2012	**2011**
Hedge reserves	(62)	-
Legal reserves	23,776	19,588

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 19 - OPERATING EXPENSES

	2012	2011
Staff costs	8,360	8,700
Legal proceedings expense	1,035	1,325
Rent expenses	831	480
Depreciation and amortization expense (Note 9)	495	137
Office management expenses	467	474
Taxes and duties other than on income	342	102
Communication expenses	152	186
Audit and consultancy expenses	115	159
Advertisement expenses	75	146
Travel expenses	51	33
Other	733	697
	12,656	**12,439**

NOTE 20 - 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

	2012	2011
Due from banks		
Akbank T.A.Ş. (Shareholder)	81,414	100,380
Akbank Malta (Shareholder)	33,528	18,003
Akbank N.V. (Other related parties)	-	149
	114,942	**118,532**

Net finance lease receivables – (Leasing transaction)

	2012	2011
Shareholder		
Akbank T.A.Ş.	84,260	88,870
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	3,871	-
Advansa Sasa Polyester Sanayi A.Ş.	109	1,188
Çimsa Çimento Sanayi ve Ticaret A.Ş.	-	1,905
Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	3
Avivasa Emeklilik ve Hayat A.Ş.	-	1
	88,240	**91,967**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Liabilities

Borrowings

	2012	2011
Akbank T.A.Ş. (Shareholder)	584,850	351,010
	584,850	**351,010**

Trade payables

	2012	2011
Ak Sigorta A.Ş. (Other related parties)	3,808	3,131
	3,808	**3,131**

b) Transactions with related parties

Interest income from direct finance leases

	2012	2011
Shareholder		
Akbank T.A.Ş.	10,839	7,233
Other related parties		
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	263	-
Advansa Sasa Polyester Sanayi A.Ş.	37	111
Çimsa Çimento Sanayi ve Ticaret A.Ş.	36	144
Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	6
Brisa Bridgestone Sabancı Lastik San ve Tic. A.Ş.	-	1
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	-	2
	11,175	**7,497**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	8,494	6,558
Akbank A.G. (Other related parties)	1	269
	8,495	**6,827**

Commission income

Ak Sigorta A.Ş. (Other related parties)	1,110	1,043
	1,110	**1,043**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2012	2011
Service expenses (operating expenses)		
Akbank T.A.Ş. (Shareholder)	123	105
	123	**105**
Interest expense on borrowings		
Akbank T.A.Ş. (Shareholder)	22,685	16,182
Akbank N.V. (Other related parties)	1,017	641
	23,702	**16,823**
Rent expenses (operating expenses)		
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	783	67
Akbank T.A.Ş. (Shareholder)	49	47
Ak Yatırım Menkul Değerler A.Ş. (Shareholder)	-	233
	832	**347**
Remuneration of top management		
Remuneration of top management	**1,371**	**1,279**
Contingent liabilities		
Guarantee letters obtained from		
Akbank T.A.Ş.(Shareholder)	160,048	115,910
Letter of credit obtained from		
Akbank T.A.Ş. (Shareholder)	73,674	104,129
Akbank A.G. (Other related parties)	193	-
	73,867	**104,129**

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	Contract/notional amount	Fair values Assets	Liabilities
2012			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	51,997	407	-
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	52,792	-	1,394
Currency swap transactions			
Akbank T.A.Ş. (Shareholder)	88,690	-	775
Total	**193,479**	**407**	**2,169**

	Contract/notional amount	Fair values Assets	Liabilities
2011			
Forward transaction			
Akbank T.A.Ş. (Shareholder)	71,276	61	215
Interest rate swap transactions			
Akbank T.A.Ş. (Shareholder)	202,774	-	1,362
Total	**274,050**	**61**	**1,577**

NOTE 21 - 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 December, 31 2012 and 2011.

Legal Proceedings

The Company has provided for a total provision of TL 21 against certain open legal cases as of December, 31 2012 (December, 31 2011:TL 211).

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

NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments under derivative instruments

	31 December 2012		31 December 2011	
	Nominal Original amount	**Nominal TL**	**Nominal Original amount**	**Nominal TL**
Forward and Swap Purchase Transactions				
ABD$	37,147	66,218	26,398	49,864
AVRO	15,724	36,978	35,663	87,158
TL	142,327	142,327	-	-
Total Purchase		**245,523**		**137,022**
Forward and Swap Sale Transactions				
AVRO	44,139	103,801	26,508	64,783
ABD$	76,595	136,538	38,246	72,245
Total Sales		**240,339**		**137,028**
		485,862		**274,050**

Guarantees given

The Company has letters of credit in the amount of TL 140,316 (2011 – TL 104,129) for the leased asset imports. Letters of guarantees were given to tax offices, courts and banks for the Hermes credit utilized amounting to TL 160,048 (2011 – TL 115,910). The guarantee given for Hermes credit is TL 101,762 (2011 – TL 114,321).

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 2011, 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 2012 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.

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

NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 2011, 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 2011, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2011; 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 2011 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:2011/93, 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 2012 and 2011 related to the abovementioned tax issue.

NOTE 22 - EARNINGS AND DIVIDENDS PER SHARE

	2012	2011
Current year net income	41,521	38,368
Weighted average number of shares during the year	88,400	88,400
Earnings per share	**0.4691**	**0.4340**

	2012	2011
Dividends paid	24,999	20,000
Weighted average number of shares during the year	88,400	88,400
Dividends per share	**0.2827**	**0.2262**

NOTE 23 - SUBSEQUENT EVENTS

The company's application for the Eurobond issuance amounting to USD 250 mio with five years maturity has been recorded in CMB bulletin as of March 6, 2013.