



*(Convenience Translation of Consolidated Financial Statements and Related Disclosures
and Footnotes Originally Issued in Turkish, See Note 2.1)*

**İş Finansal Kiralama
Anonim Şirketi and Its Subsidiary**

Consolidated Financial Statements

As at and for the year ended

31 December 2012

With Independent Auditors' Report

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

12 February 2013

This report contains "Independent Auditors' Report"
comprising 2 pages and the "Consolidated Financial
Statements and Their Explanatory Notes" comprising
74 pages.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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**Convenience Translation of the Consolidated Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1)**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
İş Finansal Kiralama Anonim Şirketi,

Introduction

We have audited the accompanying consolidated statement of financial position of İş Finansal Kiralama Anonim Şirketi ("the Company") and its subsidiary (all together "the Group") as at 31 December 2012, and the related consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Disclosure for the Responsibility of the Company's Board of Directors

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with "The Communiqué on Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public" published in the Official Gazette dated 17 May 2007 and numbered 26525, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Disclosure for the Responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks" published on the Official Gazette no.26333 dated 1 November 2006 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of İş Finansal Kiralama Anonim Şirketi and its subsidiary as at 31 December 2012 and the results of its consolidated operations and consolidated cash flows for the year then ended in accordance with the communiqués, regulations and circulars issued by the BRSA regarding accounting and financial reporting (see *Note 2.1*).

Istanbul,
12 February 2013

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova
Partner

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | BALANCE SHEET - ASSETS | Notes | Audited Current Period 31 December 2012 | | | Audited Prior Period 31 December 2011 | | |
|---------------|--|--------------|--|------------------|------------------|--|------------------|------------------|
| | | | TRY | FC | TOTAL | TRY | FC | TOTAL |
| I. | CASH | | - | - | - | - | - | - |
| II. | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | 4 | 1.631 | 7.092 | 8.723 | 11.385 | 608 | 11.993 |
| 2.1 | Financial Assets Held for Trading | | 1.631 | - | 1.631 | 11.385 | - | 11.385 |
| 2.2 | Financial Assets at Fair Value Through Profit or Loss | | - | - | - | - | - | - |
| 2.3 | Derivative Financial Assets Held for Trading | | - | 7.092 | 7.092 | - | 608 | 608 |
| III. | BANKS | 5 | 198.284 | 118.870 | 317.154 | 5.526 | 304.035 | 309.561 |
| IV. | RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS | | - | - | - | - | - | - |
| V. | FINANCIAL ASSETS AVAILABLE FOR SALE (Net) | 6 | 25.595 | - | 25.595 | 20.231 | - | 20.231 |
| VI. | FACTORING RECEIVABLES | 7 | 987.008 | 27.936 | 1.014.944 | 401.882 | 2.771 | 404.653 |
| 6.1 | Discounted Factoring Receivables | | 274.184 | - | 274.184 | 189.166 | - | 189.166 |
| 6.1.1 | Domestic | | 278.954 | - | 278.954 | 193.296 | - | 193.296 |
| 6.1.2 | Foreign | | - | - | - | - | - | - |
| 6.1.3 | Unearned Income (-) | | (4.770) | - | (4.770) | (4.130) | - | (4.130) |
| 6.2 | Other Factoring Receivables | | 712.824 | 27.936 | 740.760 | 212.716 | 2.771 | 215.487 |
| 6.2.1 | Domestic | | 712.824 | - | 712.824 | 212.716 | - | 212.716 |
| 6.2.2 | Foreign | | - | 27.936 | 27.936 | - | 2.771 | 2.771 |
| VII. | FINANCING LOANS | | - | - | - | - | - | - |
| 7.1 | Retail Loans | | - | - | - | - | - | - |
| 7.2 | Credit Loans | | - | - | - | - | - | - |
| 7.3 | Instalment Commercial Loans | | - | - | - | - | - | - |
| VIII. | LEASE RECEIVABLES | 8 | 274.660 | 1.072.257 | 1.346.917 | 201.013 | 1.144.662 | 1.345.675 |
| 8.1 | Lease Receivables | | 272.117 | 1.056.067 | 1.328.184 | 197.533 | 1.095.381 | 1.292.914 |
| 8.1.1 | Finance Lease Receivables | | 335.914 | 1.217.243 | 1.553.157 | 244.399 | 1.272.611 | 1.517.010 |
| 8.1.2 | Operational Lease Receivables | | - | - | - | - | - | - |
| 8.1.3 | Other | | - | - | - | - | - | - |
| 8.1.4 | Unearned Income (-) | | (63.797) | (161.176) | (224.973) | (46.866) | (177.230) | (224.096) |
| 8.2 | Leasing Contracts in Progress | | 1.683 | 8.622 | 10.305 | 1.650 | 14.110 | 15.760 |
| 8.3 | Advances Given for Lease Transactions | | 860 | 7.568 | 8.428 | 1.830 | 35.171 | 37.001 |
| IX. | NON-PERFORMING RECEIVABLES | 7, 8 | 37.343 | 6.378 | 43.721 | 24.347 | 28.454 | 52.801 |
| 9.1 | Non-Performing Factoring Receivables | | 10.902 | - | 10.902 | 2.603 | - | 2.603 |
| 9.2 | Non-Performing Financing Loans | | - | - | - | - | - | - |
| 9.3 | Non-Performing Lease Receivables | | 76.769 | 24.918 | 101.687 | 57.462 | 52.866 | 110.328 |
| 9.4 | Specific Provisions (-) | | (50.328) | (18.540) | (68.868) | (35.718) | (24.412) | (60.130) |
| X. | DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT | | - | - | - | - | - | - |
| 10.1 | Fair Value Hedges | | - | - | - | - | - | - |
| 10.2 | Cash Flow Hedges | | - | - | - | - | - | - |
| 10.3 | Net Foreign Investment Hedges | | - | - | - | - | - | - |
| XI. | INVESTMENTS HELD TO MATURITY (Net) | | - | - | - | - | - | - |
| XII. | INVESTMENT IN SUBSIDIARIES (Net) | | - | - | - | - | - | - |
| XIII. | INVESTMENT IN ASSOCIATES (Net) | | - | - | - | - | - | - |
| XIV. | INVESTMENT IN JOINT VENTURES (Net) | | - | - | - | - | - | - |
| XV. | TANGIBLE ASSETS (Net) | 10 | 1.344 | - | 1.344 | 1.104 | - | 1.104 |
| XVI. | INTANGIBLE ASSETS (Net) | | 870 | - | 870 | 958 | - | 958 |
| 16.1 | Goodwill | 12 | 166 | - | 166 | 166 | - | 166 |
| 16.2 | Other Intangibles | 11 | 704 | - | 704 | 792 | - | 792 |
| XVII. | DEFERRED TAX ASSETS | 13 | 51.370 | - | 51.370 | 72.516 | - | 72.516 |
| XVIII. | ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | 14 | 248 | - | 248 | 453 | - | 453 |
| 18.1 | Assets Held For Sale | | 248 | - | 248 | 453 | - | 453 |
| 18.2 | Assets of Discontinued Operations | | - | - | - | - | - | - |
| XIX. | OTHER ASSETS | 15 | 6.933 | 2.503 | 9.436 | 14.580 | 7.528 | 22.108 |
| | TOTAL ASSETS | | 1.585.286 | 1.235.036 | 2.820.322 | 753.995 | 1.488.058 | 2.242.053 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | BALANCE SHEET - LIABILITIES | Notes | Audited Current Period 31 December 2012 | | | Audited Prior Period 31 December 2011 | | |
|--------------|---|--------------|--|----------------|------------------|--|------------------|------------------|
| | | | TRY | FC | TOTAL | TRY | FC | TOTAL |
| I. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | 4 | - | 7.089 | 7.089 | - | 18.693 | 18.693 |
| II. | FUNDS BORROWED | 16 | 1.192.117 | 870.259 | 2.062.376 | 391.192 | 1.188.243 | 1.579.435 |
| III. | FACTORING PAYABLES | | - | - | - | - | - | - |
| IV. | LEASE OBLIGATIONS | 18 | - | - | - | - | - | - |
| 4.1 | Finance Lease Obligations | | - | - | - | - | - | - |
| 4.2 | Operational Lease Obligations | | - | - | - | - | - | - |
| 4.3 | Other | | - | - | - | - | - | - |
| 4.4 | Deferred Finance Lease Expenses (-) | | - | - | - | - | - | - |
| V. | DEBT SECURITIES ISSUED (Net) | 19 | 151.005 | - | 151.005 | 93.241 | - | 93.241 |
| 5.1 | Bills | | - | - | - | 93.241 | - | 93.241 |
| 5.2 | Asset-Backed Securities | | - | - | - | - | - | - |
| 5.3 | Bonds | | 151.005 | - | 151.005 | - | - | - |
| VI. | MISCELLANEOUS PAYABLES | 17 | 4.063 | 10.741 | 14.804 | 3.171 | 11.974 | 15.145 |
| VII. | OTHER LIABILITIES | 17 | 2.560 | 5.881 | 8.441 | 2.761 | 5.034 | 7.795 |
| VIII. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT | | - | - | - | - | - | - |
| 8.1 | Fair Value Hedges | | - | - | - | - | - | - |
| 8.2 | Cash Flow Hedges | | - | - | - | - | - | - |
| 8.3 | Net Foreign Investment Hedges | | - | - | - | - | - | - |
| IX. | TAXES AND DUTIES PAYABLE | 20 | 4.551 | - | 4.551 | 3.352 | - | 3.352 |
| X. | PROVISIONS | | 4.142 | 2.116 | 6.258 | 3.480 | 894 | 4.374 |
| 10.1 | Restructuring Reserves | | - | - | - | - | - | - |
| 10.2 | Reserves For Employee Benefits | 22 | 3.228 | - | 3.228 | 2.742 | - | 2.742 |
| 10.3 | Other Provisions | 21 | 914 | 2.116 | 3.030 | 738 | 894 | 1.632 |
| XI. | DEFERRED TAX LIABILITY | | - | - | - | - | - | - |
| XII. | PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS | | - | - | - | - | - | - |
| 12.1 | Held For Sale | | - | - | - | - | - | - |
| 12.2 | Discontinued Operations | | - | - | - | - | - | - |
| XIII. | SUBORDINATED LOANS | | - | - | - | - | - | - |
| XIV. | SHAREHOLDERS' EQUITY | | 565.798 | - | 565.798 | 520.018 | - | 520.018 |
| 14.1 | Paid-in Capital | 24 | 389.000 | - | 389.000 | 339.000 | - | 339.000 |
| 14.2 | Capital Reserves | 24 | 10.082 | - | 10.082 | 6.577 | - | 6.577 |
| 14.2.1 | Share Premium | | - | - | - | - | - | - |
| 14.2.2 | Share Cancellation Profits | | - | - | - | - | - | - |
| 14.2.3 | Securities Value Increase Fund | | 8.144 | - | 8.144 | 4.639 | - | 4.639 |
| 14.2.4 | Revaluation Surplus on Tangible and Intangible Assets | | - | - | - | - | - | - |
| 14.2.5 | Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities | | 1.938 | - | 1.938 | 1.938 | - | 1.938 |
| 14.2.6 | Hedging Reserves (Effective Portion) | | - | - | - | - | - | - |
| 14.2.7 | Revaluation Surplus on Assets Held for Sale and Discontinued Operations | | - | - | - | - | - | - |
| 14.2.8 | Other Capital Reserves | | - | - | - | - | - | - |
| 14.3 | Profit Reserves | 25 | 112.907 | - | 112.907 | 110.868 | - | 110.868 |
| 14.3.1 | Legal Reserves | | 19.251 | - | 19.251 | 16.627 | - | 16.627 |
| 14.3.2 | Statutory Reserves | | - | - | - | - | - | - |
| 14.3.3 | Extraordinary Reserves | | 93.656 | - | 93.656 | 94.241 | - | 94.241 |
| 14.3.4 | Other Profit Reserves | | - | - | - | - | - | - |
| 14.4 | Profit or Loss | | 40.805 | - | 40.805 | 52.039 | - | 52.039 |
| 14.4.1 | Prior Periods Profit/Loss | 26 | - | - | - | (434) | - | (434) |
| 14.4.2 | Current Period Profit/Loss | | 40.805 | - | 40.805 | 52.473 | - | 52.473 |
| 14.5 | Non-Controlling Interests | 23 | 13.004 | - | 13.004 | 11.534 | - | 11.534 |
| | TOTAL LIABILITIES AND EQUITY | | 1.924.236 | 896.086 | 2.820.322 | 1.017.215 | 1.224.838 | 2.242.053 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | OFF-BALANCE SHEET ITEMS | Notes | Audited Current Period 31 December 2012 | | | Audited Prior Period 31 December 2011 | | |
|-------------|--|-------|---|----------------|------------------|---|----------------|------------------|
| | | | TRY | FC | TOTAL | TRY | FC | TOTAL |
| I. | IRREVOCABLE FACTORING TRANSACTIONS | | 69.042 | 18.083 | 87.125 | 39.672 | 4.168 | 43.840 |
| II. | REVOCABLE FACTORING TRANSACTIONS | | 40.259 | 12.680 | 52.939 | 25.017 | 95 | 25.112 |
| III. | COLLATERALS RECEIVED | 39 | 405.987 | 155.077 | 561.064 | 400.520 | 202.229 | 602.749 |
| IV. | COLLATERALS GIVEN | 27 | 2.815 | - | 2.815 | 734 | - | 734 |
| V. | COMMITMENTS | | 6.311 | 41.408 | 47.719 | 10.752 | 157.537 | 168.289 |
| 5.1 | Irrevocable Commitments | | 1.000 | 12.187 | 13.187 | 1.000 | 43.685 | 44.685 |
| 5.2 | Revocable Commitments | | 5.311 | 29.221 | 34.532 | 9.752 | 113.852 | 123.604 |
| 5.2.1 | Lease Commitments | | 5.311 | 29.221 | 34.532 | 9.752 | 113.852 | 123.604 |
| 5.2.1.1 | Finance Lease Commitments | | 5.311 | 29.221 | 34.532 | 9.752 | 113.852 | 123.604 |
| 5.2.1.2 | Operational Lease Commitments | | - | - | - | - | - | - |
| 5.2.2 | Other Revocable Commitments | | - | - | - | - | - | - |
| VI. | DERIVATIVE FINANCIAL INSTRUMENTS | | 311.121 | 306.400 | 617.521 | 271.605 | 280.421 | 552.026 |
| 6.1 | Derivative Financial Instruments for Risk Management | | - | - | - | - | - | - |
| 6.1.1 | Fair Value Hedges | | - | - | - | - | - | - |
| 6.1.2 | Cash Flow Hedges | | - | - | - | - | - | - |
| 6.1.3 | Net Foreign Investment Hedges | | - | - | - | - | - | - |
| 6.2 | Derivative Financial Instruments Held For Trading | 27 | 311.121 | 306.400 | 617.521 | 271.605 | 280.421 | 552.026 |
| 6.2.1 | Forward Foreign Currency Purchases/Sales | | 1.960 | 1.929 | 3.889 | 2.443 | 2.444 | 4.887 |
| 6.2.2 | Swap Purchases/Sales | 27 | 309.161 | 304.471 | 613.632 | 269.162 | 277.977 | 547.139 |
| 6.2.3 | Put/call options | | - | - | - | - | - | - |
| 6.2.4 | Futures purchases/sales | | - | - | - | - | - | - |
| 6.2.5 | Others | | - | - | - | - | - | - |
| VII. | ITEMS HELD IN CUSTODY | | 138.511 | 25.838 | 164.349 | 109.903 | 21.922 | 131.825 |
| | TOTAL OFF-BALANCE SHEET ITEMS | | 974.046 | 559.486 | 1.533.532 | 858.203 | 666.372 | 1.524.575 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | INCOME STATEMENT | Notes | Audited Current Period 01.01. - 31.12.2012 | Audited Prior Period 01.01. - 31.12.2011 |
|---------------|--|-----------|--|--|
| I. | OPERATING INCOME | 30 | 158.051 | 135.437 |
| | FACTORING INCOME | | 51.984 | 34.801 |
| 1.1 | Factoring Interest Income | | 49.108 | 32.061 |
| 1.1.1 | Discounted | | 20.114 | 12.376 |
| 1.1.2 | Other | | 28.994 | 19.685 |
| 1.2 | Factoring Commission Income | | 2.876 | 2.740 |
| 1.2.1 | Discounted | | 1.193 | 1.490 |
| 1.2.2 | Other | | 1.683 | 1.250 |
| | INCOME FROM FINANCING LOANS | | - | - |
| 1.1 | Interest Income From Financing Loans | | - | - |
| 1.2 | Commission Income From Financing Loans | | - | - |
| | LEASE INCOME | | 106.067 | 100.636 |
| 1.1 | Finance Lease Income | | 106.067 | 100.636 |
| 1.2 | Operational Lease Income | | - | - |
| 1.3 | Fees and Commission Income on Lease Operations | | - | - |
| II. | OPERATING EXPENSES (-) | 31 | (24.363) | (21.979) |
| 2.1 | Personal Expenses | | (14.300) | (13.894) |
| 2.2 | Employee Severance Indemnity Expense | 22 | (912) | (389) |
| 2.3 | Research and Development Expense | | - | - |
| 2.4 | General Administration Expense | | (9.151) | (7.696) |
| 2.5 | Other | | - | - |
| III. | OTHER OPERATING INCOME | 32 | 66.446 | 78.722 |
| 3.1 | Interest Income on Bank Deposits | | 7.621 | 21.847 |
| 3.2 | Interest Income on Reverse Repurchase Agreements | | - | - |
| 3.3 | Interest Income on Securities Portfolio | | 1.247 | 987 |
| 3.3.1 | Interest Income on Financial Assets Held for Trading | | 1.247 | 987 |
| 3.3.2 | Interest Income on Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 3.3.3 | Interest Income on Financial Assets Available For Sale | | - | - |
| 3.3.4 | Interest Income on Financial Assets Held to Maturity | | - | - |
| 3.4 | Dividend Income | | 2.272 | 3.980 |
| 3.5 | Trading Account Income | | 46.113 | 1.691 |
| 3.5.1 | Income From Derivative Financial Instruments | | 46.113 | 1.691 |
| 3.5.2 | Other | | - | - |
| 3.6 | Foreign Exchange Gains | | - | 41.980 |
| 3.7 | Others | | 9.193 | 8.237 |
| IV. | FINANCIAL EXPENSES (-) | 33 | (96.954) | (79.614) |
| 4.1 | Interest Expense on Funds Borrowed | | (76.635) | (76.534) |
| 4.2 | Interest Expense on Factoring Payables | | - | - |
| 4.3 | Interest Expense of Finance Leases | | - | - |
| 4.4 | Interest Expense on Securities Issued | 33 | (17.605) | (2.098) |
| 4.5 | Other Interest Expenses | | - | - |
| 4.6 | Fees and Commissions Paid | | (2.714) | (982) |
| V. | PROVISION FOR LOSSES ON NON-PERFORMING RECEIVABLES (-) | 34 | (22.058) | (15.273) |
| VI. | OTHER OPERATING EXPENSES (-) | 35 | (26.546) | (36.520) |
| 6.1 | Impairment Losses on Securities Portfolio | | (145) | (338) |
| 6.1.1 | Impairment Losses on Financial Assets at Fair Value Through Profit or Loss | | (145) | (338) |
| 6.1.2 | Impairment Losses on Financial Assets Available For Sale | | - | - |
| 6.1.3 | Impairment Losses on Financial Assets Held to Maturity | | - | - |
| 6.2 | Impairment Losses on Non-Current Assets | | - | - |
| 6.2.1 | Impairment Losses on Tangible Assets | | - | - |
| 6.2.2 | Impairment Losses on Assets Held for Sale and Discontinued Operations | | - | - |
| 6.2.3 | Impairment Losses on Goodwill | | - | - |
| 6.2.4 | Impairment Losses on Other Intangible Assets | | - | - |
| 6.2.5 | Impairment Losses on Subsidiaries, Associates and Joint Ventures | | - | - |
| 6.3 | Losses From Derivative Financial Instruments | | (14.233) | (33.743) |
| 6.4 | Foreign Exchange Losses | | (7.122) | - |
| 6.5 | Other | | (5.046) | (2.439) |
| VII. | NET OPERATING PROFIT / LOSS | | 54.576 | 60.773 |
| VIII. | INCOME RESULTED FROM MERGES | | - | - |
| IX. | GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| X. | PROFIT FROM CONTINUING OPERATIONS BEFORE TAX | | 54.576 | 60.773 |
| XI. | INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±) | 36 | (12.775) | (6.507) |
| 11.1 | Current Tax Charge | | 8.371 | (408) |
| 11.2 | Deferred Tax Charge (-) | | (21.146) | (6.099) |
| 11.3 | Deferred Tax Benefit (+) | | - | - |
| XII. | NET PROFIT FROM CONTINUING OPERATIONS | | 41.801 | 54.266 |
| XIII. | INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 13.1 | Income from Assets Held for Sale | | - | - |
| 13.2 | Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities | | - | - |
| 13.3 | Other Income from Discontinued Operations | | - | - |
| XIV. | EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 14.1 | Expense on Assets Held for Sale | | - | - |
| 14.2 | Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities | | - | - |
| 14.3 | Other Expenses from Discontinued Operations | | - | - |
| XV. | PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX | | - | - |
| XVI. | INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±) | | - | - |
| 16.1 | Current Tax Charge | | - | - |
| 16.2 | Deferred Tax Charge (-) | | - | - |
| 16.3 | Deferred Tax Benefit (+) | | - | - |
| XVII. | NET PROFIT FROM DISCONTINUED OPERATIONS | | - | - |
| XVIII. | NON-CONTROLLING INTEREST (INCOME) / EXPENSE | 23 | (996) | (1.793) |
| XIX. | NET PROFIT FOR THE PERIOD | | 40.805 | 52.473 |
| | Earnings Per Share | 37 | 0,10 | 0,13 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2012**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| PROFIT/LOSS ITEMS RECOGNISED DIRECTLY IN EQUITY | Audited Current Period 31 December 2012 | Audited Prior Period 31 December 2011 |
|--|--|--|
| I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM AVAILABLE FOR SALE FINANCIAL ASSETS | 3.979 | (10.209) |
| 1.1 Change in the Fair Value of the Financial Assets Available For Sale, Net | 3.979 | (10.209) |
| 1.2 Change in the Fair Value of the Financial Assets Available For Sale, Net (Transfer to Profit/Loss) | - | - |
| II. REVALUATION SURPLUS ON TANGIBLE ASSETS | - | - |
| III. REVALUATION SURPLUS ON INTANGIBLE ASSETS | - | - |
| IV. FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY TRANSACTIONS | - | - |
| V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS FOR CASH FLOW HEDGES | - | - |
| 5.1 Profit/Loss on Derivative Financial Assets for Cash Flow Hedges (Effective Portion of the Changes in Fair Value) | - | - |
| 5.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement | - | - |
| VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES | - | - |
| 6.1 Profit/Loss from Derivative Financial Assets for Net Investment Hedges (Effective Portion of Fair Value Differences) | - | - |
| 6.2 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement | - | - |
| VII. EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN THE ACCOUNTING POLICIES | - | - |
| VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER EQUITY IN ACCORDANCE WITH TAS | - | - |
| IX. DEFERRED TAXES ON REVALUATION DIFFERENCES | - | - |
| X. NET PROFIT/LOSS RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX) | 3.979 | (10.209) |
| XI. PROFIT/LOSS FOR THE PERIOD | 41.801 | 54.266 |
| XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD | 45.780 | 44.057 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | Notes | Paid-in Capital | Paid-in Capital Inflation Adjustment | Share Premium | Share Cancellation Profits | Legal Reserves | Statutory Reserves | Extraordinary Reserves | Other Reserves | Current Period Profit/Loss | Prior Period Profit/Loss | Fair Value Changes Of Marketable Securities | Revaluation Reserve on Tangible and Intangible Assets | Bonus Shares Obtained From Subs., Assoc., and Jointly Contr. Ent. | Hedge Reserves (Effective Portion) | Revaluation Reserves on Assets Held for Sale and Discontinued Operations | Shareholders' Equity Before Non-Controlling Interests | Non-Controlling Interest | Total Equity |
|--|-------|-----------------|--------------------------------------|---------------|----------------------------|----------------|--------------------|------------------------|----------------|----------------------------|--------------------------|---|---|---|------------------------------------|--|---|--------------------------|--------------|
| CHANGES IN EQUITY | | | | | | | | | | | | | | | | | | | |
| Prior Period (01.01 – 31.12.2011) (Audited) | | | | | | | | | | | | | | | | | | | |
| I. | | 295.000 | - | - | - | 13.442 | - | 77.724 | - | 63.702 | (434) | 13.728 | - | 1.938 | - | - | 465.100 | 10.861 | 475.961 |
| II. | | | | | | | | | | | | | | | | | | | |
| 2.1 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | | 295.000 | - | - | - | 13.442 | - | 77.724 | - | 63.702 | (434) | 13.728 | - | 1.938 | - | - | 465.100 | 10.861 | 475.961 |
| IV. | | | | | | | | | | | | | | | | | | | |
| V. | | | | | | | | | | | | | | | | | | | |
| 5.1 | | | | | | | | | | | | | | | | | | | |
| 5.2 | | | | | | | | | | | | | | | | | | | |
| VI. | 24 | | | | | | | | | | | (9.089) | | | | | (9.089) | (1.120) | (10.209) |
| VII. | | | | | | | | | | | | | | | | | | | |
| VIII. | 24 | | | | | | | | | | | | | | | | | | |
| IX. | | | | | | | | | | | | | | | | | | | |
| X. | | | | | | | | | | | | | | | | | | | |
| XI. | | | | | | | | | | | | | | | | | | | |
| XII. | 24 | 44.000 | | | | | | (24.000) | (20.000) | | | | | | | | | | |
| XIII. | | | | | | | | | | | | | | | | | | | |
| XIV. | | | | | | | | | | | | | | | | | | | |
| XV. | | | | | | | | | | | | | | | | | | | |
| XVI. | | | | | | | | | | | | | | | | | | | |
| XVII. | | | | | | | | | | 52.473 | | | | | | | 52.473 | 1.793 | 54.266 |
| XVIII. | | | | | | 3.185 | | 40.517 | 20.000 | (63.702) | | | | | | | | | |
| 18.1 | | | | | | | | | | | | | | | | | | | |
| 18.2 | | | | | | 3.185 | | 40.517 | 20.000 | (63.702) | | | | | | | | | |
| 18.3 | | | | | | | | | | | | | | | | | | | |
| | | 339.000 | - | - | - | 16.627 | - | 94.241 | - | 52.473 | (434) | 4.639 | - | 1.938 | - | - | 508.484 | 11.534 | 520.018 |
| Current Period (01.01, –31.12.2012) (Audited) | | | | | | | | | | | | | | | | | | | |
| I. | | 339.000 | - | - | - | 16.627 | - | 94.241 | - | 52.473 | (434) | 4.639 | - | 1.938 | - | - | 508.484 | 11.534 | 520.018 |
| II. | | | | | | | | | | | | | | | | | | | |
| III. | | | | | | | | | | | | | | | | | | | |
| 3.1 | | | | | | | | | | | | | | | | | | | |
| 3.2 | | | | | | | | | | | | | | | | | | | |
| IV. | 24 | | | | | | | | | | | 3.505 | | | | | 3.505 | 474 | 3.979 |
| V. | | | | | | | | | | | | | | | | | | | |
| VI. | 24 | | | | | | | | | | | | | | | | | | |
| VII. | | | | | | | | | | | | | | | | | | | |
| VIII. | | | | | | | | | | | | | | | | | | | |
| IX. | | | | | | | | | | | | | | | | | | | |
| X. | 24 | 50.000 | | | | | | (34.935) | (15.065) | | | | | | | | | | |
| XI. | | | | | | | | | | | | | | | | | | | |
| XII. | | | | | | | | | | | | | | | | | | | |
| XIII. | | | | | | | | | | | | | | | | | | | |
| XIV. | | | | | | | | | | | | | | | | | | | |
| XV. | | | | | | | | | | 40.805 | | | | | | | 40.805 | 996 | 41.801 |
| XVI. | | | | | | | | | | | | | | | | | | | |
| 16.1 | | | | | | 2.624 | | 34.350 | 15.065 | (52.473) | 434 | | | | | | | | |
| 16.2 | | | | | | | | | | | | | | | | | | | |
| 16.3 | | | | | | 2.624 | | 34.350 | 15.065 | (52.473) | 434 | | | | | | | | |
| | | 389.000 | - | - | - | 19.251 | - | 93.656 | - | 40.805 | - | 8.144 | - | 1.938 | - | - | 552.794 | 13.004 | 565.798 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| | | Audited Current Period | Audited Prior Period |
|---|--------------|-----------------------------------|---------------------------------|
| | Notes | 31 December 2012 | 31 December 2011 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 1.1 Operating Profit Before Changes In Operating Assets And Liabilities | | 62.853 | 111.071 |
| 1.1.1 Interests Received/Lease Income | | 165.451 | 154.469 |
| 1.1.2 Lease Expenses | | - | - |
| 1.1.3 Dividends Received | | 886 | 1.056 |
| 1.1.4 Fees and Commissions Received | | 2.876 | 2.740 |
| 1.1.5 Other Income | | 36.595 | 26.063 |
| 1.1.6 Collections from Non-performing Receivables | 31 | 1.870 | 1.735 |
| 1.1.7 Payments to Personnel and Service Suppliers | | (13.550) | (13.013) |
| 1.1.8 Taxes Paid | | (4.896) | (13.668) |
| 1.1.9 Others | | (126.379) | (48.311) |
| 1.2 Changes in Operating Assets and Liabilities | | (113.557) | (579.308) |
| 1.2.1 Net (Increase) Decrease in Factoring Receivables | | (617.275) | (72.561) |
| 1.2.2 Net (Increase) Decrease in Financing Loans | | - | - |
| 1.2.3 Net (Increase) Decrease in Lease Receivables | | 40.759 | (666.249) |
| 1.2.4 Net (Increase) Decrease in Other Assets | | 34.235 | (22.650) |
| 1.2.5 Net Increase (Decrease) in Factoring Payables | | - | - |
| 1.2.6 Net Increase (Decrease) in Lease Payables | | - | - |
| 1.2.7 Net Increase (Decrease) in Funds Borrowed | | 425.541 | 151.745 |
| 1.2.8 Net Increase (Decrease) in Due Payables | | - | - |
| 1.2.9 Net Increase (Decrease) in Other Liabilities | | 3.183 | 30.407 |
| I. Net Cash Provided from / (Used in) Operating Activities | | (50.704) | (468.237) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 2.1 Cash Paid for Purchase Of Associates, Subsidiaries and Joint-ventures | | - | - |
| 2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures | | - | - |
| 2.3 Purchases of Tangible and Intangible Assets | 10, 11 | (704) | (1.351) |
| 2.4 Proceeds From Sale of Tangible and Intangible Assets | 10 | 1 | 6 |
| 2.5 Cash Paid for Purchase of Financial Assets Available for Sale | 6 | - | (1.000) |
| 2.6 Proceeds From Sale of Financial Assets Available for Sale | | - | - |
| 2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities | | - | - |
| 2.8 Proceeds from Sale of Held-to-Maturity Investment Securities | | - | - |
| 2.9 Other | | - | - |
| II. Net cash used in investing activities | | (703) | (2.345) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 3.1 Cash obtained from funds borrowed and securities issued | | 150.000 | 91.143 |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (91.153) | - |
| 3.3 Equity instruments issued | | - | - |
| 3.4 Dividends paid | | - | - |
| 3.5 Payments for finance leases | | - | - |
| 3.6 Other | | 1 | - |
| III. Net Cash Used in Financing Activities | | 58.848 | 91.143 |
| IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents | | 290 | 1.651 |
| V. Net Increase / (Decrease) in Cash and Cash Equivalents | | 7.731 | (377.788) |
| VI. Cash and Cash Equivalents at the Beginning of the Period | 5 | 309.118 | 686.906 |
| VII. Cash and Cash Equivalents at the End of the Period | 5 | 316.849 | 309.118 |

The accompanying notes are an integral part of these consolidated financial statements.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE PERIOD ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

| İŞ FİNANSAL KİRALAMA A.Ş. PROFIT DISTRIBUTION TABLE (**) | Current Period 31 December 2012 | Prior Period 31 December 2011 |
|---|--|--|
| I. DISTRIBUTION OF CURRENT PERIOD PROFIT | | |
| 1.1 CURRENT PERIOD PROFIT | 53.580 | 58.980 |
| 1.2 TAXES AND DUES PAYABLE (-) | (12.775) | (6.507) |
| 1.2.1 Corporate Tax (Income Tax) | 8.371 | (408) |
| 1.2.2 Withholding Tax | - | - |
| 1.2.3 Other taxes and dues | (21.146) | (6.099) |
| A. NET PERIOD PROFIT (1.1 - 1.2) | 40.805 | 52.473 |
| 1.3 PRIOR YEARS' LOSSES (-) | - | - |
| 1.4 FIRST LEGAL RESERVE (-) | (1.861) | (2.302) |
| 1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-) (*) | 26 | 44 |
| B DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)] | 38.970 | 50.215 |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | - | 15.065 |
| 1.6.1 To Owners of Ordinary Shares (***) | - | 15.065 |
| 1.6.2 To Owners of Preferred Stocks | - | - |
| 1.6.3 To Owners of Preferred Stocks (Preemptive Rights) | - | - |
| 1.6.4 To Profit Sharing Bonds | - | - |
| 1.6.5 To Owners of the profit /loss Sharing Certificates | - | - |
| 1.7 DIVIDEND TO PERSONNEL (-) | - | - |
| 1.8 DIVIDEND TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 To Owners of Ordinary Shares | - | - |
| 1.9.2 To Owners of Preferred Stocks | - | - |
| 1.9.3 To Owners of Preferred Stocks (Preemptive Rights) | - | - |
| 1.9.4 To Profit Sharing Bonds | - | - |
| 1.9.5 To Owners of the profit /loss Sharing Certificates | - | - |
| 1.10 SECOND LEGAL RESERVE (-) | - | - |
| 1.11 STATUS RESERVES (-) | - | - |
| 1.12 EXTRAORDINARY RESERVES | - | 35.106 |
| 1.13 OTHER RESERVES | - | - |
| 1.14 SPECIAL FUNDS | - | - |
| II. DISTRIBUTION FROM RESERVES | | |
| 2.1 DISTRIBUTED RESERVES | - | - |
| 2.2 SECOND LEGAL RESERVES (-) | - | - |
| 2.3 SHARE TO SHAREHOLDERS (-) | - | - |
| 2.3.1 To Owners of Ordinary Shares | - | - |
| 2.3.2 To Owners of Preferred Stocks | - | - |
| 2.3.3 To Owners of Preferred Stocks (Preemptive Rights) | - | - |
| 2.3.4 To Profit Sharing Bonds | - | - |
| 2.3.5 To Owners of the profit /loss Sharing Certificates | - | - |
| 2.4 SHARE TO PERSONNEL (-) | - | - |
| 2.5 SHARE TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | | |
| 3.1 TO OWNERS OF STOCKS (TRY) | - | 0.1548 |
| 3.2 TO OWNERS OF STOCKS (%) | - | %15,48 |
| 3.3 TO OWNERS OF PREFERRED STOCKS (TRY) | - | - |
| 3.4 TO OWNERS OF PREFERRED STOCKS (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1 TO OWNERS OF STOCKS (TRY) | - | 0.0444 |
| 4.2 TO OWNERS OF STOCKS (%) | - | %4,44 |
| 4.3 TO OWNERS OF PREFERRED STOCKS (TRY) | - | - |
| 4.4 TO OWNERS OF PREFERRED STOCKS (%) | - | - |

(*) Comprises of donations made by the Company that shall be added to distributable net period profit.

(**) Since the Board of Directors has not made any decision regarding profit distribution for the year 2012, only distributable period net profit has been presented in the profit distribution table above.

(***) The dividend amount in connection with the year 2011 has been distributed in the form of bonus shares.

The accompanying notes are an integral part of these consolidated financial statements.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. (“the Company”) was incorporated on 9 March 1988 to operate in Turkey in accordance with Finance Lease, Factoring and Financing Companies Law No: 6361. The core business of the Company is leasing operations, both domestic and abroad, and it started its leasing operations in July 1988. The head office of the Company is located at İş Kuleleri Kule:1 Kat:6 34330 Levent-İstanbul/Turkey.

The Company has purchased nominal shares of İş Factoring Finansman Hizmetleri A.Ş. (“İş Factoring”) amounting to TRY 12.517 in consideration of USD 10.952.375 on 11 August 2004. The Company owns 78,23% of this subsidiary and it has been consolidated in the accompanying financial statements.

The Company and its subsidiary run their operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on the Official Gazette no. 28496 dated 13 December 2012 and “Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies” of Banking Regulation and Supervision Agency (“BRSA”).

The ultimate parent of the Company is Türkiye İş Bankası A.Ş.. The main shareholders of the Company are Türkiye İş Bankası A.Ş. with 27,79% and Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) with 28,56% participation. The Company’s 42,67% of shares are publicly traded and listed on the Istanbul Stock Exchange.

As at 31 December 2012, the Company and its subsidiary (“the Group”) has 138 employees (31 December 2011: 143 employees).

Dividend Payable

As at 31 December 2012, the Company does not have any dividend payable.

Approval of the Financial Statements

The consolidated financial statements as at 31 December 2012 have been approved by the Board of Directors of the Company and authorized for issue as at 12 February 2013. General Assembly and / or legal authorities have the discretion of making changes in the accompanying consolidated financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Accounting Standards Applied

The accompanying consolidated financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.26525 dated 17 May 2007 promulgated by BRSA, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by Turkish Accounting Standards Board (“TASB”) and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred as “Reporting Standards”).

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

The consolidated financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value. Determination of historical cost is generally based on the fair value amount paid for the assets.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Functional and Reporting Currency

The individual financial statements of each group entities are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

The consolidated financial statements of the Group have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA and by a decision taken on 17 March 2005, Capital Markets Board of Turkey (“CMB”) declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2012 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

Comparative Information and Restatement of the Prior Periods’ Consolidated Financial Statements

The Group’s consolidated financial statements are prepared comparatively with the prior period in order to provide information on the financial position and performance of the Group. When the presentation or classification of financial statements is changed, prior period’s financial statements are also reclassified in line with the related changes in order to sustain consistency and all significant changes are explained.

İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY

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(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 3 (b) and (c) – Useful lives of tangible and intangible assets

Note 4 – Financial assets and liabilities at fair value through profit or loss

Note 6 – Financial assets available for sale

Note 7 – Factoring receivables

Note 8 – Lease receivables

Note 13 – Deferred tax assets and liabilities

Note 21 – Provisions

Note 22 – Employee benefits

Note 27 – Commitments and contingencies

Note 39 – Additional information on financial instruments

Basis of Consolidation

The details of the Group’s subsidiary as at 31 December 2012 and 31 December 2011 are as follows:

| <u>Subsidiary</u> | <u>Establishment and operation location</u> | <u>Shareholding rate %</u> | <u>Voting right rate %</u> | <u>Core business</u> |
|-------------------|---|----------------------------|----------------------------|----------------------|
| İş Factoring | Istanbul | 78,23 | 78,23 | Factoring operations |

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary on the basis set out in “Subsidiaries” section below. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2012 and 31 December 2011, the Company owns 78,23% of İş Factoring. As the Company has the power to control the operations of the İş Factoring, the financial statements of İş Factoring have been fully consolidated in the accompanying consolidated financial statements.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Basis of Consolidation (Continued)

(ii) Transactions eliminated on consolidation

Financial statements of İş Factoring have been fully consolidated in the accompanying financial statements and the investment balance in the Company’s statement of financial position have been eliminated against the paid-in capital of İş Factoring. Intra-group balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(iii) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest in equity since the date of the combination.

Offsetting

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

2.2 Changes in Accounting Policies

Material changes in accounting policies are adjusted retrospectively and prior periods’ consolidated financial statements are restated. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Group in the current year.

Material accounting errors are adjusted retrospectively and prior periods’ consolidated financial statements are restated.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4 Standards and Interpretations not yet effective as at 31 December 2012

The Group applied all of the relevant and required standards promulgated by TASB as at 31 December 2012.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below;

TFRS 9 – Financial instruments, is published by Turkish Accounting Standards Board in April 2010 as a part of a wider project that aims to bring new regulations to replace *TAS 39 – Financial Instruments: Recognition and Measurement*.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity’s future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in *TAS 39* on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply *TFRS 9* for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this *TFRS* in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

TFRS 10 – Consolidated Financial Statements, TFRS 11– Joint Arrangements and TFRS 12 – Disclosure of Interest in Other Entities

TFRS 10 – Consolidated Financial Statements introduces a single control model to determine whether an investee should be consolidated.

TFRS 11 – Joint Arrangements is not expected to have any impact on the Group because the Group does not have interest in joint ventures.

TFRS 12 – Disclosure of Interest in Other Entities brings together into a single standard all the disclosure requirements about an entity’s interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4 Standards and Interpretations not yet effective as at 31 December 2012 (Continued)

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Besides, the new standard requires additional disclosures on fair value.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

IAS 19 – Employee Benefits

IAS 19 – *Employee Benefits* changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Changes that would be important to the financial statements of the Group are the removal of the corridor mechanism and the distinction between short-term and other long-term employee benefits to be made based on expected timing of settlement rather than employee entitlement.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue

Finance lease income: Initial value of leased assets at the beginning of the leasing period under the Finance Lease Act is recognized as finance lease receivables in the consolidated statement of financial position. Interest income resulting from the difference between the total finance lease receivables and the investment value of the leased assets are recognized in the period in which the relevant receivable portion for each accounting period is distributed over the related period using the fixed interest rate through the leasing period. The interest income not accrued yet is followed up under the account of unearned interest income.

Factoring revenue: Consists of factoring interest and commission income collected or accrued on advances given to the customers.

Factoring commission income is a certain percentage of the total amount of invoices subject to factoring transactions.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the dividend.

Commissions collected or paid on any transactions are recorded on accrual basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated over their respective lease periods.

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

The estimated useful lives for the current and comparative periods are as follows:

| <u>Definition</u> | <u>Years</u> |
|------------------------|--------------|
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | 5 years |

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the consolidated income statement.

c. Intangible Assets

Intangible assets include computer software, licenses and goodwill. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, like goodwill, are not subject to amortization, but tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

e. Borrowing Costs

All borrowing costs are recorded in the income statement on accrual basis.

f. Financial Assets Held For Sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group’s accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

g. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: “financial assets as at fair value through profit or loss (“FVTPL”)”, “held-to-maturity investments (“HTM”)”, “available-for-sale (“AFS”)” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Group’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

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(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Finance lease receivables, factoring receivables and other receivables

Finance lease receivables, factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Provision for doubtful finance lease receivables, factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Group’s loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease and factoring receivables. In accordance with the Communiqué No. 26588 on the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued at 20 July 2007 by BRSA, the Group’s specific provision rate allocated for the below finance lease receivables considering their collaterals as at 1 January 2008 are as follows: 20%, at a minimum, for finance lease receivables overdue more than 150 days not exceeding 240 days, 50%, at a minimum, for finance lease receivables overdue more than 240 days not exceeding 360 days; and 100%, at a minimum, for finance lease receivables overdue more than 1 year.

The Group classifies its overdue finance lease receivables not exceeding 360 days as under the “Non-Performing Receivables” and classifies its finance lease receivables overdue more than 1 year under “Non-Performing Receivables”.

In accordance with the above-mentioned Communiqué, specific provision rate allocated for the factoring receivables considering their collaterals are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

While the Group provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Group provides provision for its other doubtful receivables having possibility of recovery based on the time intervals mentioned above.

When the Group annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TRY using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Group also ceases its income accrual calculation starting from the annulment date.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, except for finance lease receivables and factoring receivables stated above, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of finance lease receivables and factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Financial Instruments (Continued)

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Group classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Business Combinations

The acquisitions of subsidiaries are accounted for by using the purchase method. The cost of the acquisition is measured at the aggregate of fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under TFRS 3 “Business combinations” are recognized at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, excess amount is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling party’s proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Effects of Changes in Exchange Rates

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

The foreign currency exchange rates used by the Group as at 31 December 2012 and 31 December 2011 are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---------|-------------------------|-------------------------|
| USD | 1,7826 | 1,8889 |
| Euro | 2,3517 | 2,4438 |
| GBP | 2,8708 | 2,9170 |
| CHF | 1,9430 | 2,0062 |
| 100 JPY | 2,0656 | 2,4340 |

In preparation of the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

j. Earnings Per Share

Earnings per share presented in the accompanying consolidated income statement is determined by dividing net income by the weighted average number of shares in issue during the year. Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior years’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

k. Subsequent Events

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

m. Leases

- Group as Lessor

The Group’s accounting policies over finance leases are disclosed in note (g).

- Group as Lessee

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss in accordance with the Group’s general policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received or to be received to enter into an operating lease are also recognized in the profit or loss on a straight-line basis over the lease term.

n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that is used by management to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available (Note 28).

o. Taxes on Income

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Taxes on Income (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realized.

p. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying consolidated financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 “Employee Benefits”, the Group calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the consolidated financial statements. The main estimates used are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Discount rate | 2,12% | 3,82% |
| Expected rate of salary/limit increase | 5% | 5% |
| Probability of retirement | 100% | 100% |

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Employee Benefits / Reserve for Employee Termination Benefits (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TRY 3.129,25 effective from 1 January 2013 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2011: full TRY 2.805,04).

r. Statement of Cash Flows

The Group presents statement of cash flows as an integral part of its financial statements to inform the users of financial statements about its ability to manage changes in its net assets, its financial structure and the amount and timing of its cash flows under changing conditions.

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of the cash flows arising from core operations of the Company. Cash flows related with investment activities compose of cash flows that the Group generates from or uses in investment activities (tangible and financial investments). Cash flows related with financing activities represent resources that the Group uses for financing activities and the reimbursements of such resources.

s. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

t. Related Parties

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

For the purpose of the accompanying consolidated financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 9).

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4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:

As at 31 December 2012 and 31 December 2011, details of financial assets held for trading are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|--|------------------|----------|------------------|----------|
| | TRY | FC | TRY | FC |
| Debt securities issued by private sector | 1.617 | - | 4.827 | - |
| Mutual funds | 14 | - | 1.062 | - |
| Public debt securities | - | - | 4.419 | - |
| Equity securities | - | - | 1.030 | - |
| Other securities held for trading | - | - | 47 | - |
| | <u>1.631</u> | <u>-</u> | <u>11.385</u> | <u>-</u> |

| 31 December 2012 | Cost | Fair Value |
|--|--------------|--------------|
| Debt securities issued by private sector | <u>1.591</u> | <u>1.617</u> |
| | <u>1.591</u> | <u>1.617</u> |

Maturity of the debt securities issued by private sector is 28 May 2013.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TRY 14 (31 December 2011: TRY 1.062).

Derivative Financial Assets and Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

| | 31 December 2012 | | 31 December 2011 | |
|---|------------------|--------------|------------------|---------------|
| | TRY | FC | TRY | FC |
| <u>Derivative Financial Assets</u> | | | | |
| Forwards | - | 21 | - | - |
| Currency swaps | - | 7.071 | - | 608 |
| | <u>-</u> | <u>7.092</u> | <u>-</u> | <u>608</u> |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| <u>Derivative Financial Liabilities</u> | | | | |
| Forwards | - | 7 | - | 2 |
| Currency swaps | - | 7.082 | - | 18.691 |
| | <u>-</u> | <u>7.089</u> | <u>-</u> | <u>18.693</u> |

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5. BANKS

As at 31 December 2012 and 31 December 2011, the details of the banks are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|------------------|------------------|----------------|------------------|----------------|
| | TRY | FC | TRY | FC |
| Demand Deposits | 695 | 5.355 | 603 | 4.159 |
| Time Deposits | 197.328 | 113.471 | 4.891 | 299.465 |
| Interest Accrual | 261 | 44 | 32 | 411 |
| | <u>198.284</u> | <u>118.870</u> | <u>5.526</u> | <u>304.035</u> |

The details of the time deposits as at 31 December 2012 are as follows:

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2012</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| TRY | 4,00-8,30 | 02.01.2013-28.01.2013 | 197.589 |
| USD | 0,50-3,35 | 02.01.2013-08.01.2013 | 89.276 |
| Euro | 0,40-2,60 | 02.01.2013 | 24.239 |
| | | | <u>311.104</u> |

The details of the time deposits as at 31 December 2011 are as follows:

| <u>Currency</u> | <u>Interest Rate (%)</u> | <u>Maturity</u> | <u>31 December 2011</u> |
|-----------------|--------------------------|-----------------------|-------------------------|
| TRY | 11,00-11,50 | 20.01.2012-24.01.2012 | 4.923 |
| USD | 0,25-5,25 | 02.01.2012-13.01.2012 | 88.342 |
| Euro | 0,50-5,75 | 02.01.2012-01.02.2012 | 211.534 |
| | | | <u>304.799</u> |

As at 31 December 2012, TRY 16.890 portion of total foreign currency deposits (31 December 2011: TRY 5.626) and TRY 158.173 portion of total TRY deposits (31 December 2011: TRY 586) consist of accounts at the Company’s main shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying consolidated financial statements and the statement of cash flow is as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Demand deposits | 6.050 | 4.762 |
| Time deposits (1-3 months) (excluding accrual) | <u>310.799</u> | <u>304.356</u> |
| Cash and cash equivalents | <u>316.849</u> | <u>309.118</u> |

As at 31 December 2012 and 31 December 2011, there is no blockage on cash and cash equivalents.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2012 and 31 December 2011, details of financial assets available for sale are as follows:

| Name of the investment | Core business | Incorporation and location | Voting right (%) | Ownership Rate (%) | | Carrying Amount | |
|---|------------------------------------|----------------------------|------------------|--------------------|------------------|------------------|------------------|
| | | | | 31 December 2012 | 31 December 2011 | 31 December 2012 | 31 December 2011 |
| <u>Quoted Investments:</u> | | | | | | | |
| İş Yatırım Menkul Değerler A.Ş. (İş Yatırım) | Investment and Securities Services | İstanbul | 4,86 | 4,86 | 4,86 | 22.957 | 18.088 |
| İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. | Private Equity | İstanbul | 0,89 | 0,89 | 0,89 | 1.319 | 878 |
| <u>Unquoted investments:</u> | | | | | | | |
| Camiş Menkul Değerler A.Ş. | Investment and Securities Services | İstanbul | 0,05 | 0,05 | 0,05 | 4 | 4 |
| Yatırım Finansman Menkul Değerler A.Ş. | Investment and Securities Services | İstanbul | 0,06 | 0,06 | 0,06 | 38 | 34 |
| İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim Hiz. A.Ş. (İş Net) | Inf. Comm. and Techn. Services | İstanbul | 1,00 | 1,00 | 1,00 | 277 | 227 |
| Efes Varlık Yönetimi A.Ş. | Asset Management | İstanbul | 10,00 | 10,00 | 10,00 | 1.000 | 1.000 |
| TOTAL | | | | | | 25.595 | 20.231 |

7. FACTORING RECEIVABLES

As at 31 December 2012 and 31 December 2011, details of factoring receivables are as follows:

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| <u>Short-term factoring receivables (*)</u> | | |
| Domestic factoring receivables (net) | 988.967 | 404.638 |
| Export and import factoring receivables | 27.750 | 2.766 |
| Factoring interest income accrual | 2.997 | 1.379 |
| Unearned interest income | (4.770) | (4.130) |
| | <u>1.014.944</u> | <u>404.653</u> |
| <u>Non-performing factoring receivables (**)</u> | | |
| Provision for non-performing factoring receivables (**) | <u>10.902</u> | <u>2.603</u> |
| | <u>(10.902)</u> | <u>(2.603)</u> |
| | <u>1.014.944</u> | <u>404.653</u> |

(*) Consists of factoring receivables of the subsidiary, İş Factoring, which is owned by the Company with the ownership percentage of 78,23%.

(**) Presented under the non-performing receivables in the accompanying consolidated statement of financial position.

Euro 2.417.083, USD 2.617.254 and TRY 376.288 of factoring receivables have variable rates (31 December 2011: Euro 1.134.088 and TRY 98.139) while Euro 5.176.643, USD 3.035.993 and TRY 610.720 of factoring receivables have fixed rates (31 December 2011: TRY 303.743).

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7. FACTORING RECEIVABLES (Continued)

As at 31 December 2012, the average interest rates applicable for the factoring receivables are 8,71% for TRY, 7,17% for USD and 5,16% for Euro (31 December 2011: 15,17% for TRY, 7,28% for USD and 6,27% for Euro).

The details of the factoring receivables based on types of factoring transactions are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|----------------------|-------------------------|-------------------------|
| Domestic irrevocable | 636.446 | 60.671 |
| Foreign irrevocable | 8.816 | 1.386 |
| Domestic revocable | 350.562 | 341.211 |
| Foreign revocable | 19.120 | 1.385 |
| | <u>1.014.944</u> | <u>404.653</u> |

Except for its non-performing receivables for which 100% provision provided, the Group has no overdue factoring receivables as at the reporting date. The carrying amount of the Group’s restructured factoring receivables amounts to TRY 87 (31 December 2011: TRY 614). The Group has contractual securities as collateral for such receivables.

The Group’s collaterals for factoring receivables are as follows; (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table).

| <u>Collateral type</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------|-------------------------|-------------------------|
| Letters of guarantee | 854 | 14.182 |
| | <u>854</u> | <u>14.182</u> |

Besides the collaterals presented above, the Group also has a commercial pledge amounting to TRY 816 (31 December 2011: TRY 128)

The aging of non-performing factoring receivables is as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------|-------------------------|-------------------------|
| Between 90 – 180 days | 8.763 | 186 |
| Between 180 – 360 days | - | - |
| Over 360 days | 2.139 | 2.417 |
| | <u>10.902</u> | <u>2.603</u> |

The Group has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of provision for non-performing factoring receivables is as follows:

| | <u>1 January- 31 December 2012</u> | <u>1 January- 31 December 2011</u> |
|--|--|--|
| Provision at the beginning of the period | (2.603) | (2.651) |
| Provision set during the period | (8.602) | (186) |
| Collections | 303 | 234 |
| Provision at the end of the period | <u>(10.902)</u> | <u>(2.603)</u> |

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8. LEASE RECEIVABLES

As at 31 December 2012 and 31 December 2011, details of finance lease receivables are as follows:

| <u>31 December 2012</u> | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
|--|-------------------|------------------|--------------|
| Invoiced finance lease receivables | 33.704 | - | 33.704 |
| Uninvoiced finance lease receivables | 487.678 | 1.031.775 | 1.519.453 |
| Less: Unearned interest income | (98.323) | (126.650) | (224.973) |
| Leasing contracts in progress (**) | - | 10.305 | 10.305 |
| Advances given for lease transactions | - | 8.428 | 8.428 |
| Gross finance lease receivables | 423.059 | 923.858 | 1.346.917 |
| Non-performing finance lease receivables (*) | 91.470 | 10.217 | 101.687 |
| Specific provisions (*) | (52.142) | (5.824) | (57.966) |
| Net finance lease receivables | 462.387 | 928.251 | 1.390.638 |

| <u>31 December 2011</u> | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
|--|-------------------|------------------|--------------|
| Invoiced finance lease receivables | 28.513 | - | 28.513 |
| Uninvoiced finance lease receivables | 444.582 | 1.043.915 | 1.488.497 |
| Less: Unearned interest income | (91.912) | (132.184) | (224.096) |
| Leasing contracts in progress (**) | - | 15.760 | 15.760 |
| Advances given for lease transactions | - | 37.001 | 37.001 |
| Gross finance lease receivables | 381.183 | 964.492 | 1.345.675 |
| Non-performing finance lease receivables (*) | 78.714 | 31.614 | 110.328 |
| Specific provisions (*) | (41.043) | (16.484) | (57.527) |
| Net finance lease receivables | 418.854 | 979.622 | 1.398.476 |

(*) Presented as non-performing receivables in the accompanying consolidated statement of financial position.

(**) The Group purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. As at 31 December 2012 and 31 December 2011, leasing contracts in progress balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet.

As at 31 December 2012, analysis of finance lease receivables according to their maturities is as follows:

| | <u>2013 (**)</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018 and after</u> | <u>Total</u> |
|---------------------------------------|------------------|-------------|-------------|-------------|-------------|-----------------------|--------------|
| Finance lease receivables (gross) (*) | 565.103 | 403.954 | 266.070 | 159.745 | 103.499 | 98.507 | 1.596.878 |
| Unearned interest | (98.323) | (63.131) | (33.730) | (17.605) | (8.551) | (3.633) | (224.973) |
| Finance lease receivables (net) | 466.780 | 340.823 | 232.340 | 142.140 | 94.948 | 94.874 | 1.371.905 |

(*) Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled to payment plans yet.

(**) Non-performing finance lease receivables amounting to TRY 43.721 are presented in 2013 column since their collection dates are not certain.

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8. LEASE RECEIVABLES (Continued)

As at 31 December 2011, analysis of finance lease receivables according to their maturities is as follows:

| | <u>2012(**)</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017 and after</u> | <u>Total</u> |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------------|------------------|
| Finance lease receivables (gross) (*) | 525.897 | 388.888 | 278.487 | 162.274 | 86.455 | 127.810 | 1.569.811 |
| Unearned Interest | <u>(91.912)</u> | <u>(63.539)</u> | <u>(33.453)</u> | <u>(18.003)</u> | <u>(9.926)</u> | <u>(7.263)</u> | <u>(224.096)</u> |
| Finance lease receivables (net) | <u>433.985</u> | <u>325.349</u> | <u>245.034</u> | <u>144.271</u> | <u>76.529</u> | <u>120.547</u> | <u>1.345.715</u> |

(*) Leasing contracts in progress and advances given balances are not included in the maturity analysis as they have not been scheduled by the payment plans yet.

(**) Non-performing finance lease receivables amounting to TRY 52.801 are presented in 2012 column since their collection dates are not certain.

As at 31 December 2012, the average compound interest rates applicable for the finance lease receivables are 16,33% for TRY, 6,81% for USD, and 7,46% for Euro (31 December 2011: 16,04% for TRY, 6,62% for USD and 7,55% for Euro).

As at 31 December 2012, details of finance lease receivables in terms of currency types are as follows:

| <u>Currency</u> | <u>Principal in foreign currency</u> | <u>Principal (*) (Net)</u> | <u>Unearned interest in foreign currency</u> | <u>Unearned interest</u> |
|-----------------|--------------------------------------|----------------------------|--|--------------------------|
| USD | 303.040.949 | 540.200 | 45.514.037 | 81.134 |
| Euro | 222.071.373 | 522.245 | 34.035.913 | 80.042 |
| TRY | - | 309.460 | - | 63.797 |
| Total | | <u>1.371.905</u> | | <u>224.973</u> |

As at 31 December 2011, details of finance lease receivables in terms of currency types are as follows:

| <u>Currency</u> | <u>Principal in foreign currency</u> | <u>Principal (*) (Net)</u> | <u>Unearned interest in foreign currency</u> | <u>Unearned interest</u> |
|-----------------|--------------------------------------|----------------------------|--|--------------------------|
| USD | 313.902.551 | 592.931 | 48.649.718 | 91.894 |
| Euro | 217.245.175 | 530.904 | 34.919.377 | 85.336 |
| TRY | - | 221.880 | - | 46.866 |
| Total | | <u>1.345.715</u> | | <u>224.096</u> |

(*) Leasing contracts in progress and advances given balances are not included in details of finance lease receivables in terms of currency types.

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8. LEASE RECEIVABLES (Continued)

USD 60.332.219 and Euro 26.305.478 portion of the Group’s finance lease receivables have variable rates (31 December 2011: USD 52.500.243 and Euro 22.147.200) while USD 242.708.730, Euro 195.765.894 and TRY 309.460 portion of its finance lease receivables have fixed rates (31 December 2011: USD 261.402.308, Euro 195.097.975 and TRY 221.880).

The collaterals obtained by the Group, except for the leased assets, for its all finance lease receivables, except for non-performing finance lease receivables are as follows; (if the amount of collaterals exceeds the amount of receivables during the calculation of collaterals, only the corresponding portion of the receivable is included in the below table).

| <u>Collateral type</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------|-------------------------|-------------------------|
| Mortgages | 91.798 | 97.811 |
| Letters of guarantee | 3.457 | 1.066 |
| Equity securities | 2.450 | 2.450 |
| Cash blockages | 1.175 | 1.363 |
| Guarantors | 72 | 16 |
| | <u>98.952</u> | <u>102.706</u> |

In addition to collaterals above, the Group also has pledged vehicles amounting to TRY 11.471 and pledged machines amounting to TRY 200. (31 December 2011: pledged vehicles amounting to TRY 9.586, pledged machines amounting to TRY 805).

As at the reporting date, the Group did not record provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TRY 18.732 (31 December 2011: TRY 10.262) since the Group management assessed that there is no deterioration in the collection capacity and therefore these receivables are recoverable. The aging analysis of such receivables is as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|-----------------------|-------------------------|-------------------------|
| Up to 30 days | 11.291 | 5.832 |
| Between 30 – 60 days | 3.087 | 1.746 |
| Between 60 – 90 days | 2.251 | 1.341 |
| Between 90 – 150 days | 2.103 | 1.343 |
| Total overdue | <u>18.732</u> | <u>10.262</u> |
| Not due amount | <u>165.972</u> | <u>160.540</u> |
| | <u>184.704</u> | <u>170.802</u> |

Details of the collaterals obtained by Group for overdue lease receivables mentioned above are as follows:

| <u>Collateral type</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------|-------------------------|-------------------------|
| Mortgages | 26.793 | 17.042 |
| Letters of guarantee | 115 | 424 |
| Cash blockages | 16 | 88 |
| Guarantors | - | 7 |
| | <u>26.924</u> | <u>17.561</u> |

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 1.408 (31 December 2011: pledged vehicles amounting to TRY 1.814 and pledged machines amounting to TRY 506).

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8. LEASE RECEIVABLES (Continued)

In determining the recoverability of the finance lease receivables, the Group considers any change in the credit quality of receivables from the date that receivable was initially recognized to the reporting date. The Group does not have significant credit risk concentration. The sectoral distribution of the finance lease receivables are given in Note 39.

Starting from 1 January 2008, the Group measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of “The Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued by BRSA.

As at 31 December 2012 and 31 December 2011, the aging of non-performing finance lease receivables is as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---------------------|---------------------|
| Between 150 – 240 days | 1.853 | 3.322 |
| Between 240 – 360 days | 1.650 | 704 |
| Over 360 days | 44.374 | 45.660 |
| Uninvoiced non-performing finance lease receivables | 57.617 | 70.059 |
| Unearned interest of non-performing finance lease receivables | (3.807) | (9.417) |
| | <u>101.687</u> | <u>110.328</u> |

Collaterals obtained for non-performing finance lease receivables as at 31 December 2012 and 31 December 2011 are as follows:

| | 31 December 2012 | 31 December 2011 |
|------------------------|---------------------|---------------------|
| <u>Guarantee type:</u> | | |
| Mortgages | 8.963 | 7.613 |
| Cash blockages | - | 106 |
| | <u>8.963</u> | <u>7.719</u> |

In addition to the above collaterals, leased equipments amounting to TRY 31.679 and pledged assets (vehicles) amounting to TRY 334 are considered in the provision calculation (31 December 2011: leased equipments amounting to TRY 33.045 and pledged assets (vehicles) amounting to TRY 399).

The movement of provision for non-performing finance lease receivables is as follows:

| <u>Movement of specific provisions:</u> | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|--|--------------------------------|--------------------------------|
| Provision at the beginning of the period | (57.527) | (44.607) |
| Provision set during the period | (13.456) | (14.421) |
| Transfers to general reserves (**) | 1.902 | - |
| Write off (*) | 10.214 | - |
| Collections | 901 | 1.501 |
| Provision at the end of the period | <u>(57.966)</u> | <u>(57.527)</u> |

(*) Consists of the portfolio formed within non-performing finance lease receivables and written off through sales to LBT Varlık Yönetim A.Ş.

(**) The Group has recorded general provision for some of its finance lease receivables having overdue less than legal terms but regarded as risky by the management.

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9. RELATED PARTIES

As at 31 December 2012 and 31 December 2011, details of related party balances are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| <u>Finance lease receivables</u> | | |
| Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. | 30.301 | 39.955 |
| Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. | 3.094 | - |
| Avea İletişim Hizmetleri A.Ş. | 2.559 | 3.265 |
| Ortopro Tıbbi Aletler San.ve Tic. A.Ş. | 1.944 | 1.162 |
| Anadolu Cam Sanayii A.Ş. | 633 | - |
| Antgıda Gıda Tarım Tur.Ener.ve Dem.Çelik San.ve.Tic.A.Ş. | 171 | - |
| Türkiye Sınai Kalkınma Bankası A.Ş. | 5 | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | - | 138 |
| TSKB Gayrimenkul Danışmanlık A.Ş.(*) | - | 19 |
| Türkiye İş Bankası A.Ş. | - | 5 |
| | <u>38.707</u> | <u>44.544</u> |

(*) The title “TSKB Gayrimenkul Aracılık Hizmetleri A.Ş.” has been changed as “TSKB Gayrimenkul Danışmanlık A.Ş.”.

| | | |
|---|---------------|--------------|
| <u>Factoring receivables</u> | | |
| Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. | 16.595 | 2.030 |
| Ant Gıda Tarım Turizm Enerji ve Demir Çelik San.Tic. A.Ş. | 6.353 | 3.353 |
| Kültür Yayınları İş-Türk Ltd. Şti. | 1.142 | 743 |
| Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş. | - | 235 |
| | <u>24.090</u> | <u>6.361</u> |

| | | |
|---|--------------|--------------|
| <u>Payables to related parties</u> | | |
| Anadolu Anonim Türk Sigorta Şirketi (Insurance premium) | 7.246 | 7.149 |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 175 | 9 |
| İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş. | 31 | 4 |
| Türkiye İş Bankası A.Ş. | 47 | 194 |
| Aras Kargo Yurtiçi Yurtdışı Taş.A.Ş. | 5 | 7 |
| Avea İletişim Hizmetleri A.Ş. | 4 | 4 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. | 3 | - |
| | <u>7.511</u> | <u>7.367</u> |

| | | |
|---|----------------|--------------|
| <u>Deposits placed to related parties</u> | | |
| Türkiye İş Bankası A.Ş. Time Deposits | 169.024 | 1.477 |
| Türkiye İş Bankası A.Ş. Demand Deposits | 6.039 | 4.735 |
| | <u>175.063</u> | <u>6.212</u> |

| | | |
|---|--------------|------------|
| <u>Derivative financial assets held for trading</u> | | |
| Türkiye İş Bankası A.Ş. | 6.131 | 608 |
| | <u>6.131</u> | <u>608</u> |

| | | |
|--|--------------|---------------|
| <u>Derivative financial liabilities held for trading</u> | | |
| Türkiye İş Bankası A.Ş. | 3.810 | 15.272 |
| | <u>3.810</u> | <u>15.272</u> |

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9. RELATED PARTIES (Continued)

As at 31 December 2012 and 31 December 2011, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2012</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| TRY | 6,40-12,00 | 07.01.2013-15.06.2018 | 533.608 |
| USD | 3,50-6,92 | 04.02.2013-30.09.2016 | 174.032 |
| Euro | 3,75-4,50 | 04.01.2013-26.12.2016 | 94.597 |
| | | | <u>802.237</u> |

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2011</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| TRY | 12,00-13,65 | 09.01.2012-19.03.2012 | 200.000 |
| USD | 3,20-6,92 | Overdraft-30.09.2016 | 300.877 |
| Euro | 3,23-5,63 | Overdraft-09.07.2012 | 161.356 |
| | | | <u>662.233</u> |

İşbank AG (*)

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2012</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| USD | 4,13-4,67 | 29.05.2013-07.11.2013 | 9.845 |
| Euro | 1,90-4,54 | Overdraft-27.12.2013 | 56.087 |
| | | | <u>65.932</u> |

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2011</u> |
|-----------------|------------------------|----------------------|-------------------------|
| Euro | 3,00-5,78 | Overdraft-19.12.2012 | 62.319 |
| | | | <u>62.319</u> |

(*) The title “İşbank Gmbh” has been changed as “İşbank AG” on 3 August 2012.

TSKB

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2012</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| USD | 2,75-3,06 | 15.07.2014-15.06.2017 | 63.643 |
| Euro | 2,59-2,71 | 15.07.2014-15.06.2017 | 20.421 |
| | | | <u>84.064</u> |

| <u>Currency</u> | <u>Interest Rate %</u> | <u>Maturity</u> | <u>31 December 2011</u> |
|-----------------|------------------------|-----------------------|-------------------------|
| USD | 2,42-3,04 | 15.07.2014-15.06.2017 | 76.548 |
| Euro | 3,83-3,96 | 15.07.2014-15.06.2017 | 9.085 |
| | | | <u>85.633</u> |

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9. RELATED PARTIES (Continued)

For the years ended 31 December 2012 and 31 December 2011, finance income and expenses from related parties are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| <u>Finance lease interest income from related parties</u> | | |
| Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. | 1.937 | 1.975 |
| Ortopro Tıbbi Aletler Sa.nve Tic.A.Ş. | 162 | 109 |
| Avea İletişim Hizmetleri A.Ş. | 85 | 95 |
| Anadolu Cam Sanayii A.Ş. | 83 | - |
| Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. | 70 | - |
| Türkiye İş Bankası A.Ş. | 20 | 229 |
| Antgıda Gıda Tarım Tur.Ener.ve Dem.Çelik San.ve.Tic.A.Ş. | 8 | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 5 | 59 |
| Other | 3 | 5 |
| Total | <u>2.373</u> | <u>2.472</u> |
| <u>Interest income from related parties</u> | | |
| Türkiye İş Bankası A.Ş. | 681 | 9.137 |
| Total | <u>681</u> | <u>9.137</u> |
| <u>Dividend income from related parties</u> | | |
| İş Yatırım Menkul Değerler A.Ş. | 1.999 | 3.891 |
| İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. | 179 | 67 |
| İş Net Elektr.Bilgi Ür.Dağ. Tic.ve İlet.Hiz.A.Ş. | 90 | 17 |
| Yatırım Finansman Menkul Değerler A.Ş. | 4 | 5 |
| Total | <u>2.272</u> | <u>3.980</u> |
| <u>Finance expense</u> | | |
| Türkiye İş Bankası A.Ş. | 25.339 | 21.370 |
| İşbank AG | 3.270 | 1.406 |
| Türkiye Sınai Kalkınma Bankası A.Ş. | 2.812 | 849 |
| İş Yatırım Menkul Değerler A.Ş. | 633 | 117 |
| İş Portföy Yönetimi A.Ş. | 63 | 37 |
| Total | <u>32.117</u> | <u>23.779</u> |
| <u>Rent expense</u> | | |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. | 1.108 | 1.074 |
| Türkiye İş Bankası A.Ş. | 714 | 439 |
| Total | <u>1.822</u> | <u>1.513</u> |
| <u>Commission income</u> | | |
| Anadolu Anonim Türk Sigorta Şirketi | 2.145 | 2.146 |
| Total | <u>2.145</u> | <u>2.146</u> |
| <u>Factoring commission income</u> | | |
| Şişe Cam Dış Tic.AŞ. | 150 | 102 |
| Kültür Yayınları İş-Türk Ltd.Şti. | 15 | 6 |
| Total | <u>165</u> | <u>108</u> |

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9. RELATED PARTIES (Continued)

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| <u>Factoring interest income from related parties</u> | | |
| Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. | 415 | 971 |
| Ant Gıda Tarım Turizm Enerji ve Demir Çelik San.Tic.A.Ş. | 602 | 44 |
| Türk Kültür Yayınları İş-Türk Ltd. Şti. | 177 | 70 |
| Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş | 40 | 23 |
| Total | <u>1.234</u> | <u>1.108</u> |
| | | |
| <u>Investment fund income</u> | | |
| Türkiye İş Bankası A.Ş | 51 | 11 |
| Total | <u>51</u> | <u>11</u> |

Financial assets of related parties in the Group’s portfolio are presented in Note 4.

As at 31 December 2012 and 31 December 2011, nominal values of derivative transactions from related parties are as follows:

| | <u>31 December 2012</u> | | <u>31 December 2011</u> | |
|----------------------|-------------------------|----------------|-------------------------|----------------|
| | <u>Purchase</u> | <u>Sale</u> | <u>Purchase</u> | <u>Sale</u> |
| Forward Transactions | 1.960 | 1.929 | - | - |
| Swap Transactions | <u>220.182</u> | <u>214.795</u> | <u>223.200</u> | <u>228.865</u> |
| | <u>222.142</u> | <u>216.724</u> | <u>223.200</u> | <u>228.865</u> |

As at 31 December 2012 and 31 December 2011, the amount of the Company’s issued debt securities (with maturities of 26 February 2014 and 10 June 2014) in related parties’ portfolio are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Türkiye Sınai Kalkınma Bankası A.Ş. | 13.698 | - |
| Türkiye İş Bankası A.Ş. | 7.037 | 9 |
| İş Yatırım Ortaklığı A.Ş. | 4.688 | 3.161 |
| İş Portföy Yönetimi A.Ş. | 4.567 | - |
| İş Yatırım Menkul Değerler A.Ş. | 2.218 | 416 |
| İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. | 1.004 | 1.473 |
| Millî Reasürans T.A.Ş. | 524 | 1.865 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. | 181 | - |
| Anadolu Hayat Emeklilik A.Ş. | - | 298 |
| | <u>33.917</u> | <u>7.222</u> |

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9. RELATED PARTIES (Continued)

For the years ended 31 December 2012 and 31 December 2011, the remuneration of the key management during year comprised the following:

Key management personnel compensation (*)

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Salaries and other short-term benefits (**) | 3.156 | 2.611 |
| | <u>3.156</u> | <u>2.611</u> |

(*) Key management consists of members of the board of directors, general manager and assistant general managers.

(**) Consists of monetary benefits such as; salaries, bonuses and premiums along with vehicle rentals and other associated expenses.

10. TANGIBLE ASSETS

For the years ended 31 December 2012 and 31 December 2011, movement’s in tangible assets are as follows:

| | <u>Vehicles</u> | <u>Furniture and Fixtures</u> | <u>Other Tangible Assets</u> | <u>Leasehold Improvements</u> | <u>Total</u> |
|--------------------------------------|-----------------|---------------------------------------|--------------------------------------|-----------------------------------|----------------|
| <u>Cost</u> | | | | | |
| Opening balance at 1 January 2012 | 179 | 3.166 | 1.867 | 2.107 | 7.319 |
| Additions | - | 109 | - | 435 | 544 |
| Disposals | - | (387) | - | (1) | (388) |
| Closing balance at 31 December 2012 | <u>179</u> | <u>2.888</u> | <u>1.867</u> | <u>2.541</u> | <u>7.475</u> |
| <u>Accumulated depreciation</u> | | | | | |
| Opening balance at 1 January 2012 | (21) | (2.314) | (1.867) | (2.013) | (6.215) |
| Depreciation for the period | (36) | (233) | - | (34) | (303) |
| Disposals | - | 386 | - | 1 | 387 |
| Closing balance at 31 December 2012 | <u>(57)</u> | <u>(2.161)</u> | <u>(1.867)</u> | <u>(2.046)</u> | <u>(6.131)</u> |
| Carrying amounts at 31 December 2012 | <u>122</u> | <u>727</u> | <u>-</u> | <u>495</u> | <u>1.344</u> |

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10. TANGIBLE ASSETS (Continued)

| | <u>Vehicles</u> | <u>Furniture and Fixtures</u> | <u>Other Tangible Assets</u> | <u>Leasehold Improvements</u> | <u>Total</u> |
|--------------------------------------|-----------------|-------------------------------|------------------------------|-------------------------------|----------------|
| <u>Cost</u> | | | | | |
| Opening balance 1 January 2011 | 29 | 3.010 | 1.902 | 2.107 | 7.048 |
| Additions | 179 | 702 | - | 49 | 930 |
| Disposals | (29) | (546) | (35) | (49) | (659) |
| Closing balance 31 December 2011 | <u>179</u> | <u>3.166</u> | <u>1.867</u> | <u>2.107</u> | <u>7.319</u> |
| <u>Accumulated depreciation</u> | | | | | |
| Opening balance 1 January 2011 | (29) | (2.653) | (1.886) | (2.032) | (6.600) |
| Depreciation for the period | (21) | (204) | (16) | (28) | (269) |
| Disposals | 29 | 543 | 35 | 47 | 654 |
| Closing balance 31 December 2011 | <u>(21)</u> | <u>(2.314)</u> | <u>(1.867)</u> | <u>(2.013)</u> | <u>(6.215)</u> |
| Carrying amounts at 31 December 2011 | <u>158</u> | <u>852</u> | <u>-</u> | <u>94</u> | <u>1.104</u> |

As at 31 December 2012 and 31 December 2011, there is no restriction on the tangible assets of the Group.

11. INTANGIBLE ASSETS

For the years ended 31 December 2012 and 31 December 2011, movement's in intangible assets are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| <u>Cost</u> | | |
| Opening balance at 1 January | 1.639 | 1.374 |
| Transfer | 160 | 421 |
| Additions | - | (156) |
| Closing balance at the end of the period | <u>1.799</u> | <u>1.639</u> |
| <u>Amortization</u> | | |
| Opening balance at 1 January | (847) | (734) |
| Transfer | (248) | (268) |
| Amortization for the period | - | 155 |
| Closing balance at the end of the period | <u>(1.095)</u> | <u>(847)</u> |
| Carrying amounts | <u>704</u> | <u>792</u> |

12. GOODWILL

The Company has purchased nominal shares of İş Factoring amounting to TRY 12.517 in consideration of USD 10.952.375 on 11 August 2004. The ownership rate of the Company in this subsidiary is 78,23%. Goodwill has arisen amounting to TRY 169 on purchased equity of TRY 16.603. As at 31 December 2012, net amount of goodwill is TRY 166 (31 December 2011: TRY 166). Based on TFRS 3, for the annual periods beginning on or after 30 June 2004 the Group has ceased amortization of goodwill arising from the acquisitions before 31 December 2004.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2012 and 31 December 2011, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| <u>Temporary differences subject to deferred tax</u> | | |
| Investment incentive – without withholding tax | 211.910 | 312.293 |
| Investment incentive – with withholding tax | 169.576 | 158.544 |
| Allowance for doubtful finance lease receivables | 51.288 | 48.049 |
| Unearned factoring income | 4.770 | - |
| Reserve for employee benefits | 2.001 | 1.198 |
| Provision for lawsuit | 923 | 966 |
| Employee bonus accrual | 750 | 1.218 |
| Unused vacation | 477 | 325 |
| Valuation of equity securities | - | 159 |
| Valuation differences on financial instruments | (3) | 18.085 |
| Prepaid expenses | (132) | (278) |
| Finance lease adjustment | (146) | (371) |
| Tax base differences in tangible and intangible assets | (944) | (773) |
| Finance lease income accruals | (15.856) | (19.991) |
| Other | 115 | 115 |
| | <u>424.729</u> | <u>519.539</u> |
| | | |
| | <u>31 December 2012</u> | <u>31 December 2011</u> |
| <u>Deferred tax assets / (liabilities)</u> | | |
| Investment incentive – without withholding tax | 42.382 | 62.458 |
| Investment incentive – with withholding tax | 339 | 317 |
| Allowance for doubtful finance lease receivables | 10.258 | 9.610 |
| Unearned factoring income | 954 | - |
| Reserve for employee benefits | 400 | 240 |
| Provision for lawsuit | 185 | 193 |
| Employee bonus accrual | 150 | 244 |
| Unused vacation | 95 | 65 |
| Valuation of equity securities | - | 32 |
| Valuation differences on financial instruments | (1) | 3.617 |
| Prepaid expenses | (26) | (56) |
| Finance lease adjustment | (29) | (74) |
| Tax base differences in tangible and intangible assets | (189) | (155) |
| Finance lease income accruals | (3.171) | (3.998) |
| Other | 23 | 23 |
| Deferred tax asset | <u>51.370</u> | <u>72.516</u> |

Tax rate used in computation of deferred tax assets and liabilities is 0.2% for “Investment incentives with withholding tax” and 20% for the other items (31 December 2011: 0.2% and 20%).

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13. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Investment Incentive:

The statement "limited to 2006, 2007 and 2008 only" in the 69th Article of the Income Tax Law No. 193, which was cancelled by the Constitutional Court decision No. 2009/144 and published in the Official Gazette on 8 January 2010, was re-regulated by the Law No. 6009 Article 5, published in the Official Gazette No. 27659, dated 1 August 2010. This new legislation enabled without any year limitation the continued utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%. The clause “The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income” which has been added to first clause of the temporary 69th article of Law No:193 with the 5th article of Law No:6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decision of the Constitutional Court dated 9 February 2012 no. 2012/9. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account. The Group may utilise TRY 381.486 (31 December 2011: TRY 470.837) of its unused investment allowances as offset against its future profits. The Group has TRY 42.721 (31 December 2011: TRY 72.516) of deferred tax assets comprising of unused investment allowances, which may be offset against future profits. Partial or whole recoverable amounts of deferred tax asset are estimated based on current conditions. Future profit projections and potential tax planning strategies have been taken into consideration for valuation purposes.

There is no unused tax losses carried forward.

Movements in deferred tax assets/(liabilities) are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------------|-------------------------|-------------------------|
| Opening balance at 1 January | 72.516 | 78.615 |
| Deferred tax benefit | <u>(21.146)</u> | <u>(6.099)</u> |
| Closing balance | <u>51.370</u> | <u>72.516</u> |

14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2012 and 31 December 2011, details of assets held for sale and discontinued operations are as follows:

| | <u>31 December 2012</u> | | <u>31 December 2011</u> | |
|--------------------------|-------------------------|----------|-------------------------|----------|
| | TRY | FC | TRY | FC |
| Assets held for sale (*) | 248 | - | 453 | - |
| | <u>248</u> | <u>-</u> | <u>453</u> | <u>-</u> |

(*) Consists of properties acquired as a result of the legal proceedings in relation to its non-performing receivables.

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15. OTHER ASSETS

As at 31 December 2012 and 31 December 2011, details of other assets are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|---|------------------|--------------|------------------|--------------|
| | TRY | FC | TRY | FC |
| Prepaid Expenses | 3.880 | - | 1.365 | - |
| Advanced Given | 1.501 | - | 1.041 | - |
| Insurance receivables | 562 | 1.636 | 516 | 2.417 |
| Receivables from sales of tangible assets (*) | - | 740 | - | 3.317 |
| Deductible value added tax | - | - | 10.828 | - |
| Others | 990 | 127 | 830 | 1.794 |
| | <u>6.933</u> | <u>2.503</u> | <u>14.580</u> | <u>7.528</u> |

(*) Receivables from sales of tangible assets consists receivable from sales of fixed assets which is related to uncollected financial lease receivables.

16. FUNDS BORROWED

As at 31 December 2012 and 31 December 2011, details of funds borrowed are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|--|------------------|----------------|------------------|------------------|
| | TRY | FC (*) | TRY | FC (*) |
| Short-term borrowings | 1.091.985 | 496.377 | 340.081 | 786.949 |
| Short-term portion of long-term borrowings | 26.072 | 109.272 | 8.597 | 124.482 |
| Total short-term borrowings | <u>1.118.057</u> | <u>605.649</u> | <u>348.678</u> | <u>911.431</u> |
| Long-term borrowings | 74.060 | 264.610 | 42.514 | 276.812 |
| Total long-term borrowings | <u>74.060</u> | <u>264.610</u> | <u>42.514</u> | <u>276.812</u> |
| Total borrowings | <u>1.192.117</u> | <u>870.259</u> | <u>391.192</u> | <u>1.188.243</u> |

(*) Foreign currency indexed borrowings amounting to TRY 100.520 have been presented in TRY column in the accompanying consolidated statement of financial position (31 December 2011 – TRY 51.487).

As at 31 December 2012 and 31 December 2011, maturity analysis of borrowings is as follows:

| <u>Maturity analysis of borrowings</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Within 1 year | 1.723.706 | 1.260.109 |
| Within 1-2 years | 195.226 | 175.661 |
| Within 2-3 years | 86.030 | 102.201 |
| Within 3-4 years | 46.598 | 24.414 |
| Within 4-5 years | 9.324 | 13.885 |
| 5 years and over | 1.492 | 3.165 |
| TOTAL | <u>2.062.376</u> | <u>1.579.435</u> |

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16. FUNDS BORROWED (Continued)

As at 31 December 2012 and 31 December 2011 details of borrowings based on types of currency are as follows:

| <u>Currency (*)</u> | <u>Interest rate %</u> | <u>Original Currency Amount</u> | <u>31 December 2012</u> |
|---------------------|------------------------|---------------------------------|-------------------------|
| TRY | 6,00-13,02 | - | 1.071.595 |
| USD | 1,72-6,92 | 110.422.206 | 196.839 |
| Euro | 1,90-7,12 | 131.206.602 | 308.558 |
| Interest accruals | | | 11.370 |
| TOTAL | | | <u>1.588.362</u> |

| <u>Currency (*)</u> | <u>Interest rate %</u> | <u>Original Currency Amount</u> | <u>31 December 2011</u> |
|---------------------|------------------------|---------------------------------|-------------------------|
| TRY | 12,00-13,65 | - | 337.850 |
| USD | 2,16-6,80 | 117.966.484 | 222.827 |
| Euro | 3,00-7,12 | 226.116.547 | 552.584 |
| Interest accruals | | | 13.769 |
| TOTAL | | | <u>1.127.030</u> |

(*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated statement of financial position.

As at 31 December 2012 and 31 December 2011, details of long-term borrowings and short-term portion of long-term borrowings based on types of currency are as follows:

| <u>Currency</u> | <u>Interest rate %</u> | <u>Original Currency Amount</u> | <u>31 December 2012</u> |
|-----------------|------------------------|---------------------------------|-------------------------|
| TRY | 8,77 | - | 16.408 |
| USD | 2,75-6,92 | 157.059.510 | 279.974 |
| Euro | 1,41-5,04 | 75.533.315 | 177.632 |
| TOTAL | | | <u>474.014</u> |

| <u>Currency</u> | <u>Interest rate %</u> | <u>Original Currency Amount</u> | <u>31 December 2011</u> |
|-----------------|------------------------|---------------------------------|-------------------------|
| USD | 1,63-6,92 | 189.499.428 | 357.945 |
| Euro | 3,70-7,12 | 38.652.817 | 94.460 |
| TOTAL | | | <u>452.405</u> |

As at 31 December 2012 and 31 December 2011, compounded interest rates have been presented.

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16. FUNDS BORROWED (Continued)

As at 31 December 2012 and 31 December 2011 details of borrowings based on types of interest rate are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|---------------|------------------|----------------|------------------|------------------|
| | TRY | FC (*) | TRY | FC (*) |
| Fixed rate | 197.643 | 539.186 | 54.051 | 838.883 |
| Variable rate | 893.954 | 431.593 | 285.654 | 400.847 |
| | <u>1.091.597</u> | <u>970.779</u> | <u>339.705</u> | <u>1.239.730</u> |

(*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated statement of financial position.

Fair values of the funds borrowed are presented in Note 39.

As at 31 December 2012, the Group has available TRY 3.157.970 of unused credit lines for which all precedent conditions were met (31 December 2011: TRY 3.134.936).

17. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2012 and 31 December 2011, details of miscellaneous payables are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|--|------------------|---------------|------------------|---------------|
| | TRY | FC | TRY | FC |
| Payables to suppliers for lease transactions | 131 | 6.487 | 683 | 6.747 |
| Other payables (*) | 3.932 | 4.254 | 2.488 | 5.227 |
| | <u>4.063</u> | <u>10.741</u> | <u>3.171</u> | <u>11.974</u> |

(*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in instalments. Other payables consist of the Group’s insurance premium payables and payables to suppliers resulting from daily operations of the Group.

The Group purchases generally in cash from the suppliers. The Group has a financial risk management policy that enables the Group to pay all its payables at their maturities.

As at 31 December 2012 and 31 December 2011, details of other liabilities are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|-----------------------|------------------|--------------|------------------|--------------|
| | TRY | FC | TRY | FC |
| Advances received (*) | 2.242 | 5.808 | 2.497 | 5.013 |
| Others | 318 | 73 | 264 | 21 |
| | <u>2.560</u> | <u>5.881</u> | <u>2.761</u> | <u>5.034</u> |

(*) Advances received consist of advances received from lessees in accordance with the leasing agreements for machinery and equipments that are not readily in use of the customers.

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18. FINANCE LEASE OBLIGATIONS

None.

19. DEBT SECURITIES ISSUED

| | 31 December 2012 | | 31 December 2011 | |
|-------------------|------------------|----------|------------------|----------|
| | TRY | FC | TRY | FC |
| Financing Bills | - | - | 91.153 | - |
| Bond issue | 150.000 | - | - | - |
| Interest accruals | 1.005 | - | 2.088 | - |
| | <u>151.005</u> | <u>-</u> | <u>93.241</u> | <u>-</u> |

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 100.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 11/T-868 dated 23 February 2012). Issuance of bond was held on 27-28 February 2012. The floating rate quarterly coupon bond have a maturity of 26 February 2014 and the fourth coupon annual compound interest rate of 1,89 % (1st coupon interest rate is 2,58%, 2nd coupon interest rate is 2,63%, 3rd coupon interest rate is 2,25%).

The date of coupon payments are as follows:

| | |
|----------------------------------|------------------|
| Date of first coupon payment(*) | 31 May 2012 |
| Date of second coupon payment(*) | 29 August 2012 |
| Date of third coupon payment(*) | 28 November 2012 |
| Date of fourth coupon payment | 27 February 2013 |
| Date of fifth coupon payment | 29 May 2013 |
| Date of sixth coupon payment | 28 August 2013 |
| Date of seventh coupon payment | 27 November 2013 |
| Date of eighth coupon payment | 26 February 2014 |

(*)The first coupon payment of bond was made on 31 May 2012, the second coupon payment of bond was made on 29 August 2012 and the third coupon payment of bond was made on 28 November 2012.

Bond issued by İş Finansal Kiralama A.Ş. having nominal value of TRY 50.000 was registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 45/T-611 dated 05 June 2012). Issuance of bond was held on 12 June 2012. The floating rate quarterly coupon bond have a maturity of 10 June 2014 and the third coupon annual compound interest rate of 1,79 % (1st coupon interest rate is 2,58, 2nd coupon interest rate is 2,18).

| | |
|------------------------------------|-------------------|
| Date of first coupon payment (**) | 11 September 2012 |
| Date of second coupon payment (**) | 11 December 2012 |
| Date of third coupon payment | 12 March 2013 |
| Date of fourth coupon payment | 11 June 2013 |
| Date of fifth coupon payment | 10 September 2013 |
| Date of sixth coupon payment | 10 December 2013 |
| Date of seventh coupon payment | 11 March 2014 |
| Date of eighth coupon payment | 10 June 2014 |

(**)The first coupon payment of bond was made on 11 September 2012 and the second coupon payment of bond was made on 11 December 2012.

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20. TAXES AND DUTIES PAYABLE

As at 31 December 2012 and 31 December 2011, details of taxes and duties payable are as follows:

| | 31 December 2012 | | 31 December 2011 | |
|--------------------------|------------------|----------|------------------|----------|
| | TRY | FC | TRY | FC |
| Corporate tax provision | 1.211 | - | 2.474 | - |
| Taxes and duties payable | 3.340 | - | 878 | - |
| | <u>4.551</u> | <u>-</u> | <u>3.352</u> | <u>-</u> |

As at 31 December 2012 and 31 December 2011, details of corporate tax provision and prepaid taxes are as follows:

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| Current period corporate tax provision (Note:36) | 3.633 | 13.543 |
| Corporation taxes paid in advance during the year | (2.422) | (11.069) |
| Corporate tax provision (net) | <u>1.211</u> | <u>2.474</u> |

As at 31 December 2012 and 31 December 2011, details of corporate tax provision are as follows:

| | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Corporate tax provision at the beginning of the period | 2.474 | 2.599 |
| Total income tax expense (Note:36) | 3.633 | 13.543 |
| Corporation taxes paid during the year | (4.896) | (13.668) |
| Corporate tax provision (net) | <u>1.211</u> | <u>2.474</u> |

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21. PROVISIONS

As at 31 December 2012 and 31 December 2011, other provisions are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Provision for lawsuits | 923 | 966 |
| General provision for financial lease receivables | 1.902 | 666 |
| Provision for general administrative expenses | 205 | - |
| | <u>3.030</u> | <u>1.632</u> |

Movements in provisions for the years ended 31 December 2012 and 31 December 2011 are as follows:

| | General provision for financial lease receivables | Provision for lawsuits | Provision for general administrative expenses |
|------------------------------------|---|---------------------------|--|
| <u>31 December 2012</u> | | | |
| At the beginning of the period | 666 | 966 | - |
| Additions | - | - | 205 |
| Transfers from specific provisions | 1.902 | - | - |
| Cancellations | (666) | (43) | - |
| Collections | - | - | - |
| At the end of the period | <u>1.902</u> | <u>923</u> | <u>205</u> |
| | | | |
| <u>31 December 2011</u> | | | |
| At the beginning of the period | - | 864 | - |
| Additions | 666 | 570 | - |
| Cancellations | - | (468) | - |
| Collections | - | - | - |
| At the end of the period | <u>666</u> | <u>966</u> | <u>-</u> |

22. EMPLOYEE BENEFITS

As at 31 December 2012 and 31 December 2011, reserve for employee benefits are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Reserve for employee severance indemnity | 2.001 | 1.198 |
| Unused vacation provision | 477 | 325 |
| Employee bonus accrual | 750 | 1.219 |
| | <u>3.228</u> | <u>2.742</u> |

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002. As the retirement pay ceiling is revised semi-annually, the ceiling amount of TRY full 3.129,25 effective from 1 January 2013 has been taken into consideration in calculation of provision for employee termination benefits.

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22. EMPLOYEE BENEFITS (Continued)

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---------------------------|-------------------------|-------------------------|
| Discount rate | 2,12% | 3,82% |
| Inflation | 5% | 5% |
| Probability of retirement | 100% | 100% |

For the periods ended 31 December 2012 and 31 December 2011, movements in reserve for employee severance indemnity are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Balance at the beginning of the period | 1.198 | 921 |
| Charge for the period | (1.340) | 45 |
| Cost of services | 435 | 178 |
| Amounts paid | (109) | (112) |
| Actuarial difference | 1.817 | 166 |
| Balance at the end of the period | <u>2.001</u> | <u>1.198</u> |

The movement of the provision for unused vacation for the years ended 31 December 2012 and 31 December 2011 are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Balance at the beginning of the period | 325 | 252 |
| Provision set during the period | 152 | 73 |
| Balance at the end of the period | <u>477</u> | <u>325</u> |

The movement of the provision for employee bonus accrual for the years ended 31 December 2012 and 31 December 2011 are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Balance at the beginning of the period | 1.219 | 1.045 |
| Provision set during the period | 750 | 1.219 |
| Reversals | (397) | - |
| Payment made during the period | (822) | (1.045) |
| Balance at the end of the period | <u>750</u> | <u>1.219</u> |

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23. NON-CONTROLLING INTERESTS

The Company owns 78,23% of İş Factoring. As at 31 December 2012, the non-controlling interests amounting to TRY 13.004 (31 December 2011: TRY 11.534) has been calculated on the total equity of the subsidiary and the non-controlling interests amounting to TRY 996 (31 December 2011: TRY 1.793) has been calculated on the net profit of the subsidiary.

The movement of non-controlling interests for the years ended 31 December 2012 and 31 December 2011 are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Balance at the beginning of the period | 11.534 | 10.861 |
| Fair value changes of marketable securities | 474 | (1.120) |
| Profit for the period | 996 | 1.793 |
| Balance at the end of the period | <u>13.004</u> | <u>11.534</u> |

24. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2012 nominal capital of company is TRY 389.000. The share capital company consist of 38.900.000.000 shares Kurus 1 price.

As at 31 December 2012 and 31 December 2011, shareholders and their ownership percentages are as follows:

| <u>Shareholders</u> | <u>(%)</u> | <u>31 December 2012</u> | <u>(%)</u> | <u>31 December 2011</u> |
|--------------------------------------|---------------|-----------------------------|---------------|-----------------------------|
| Türkiye Sınai Kalkınma Bankası A.Ş. | 28,56 | 111.098 | 28,56 | 96.818 |
| Türkiye İş Bankası A.Ş. | 27,79 | 108.119 | 27,79 | 94.222 |
| Camiş Yatırım Holding A.Ş. | 0,83 | 3.243 | 0,83 | 2.826 |
| Türkiye Şişe ve Cam Fab. A.Ş. | 0,08 | 297 | 0,08 | 259 |
| Nemtaş Nemrut Liman İşletmeleri A.Ş. | 0,07 | 258 | 0,07 | 225 |
| Publicly traded | 42,67 | 165.985 | 42,67 | 144.650 |
| TOTAL | <u>100,00</u> | <u>389.000</u> | <u>100,00</u> | <u>339.000</u> |

The Company has increased its share capital by TRY 50.000 to TRY 389.000 in 2012. The increase comprises of bonus shares from previous year’s profit amounting to TRY 15.065 and from extraordinary reserves amounting to TRY 34.935. Capital increase has been registered on 12 June 2012.

The Company’s share capital is divided into Group A and Group B shares. Group A shareholders have the privilege of nominating board of directors members and audit committee members. As a result of this privilege, board of directors members and audit committee members are selected among the candidates nominated by Group A shareholders. Allocation of Group A shares among shareholders is as follows;

| <u>Shareholders</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--------------------------------------|-------------------------|-------------------------|
| Türkiye İş Bankası A.Ş. | 300.000.000 | 300.000.000 |
| Türkiye Sınai Kalkınma Bankası A.Ş. | 255.000.000 | 255.000.000 |
| Türkiye Şişe ve Cam Fab. A.Ş. | 22.500.000 | 22.500.000 |
| Nemtaş Nemrut Liman İşletmeleri A.Ş. | 22.500.000 | 22.500.000 |
| Total | <u>600.000.000</u> | <u>600.000.000</u> |

Any change in the articles of association of the Company is subject to the consent of Group A shareholders.

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24. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

CAPITAL RESERVES

As at 31 December 2012 and 31 December 2011, details of capital reserves are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Marketable securities revaluation reserve | 8.144 | 4.639 |
| Bonus shares obtained from associates, subsidiaries and jointly controlled entities | 1.938 | 1.938 |
| Total | <u>10.082</u> | <u>6.577</u> |

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

25. PROFIT RESERVES

As at 31 December 2012 and 31 December 2011, details of profit reserves are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|----------------------------|-------------------------|-------------------------|
| Legal reserves | 19.251 | 16.627 |
| Extraordinary reserves (*) | 93.656 | 94.241 |
| TOTAL | <u>112.907</u> | <u>110.868</u> |

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

(*) As per the BRSA, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Group has deferred tax amounting to TRY 72.606 classified in extraordinary reserves which will not be distributed as at 31 December 2012.(31 December 2011: TRY 78.645).

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26. PRIOR YEARS’ PROFIT/LOSS

The Group has no previous year profit/loss as at 31 December 2012 (31 December 2011: TRY 434 previous year loss).

27. COMMITMENTS AND CONTINGENCIES

As at 31 December 2012, TRY 2.815 of letters of guarantee are given to customs, authorities and banks (31 December 2011: TRY 734).

As at 31 December 2012, the total risk of litigations filed and currently pending against the Group amounting to approximately TRY 4.443 (31 December 2011: TRY 4.262). The Group has provided a provision amounting to TRY 923 for litigations (31 December 2011: TRY 966) in the accompanying consolidated financial statements (Note 20). The Group management does not anticipate any further provision for the remaining litigations.

As at 31 December 2012, the Group has letter of credit commitments of USD 70.000, Euro 4.861.836, GBP 219.000 (31 December 2011: USD 1.675.038, Euro 16.470.750, CHF 134.500).

As at 31 December 2012, the Group has lease commitments of USD 4.203.198, Euro 9.239.227, TRY 5.311 (31 December 2011: USD 47.071.731, Euro 10.204.794, TRY 9.752).

As at the reporting date, the Group does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

As at 31 December 2012 details of derivatives are as follows:

| | 31 December 2012 | |
|--------------------------------|--------------------------------|-----------------------|
| | Amount as Original Currency | TRY |
| Currency Swap Purchases: | | |
| TRY | - | 309.161 |
| | | <u>309.161</u> |
| Currency Swap Sales: | | |
| USD | 122.345.600 | 218.093 |
| Euro | 36.729.825 | 86.378 |
| | | <u>304.471</u> |
| | | <u><u>304.471</u></u> |
| | 31 December 2012 | |
| | Amount as Original Currency | TRY |
| Forward Purchase Transactions: | | |
| TRY | - | 1.960 |
| | | <u>1.960</u> |
| Forward Sales Transactions: | | |
| USD | 950.000 | 1.694 |
| Euro | 100.000 | 235 |
| | | <u>1.929</u> |
| | | <u><u>1.929</u></u> |

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27. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2011 details of derivatives are as follows:

| | 31 December 2011 | |
|--------------------------------|--------------------------------|----------------|
| | Amount as Original Currency | TRY |
| Currency Swap Purchases: | | |
| TRY | - | 269.162 |
| | | <u>269.162</u> |
| Currency Swap Sales: | | |
| USD | 98.000.000 | 185.112 |
| Euro | 38.000.000 | 92.865 |
| | | <u>277.977</u> |
| | | |
| | 31 December 2011 | |
| | Amount as Original Currency | TRY |
| Forward Purchase Transactions: | | |
| TRY | - | 2.443 |
| | | <u>2.443</u> |
| Forward Sales Transactions: | | |
| Euro | 1.000.000 | 2.444 |
| | | <u>2.444</u> |

Derivative transactions performed with related parties are presented in Note 9.

The Group has TRY 7.092 of unrealized profit and TRY 7.089 of unrealized loss in relation to the fair value changes of swap transactions designated at through profit or loss at 31 December 2012 (Note 4) (31 December 2011: TRY 608 loss, 18.693 profit).

As at 31 December 2012, analysis of derivatives according to their maturities is as follows:

| | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|--------------|
| Currency Swap Purchases | 145.736 | 163.425 | 309.161 |
| Currency Swap Sales | 137.245 | 167.226 | 304.471 |
| Forward Purchase Transactions | 1.960 | - | 1.960 |
| Forward Sales Transactions | 1.929 | - | 1.929 |

As at 31 December 2011, analysis of derivatives according to their maturities is as follows:

| | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|--------------|
| Currency Swap Purchases | 269.162 | - | 269.162 |
| Currency Swap Sales | 277.977 | - | 277.977 |
| Forward Purchase Transactions | 2.443 | - | 2.443 |
| Forward Sales Transactions | 2.444 | - | 2.444 |

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28. SEGMENT REPORTING

Information regarding the Group’s operating business segments is based on the Group’s management and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire tangible assets and intangible assets.

Business segments

The Group comprises the following main business segments:

- Leasing Includes the Group’s finance lease activities
- Factoring operations Includes the Group’s factoring activities

| <u>31 December 2012</u> | <u>Leasing</u> | <u>Factoring</u> | <u>Consolidation Adjustments</u> | <u>Consolidated</u> |
|-------------------------|----------------|------------------|----------------------------------|---------------------|
| Total assets | 1.795.669 | 1.041.259 | (16.606) | 2.820.322 |
| Total liabilities | 1.272.989 | 981.535 | - | 2.254.524 |
| Net profit | 37.226 | 4.575 | (996) | 40.805 |

| <u>31 December 2011</u> | <u>Leasing</u> | <u>Factoring</u> | <u>Consolidation Adjustments</u> | <u>Consolidated</u> |
|-------------------------|----------------|------------------|----------------------------------|---------------------|
| Total assets | 1.826.246 | 432.413 | (16.606) | 2.242.053 |
| Total liabilities | 1.342.596 | 379.439 | - | 1.722.035 |
| Net profit | 46.030 | 8.236 | (1.793) | 52.473 |

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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28. SEGMENT REPORTING (Continued)

| | <u>Leasing</u> | <u>Factoring</u> | <u>Consolidation Adjustments</u> | <u>Total</u> |
|---|----------------|------------------|--------------------------------------|--------------|
| <u>31 December 2012</u> | | | | |
| Operating Income | 106.067 | 51.984 | - | 158.051 |
| Operating Expense (-) | (18.031) | (6.332) | - | (24.363) |
| Other Operating Income | 63.931 | 2.515 | - | 66.446 |
| Financial Expenses (-) | (64.586) | (32.368) | - | (96.954) |
| Provision for Losses on Non-Performing Receivables (-) | (13.456) | (8.602) | - | (22.058) |
| Other operating Expenses (-) | (26.597) | 51 | - | (26.546) |
| Profit or Loss from Continuing Operations | 47.328 | 7.248 | - | 54.576 |
| Provision for Taxes from Continuing Operations (±) | (10.102) | (2.673) | - | (12.775) |
| Net Profit or Loss from Continuing Operations | 37.226 | 4.575 | - | 41.801 |
| Non-controlling Interests | - | - | (996) | (996) |
| Net Profit or Loss for the Period | 37.226 | 4.575 | (996) | 40.805 |
| Fixed Asset Additions | 584 | 120 | - | 704 |
| Depreciation and Amortisation | (389) | (162) | - | (551) |
| <u>31 December 2011</u> | | | | |
| Operating Income | 100.636 | 34.801 | - | 135.437 |
| Operating Expense (-) | (17.131) | (4.848) | - | (21.979) |
| Other Operating Income | 72.578 | 6.144 | - | 78.722 |
| Financial Expenses (-) | (53.537) | (26.077) | - | (79.614) |
| Provision for Losses on Non-Performing Receivables (-) | (15.087) | (186) | - | (15.273) |
| Other operating Expenses (-) | (36.520) | - | - | (36.520) |
| Profit or Loss from Continuing Operations | 50.939 | 9.834 | - | 60.773 |
| Provision for Taxes from Continuing Operations (±) | (4.909) | (1.598) | - | (6.507) |
| Net Profit or Loss from Continuing Operations | 46.030 | 8.236 | - | 54.266 |
| Non-controlling Interests | - | - | (1.793) | (1.793) |
| Net Profit or Loss for the Period | 46.030 | 8.236 | (1.793) | 52.473 |
| Fixed Asset Additions | 691 | 660 | - | 1.351 |
| Depreciation and Amortisation | (428) | (109) | - | (537) |

29. EVENTS AFTER REPORTING PERIOD

None.

30. OPERATING INCOME

For the periods ended 31 December 2012 and 31 December 2011, details of operating income are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|-------------------------------|-------------------------|-------------------------|
| Finance lease interest income | 106.067 | 100.636 |
| Factoring income | 51.984 | 34.801 |
| | <u>158.051</u> | <u>135.437</u> |

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31. OPERATING EXPENSES

For the periods ended 31 December 2012 and 31 December 2011, operating expenses are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Personnel expenses | (14.300) | (13.894) |
| Office rent expenses | (2.044) | (1.717) |
| Board of Directors attendance fee | (970) | (754) |
| Provision for employee severance indemnity | (912) | (389) |
| Office contribution expenses | (821) | (698) |
| Information technology expenses | (798) | (620) |
| Travel and car expenses | (791) | (835) |
| Litigation expenses | (553) | (190) |
| Depreciation and amortisation expense | (551) | (537) |
| Consultancy expenses | (548) | (607) |
| Capital increase expense | (236) | (186) |
| Advertising expense | (230) | (249) |
| Other general administrative expenses | (1.609) | (1.303) |
| | <u>(24.363)</u> | <u>(21.979)</u> |

32. OTHER OPERATING INCOME

For the periods ended 31 December 2012 and 31 December 2011, details of other operating income are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Foreign exchange gains, net | - | 41.980 |
| Income from derivative financial transactions | 46.113 | 1.691 |
| Interest income | 8.868 | 22.834 |
| Dividend income | 2.272 | 3.980 |
| Commission income | 2.145 | 2.146 |
| Collections from non-performing receivables | 1.870 | 1.735 |
| Others | 5.178 | 4.356 |
| | <u>66.446</u> | <u>78.722</u> |

33. FINANCE EXPENSES

For the periods ended 31 December 2012 and 31 December 2011, details of financial expenses are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--|-------------------------|-------------------------|
| Interest expense on funds borrowed | (76.635) | (76.534) |
| Interest expense on debt securities issued | (17.605) | (2.098) |
| Fees and commissions expense | (2.714) | (982) |
| | <u>(96.954)</u> | <u>(79.614)</u> |

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34. PROVISION FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2012 and 31 December 2011, details of provision for non-performing receivables are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|--------------------------------|-------------------------|-------------------------|
| Specific provision expenses | (20.156) | (14.607) |
| General provision expenses (*) | <u>(1.902)</u> | <u>(666)</u> |
| | <u>(22.058)</u> | <u>(15.273)</u> |

(*) In addition to the specific provision for non-performing receivables, the Group management provided an additional provision for finance lease receivables having overdue less than legal terms but regarded as risky by the management.

35. OTHER OPERATING EXPENSES

For the periods ended 31 December 2012 and 31 December 2011, details of other operating expenses are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Losses from derivative financial transactions | (14.233) | (33.743) |
| Foreign exchange losses | (7.122) | - |
| Tax penalties (*) | (2.997) | - |
| Impairment losses on assets held for sale | (145) | (338) |
| Other | <u>(2.049)</u> | <u>(2.439)</u> |
| | <u>(26.546)</u> | <u>(36.520)</u> |

(*) Pursuant to no. 394 decision of the 3 February 2012 dated, 2448 numbered meeting of the Financial Crimes Investigation Board, it has been decided to impose administrative fine of 3.996 TL to the Company at open legal appeal facilities by the reason of infringing the conviction of Article No.3 of Act. No.5549 “Regarding the Prevention of Laundering of Crime Revenues”. The fine was paid on 24 February 2012 as 2.997 TL by benefiting from the reduction in accordance with Article No.17 Misdemeanor Act No.5326 and with the save for the right to plead a counterclaim. The Company has filed an annulment action at 28th Criminal Court of peace on duty in İstanbul with the request of conducting a trial. The judgment of the trial has been decided by 24th Criminal Court of Peace against the Company. The exception against the decision by the Company has been revoked by the 38th Criminal Court of General Jurisdiction.

36. TAXATION

For the periods ended 31 December 2012 and 31 December 2011, details of income tax expense are as follows:

| <u>Provision for taxes</u> | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Current tax charge (Note:20) | (3.633) | (13.543) |
| Past fiscal year corporate tax adjustment (*) | 12.004 | 13.135 |
| Deferred tax benefit | <u>(21.146)</u> | <u>(6.099)</u> |
| | <u>(12.775)</u> | <u>(6.507)</u> |

(*) During the year 2011, the Company has paid temporary corporate tax liability by considering the clause that the amount to be deducted as investment incentive can not exceed 25% of the income of the related year as required by effective regulation.

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36. TAXATION (Continued)

The clause “The amount which to be deducted as investment incentive to estimate tax base can not exceed 25% of related income” which has been added to first clause of the temporary 69th article of Law No:193 with the 5th article of Law No:6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the decisions no: E.2010/93 and K.2012/20. Subsequent to the decision of Constitutional Court, Revenue Administration made necessary arrangements for tax payers to benefit from investment incentive for Corporate Tax Declaration of the year 2011 regardless of the 25% limit. In accordance with this arrangement, investment incentive balance has become opportunity for the Company thus temporary corporate tax paid during the year 2011 which amounted to TRY 12.004 and declared on Corporate Tax Declaration of the year 2011 has become receivable from the Tax Office. Corporate tax amounting to TRY 12.004 has been refunded and classified as tax income under the Income Statement.

The reported income tax expenses for the period is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Group, as shown in the following reconciliation:

| | 1 January- 31 December 2012 | | 1 January- 31 December 2011 | |
|---|-----------------------------------|----------|-----------------------------------|----------|
| | % | | % | |
| Net profit for the period | | 41.801 | | 54.266 |
| Total tax income | | 12.775 | | 6.507 |
| Profit before tax | | 54.576 | | 60.773 |
| Income tax using the Company's tax rate | 20,00 | 10.915 | 20,00 | 12.155 |
| Non deductible expenses | 5,22 | 2.850 | 0,91 | 552 |
| Tax exempt income | (0,79) | (432) | (1,29) | (783) |
| Investment incentives | 22,43 | 12.242 | 11,78 | 7.158 |
| Corporate tax refund | (22,00) | (12.004) | (21,61) | (13.135) |
| Other | (1,46) | (796) | 0,92 | 560 |
| Total income tax expense / (income) | 23,40 | 12.775 | 10,71 | 6.507 |

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the period. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2012, corporate income tax rate is 20% (31 December 2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2012 is 20% (31 December 2011: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses cannot be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following fourth month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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36. TAXATION (Continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. After this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the companies. There is no withholding tax on the investments incentives utilized without investment incentive certificates.

Investment Incentives

Temporary Article 69 added to the Income Tax Law numbered 193 with Law no 5479, which became effective starting from 1 January 2006, upon being promulgated in Official Gazette no 26133 dated 8 April 2006, stating that taxpayers can deduct the investment allowance exemption amounts which were present according to legislative provisions effective on 31 December 2005 (and by taking into account the corporate tax legislation in that date) only from the corporate profits of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or totally in three years was not allowed to be transferred to following years and became unavailable as of 31 December 2008. On the other side, Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of Article 2 and Article 15 of the Law no 5479 and the right of investment allowance became unavailable during the period of 1 January 2006 and 8 April 2006.

However, on 15 October 2009, Turkish Constitutional Court decided to cancel the clause numbered (2) of the Article 15 of the Law 5479 and expressions of “2006, 2007, 2008” in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as at 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, time limitations for carried forward investment allowance gained in the previous period of mentioned date and limitations related to investments commenced between the dates of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation of investment allowance become effective with promulgation of decision on the official gazette and the decision of Turkish Constitutional Court was promulgated in Official Gazette no 27456 dated 8 January 2010.

According to the decision mentioned above, investment allowances transferred to 2006 due to lack of profit and investment allowances gained by the investments that are commenced before 1 January 2006 and continued after that date constituting economic and technical integrity will not be only used in 2006, 2007 and 2008, but also in the following years. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year according to amendments to the Income Tax Law promulgated in Official Gazette no 27659 dated 1 August 2010. With this amendment, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate (20%) instead of the previous rate of 30%.

The statement “ the amount of investment allowance to be utilized may not exceed %25 of earnings for the year” was cancelled by the Constitutional Court decision No.2012/9 dated 9 February 2012. Subsequent to the decision of the Court, necessary amendments has been made by Revenue Administration Department for the tax payers to utilize investment incentives in their 2011 tax declarations without taking 25% limit into account.

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36. TAXATION (Continued)

Transfer Pricing

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

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

37. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

The weighted average number of shares of the Group and earnings per share for the period ended 31 December 2012 and 31 December 2011 are as follows:

| | <u>1 January- 31 December 2012</u> | <u>1 January- 31 December 2011</u> |
|---|--|--|
| Weighted average number of outstanding shares (*) | 38.900.000.000 | 33.900.000.000 |
| Net profit for the period (TRY) | 40.805 | 52.473 |
| Basic earnings per share (full Kurus) (**) | 0,10 | 0,13 |

(*) As at 31 December 2012, the share capital of the Company consists of 38.900.000.000 shares having Kurus 1 nominal price.

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|---|-------------------------|-------------------------|
| Number of shares at beginning of the period | 33.900.000.000 | 29.500.000.000 |
| Capital increase (**) | <u>5.000.000.000</u> | <u>4.400.000.000</u> |
| Number of shares at end of the period | <u>38.900.000.000</u> | <u>33.900.000.000</u> |

(**) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share figure.

38. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2012, the debt/equity ratio is 29% as at 31 December 2012 (31 December 2011:38%). As at 31 December 2012 and 31 December 2011, the leverage ratios are as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|------------------------------------|-------------------------|-------------------------|
| Funds borrowed | 2.062.376 | 1.579.435 |
| Debt securities issued | 151.005 | 93.241 |
| Miscellaneous payables | 14.804 | 15.145 |
| Other liabilities | 8.441 | 7.795 |
| Total liabilities | <u>2.236.626</u> | <u>1.695.616</u> |
| Banks (-) | <u>(317.154)</u> | <u>(309.561)</u> |
| Net liabilities | <u>1.919.472</u> | <u>1.386.055</u> |
| | | |
| Total shareholders' equity | 565.798 | 520.018 |
| | | |
| Shareholders' equity / liabilities | %29 | %38 |

According to the credit rating reports of Fitch issued at 24 August 2012, credit ratings of the Company are as follows:

Foreign Currency

| | |
|------------|--------|
| Long term | BBB- |
| Short term | F3 |
| Outlook | Stable |

TRY

| | |
|------------|--------|
| Long term | BBB- |
| Short term | F3 |
| Outlook | Stable |

National

| | |
|-----------|-----------|
| Long term | AAA (tur) |
| Outlook | Stable |
| Support | 2 |

(b) Significant accounting policies

The Group's accounting policies on financial instruments are disclosed in Note 3 “Significant accounting policies”.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(c) Categories of financial instruments

| | 31 December 2012 | 31 December 2011 |
|---|---------------------|---------------------|
| <u>Financial Assets:</u> | | |
| Banks | 317.154 | 309.561 |
| Financial assets at fair value through profit or loss: | | |
| -Financial assets held for trading | 1.631 | 11.385 |
| -Derivative financial assets held for trading | 7.092 | 608 |
| Finance lease receivables and non-performing receivables, net | 1.390.638 | 1.398.476 |
| Factoring receivables and non-performing factoring receivables, net | 1.014.944 | 404.653 |
| Insurance receivables (*) | 2.198 | 2.933 |
| Other receivables (*) | 740 | 3.317 |
| Financial assets available for sale | 25.595 | 20.231 |
| <u>Financial Liabilities:</u> | | |
| Derivative financial liabilities held for trading | (7.089) | (18.693) |
| Miscellaneous payables and other liabilities | (23.245) | (22.940) |
| Funds borrowed | (2.062.376) | (1.579.435) |
| Debt securities issued | (151.005) | (93.241) |

(*) Included in other assets.

(d) Financial risk management objectives

The Group’s corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. Such risks include market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Group does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

In order to minimize potential risks, the Group reports monthly to the risk management committee which is in charge of monitoring risks and the policies applied.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section f), interest rates (refer to section g) and equity prices will affect the Group’s income or the value of its holdings of financial instruments. To manage risks relating to exchange rates and interest rates, the Group uses various derivative financial instruments including the following:

- “Forward foreign exchange contracts” to hedge the exchange rate risk arising from operations.
- “Currency swaps” to control the exchange rate risk of foreign currency denominated liabilities.

At the Group level, market risk exposures are measured by sensitivity analysis.

There has been no change in the Group’s exposure to market risks or the method it uses to manage and measure such risks.

(f) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group manages this currency risk by using the foreign exchange derivative contracts.

As at 31 December 2012 and 31 December 2011, details of foreign currency denominated assets and liabilities are as follows:

| | USD | Euro | CHF | GBP | JPY | TRY |
|--|------------|------------|------------|------------|------------|-------------------|
| <u>31 December 2012 (*)</u> | <u>000</u> | <u>000</u> | <u>000</u> | <u>000</u> | <u>000</u> | <u>Equivalent</u> |
| Banks | 51.068 | 11.812 | - | 20 | 26 | 118.870 |
| Finance lease receivables | 303.041 | 222.071 | - | - | - | 1.062.445 |
| Factoring receivables | 41.215 | 9.072 | - | - | - | 94.804 |
| Advances given for lease transactions | 818 | 2.598 | - | - | - | 7.568 |
| Leasing contracts in progress | 2.021 | 2.134 | - | - | - | 8.622 |
| Other assets | 303 | 835 | - | - | - | 2.503 |
| Total assets (**) | 398.466 | 248.522 | - | 20 | 26 | 1.294.812 |
| Funds borrowed | (269.528) | (208.495) | - | - | - | (970.779) |
| Miscellaneous payables and other liabilities | (1.929) | (5.574) | (9) | (21) | 61 | (16.622) |
| Other provisions | (1.187) | - | - | - | - | (2.116) |
| Total liabilities (**) | (272.644) | (214.069) | (9) | (21) | 61 | (989.517) |
| Balance sheet position | 125.822 | 34.453 | (9) | (1) | 87 | 305.295 |
| Off balance sheet position | (123.296) | (36.830) | - | - | - | (306.400) |
| Net foreign currency position | 2.526 | (2.377) | (9) | (1) | 87 | (1.105) |

(*) As at 31 December 2012 , foreign currency indexed borrowings amounting to USD 44.660.385 and Euro 8.890.970 (Total: TRY 100.520) and foreign currency indexed factoring receivables amounting to USD 35.561.532 and Euro 1.478.184 (Total: TRY 66.868) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2012, accruals of derivative assets and liabilities amounting to TRY 7.092 and TRY 7.089, respectively, are not included.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

| <u>31 December 2011 (*)</u> | <u>USD</u> | <u>Euro</u> | <u>CHF</u> | <u>GBP</u> | <u>JPY</u> | <u>TRY</u> |
|--|------------|-------------|------------|------------|------------|-------------------|
| | <u>000</u> | <u>000</u> | <u>000</u> | <u>000</u> | <u>000</u> | <u>Equivalent</u> |
| Banks | 47.863 | 87.409 | - | 6 | 26 | 304.035 |
| Finance lease receivables | 313.903 | 217.245 | - | - | - | 1.123.835 |
| Factoring receivables | 27.667 | 1.369 | - | - | - | 55.606 |
| Advances given for lease transactions | 3.706 | 11.469 | - | 48 | - | 35.171 |
| Leasing contracts in progress | 5.933 | 1.188 | - | - | - | 14.110 |
| Other assets | 1.510 | 1.872 | - | 34 | - | 7.528 |
| Total assets (**) | 400.582 | 320.552 | - | 88 | 26 | 1.540.285 |
| Funds borrowed | (309.535) | (268.045) | - | - | - | (1.239.730) |
| Miscellaneous payables and other liabilities | (2.611) | (4.905) | (16) | (20) | 74 | (17.008) |
| Other provisions | (121) | (273) | - | - | - | (894) |
| Total liabilities (**) | (312.267) | (273.223) | (16) | (20) | 74 | (1.257.632) |
| Balance sheet position | 88.315 | 47.329 | (16) | 68 | 100 | 282.653 |
| Off balance sheet position | (98.000) | (39.000) | - | - | - | (280.421) |
| Net foreign currency position | (9.685) | 8.329 | (16) | 68 | 100 | 2.232 |

(*) As at 31 December 2011, foreign currency indexed borrowings amounting to USD 22.448.264 and Euro 3.717.473 (Total: TRY 51.487) and foreign currency indexed factoring receivables amounting to USD 27.667.231 and Euro 235.036 (Total: TRY 52.835) are presented in TRY column in the accompanying consolidated statement of financial position.

(**) As at 31 December 2011, accruals of derivative assets and liabilities amounting to TRY 608 and TRY 18.693, respectively, are not included.

Foreign currency sensitivity

The Group is mainly exposed to USD and Euro exchange rate risks.

The table below indicates the sensitivity of the Group to USD and Euro when there is a 15% of change in such exchange rates. The Group uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Group’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

| | Profit / (Loss) | | Equity(*) | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| 31 December 2012 | | | | |
| 15% change of the USD against TRY | | | | |
| 1- Net USD asset/liability | 33.643 | (33.643) | 33.643 | (33.643) |
| 2- Hedged portion of TRY against USD risk (-) | (32.968) | 32.968 | (32.968) | 32.968 |
| 3- Net effect of USD (1+ 2) | 675 | (675) | 675 | (675) |
| 15% change of the Euro against TRY | | | | |
| 4- Net Euro asset/liability | 12.153 | (12.153) | 12.153 | (12.153) |
| 5- Hedged portion of TRY against Euro risk (-) | (12.992) | 12.992 | (12.992) | 12.992 |
| 6- Net effect of Euro (4+5) | (839) | 839 | (839) | 839 |
| 15% change of other foreign currencies against TRY | | | | |
| 7- Net other foreign currencies asset/liability | (4) | 4 | (4) | 4 |
| 8- Hedged portion of TRY against other currencies risk (-) | - | - | - | - |
| 9- Net effect of other foreign currencies (7+8) | (4) | 4 | (4) | 4 |
| TOTAL (3+6+9) | (168) | 168 | (168) | 168 |

(*) Includes profit/loss effect.

| | Profit / (Loss) | | Equity(*) | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| 31 December 2011 | | | | |
| 15% change of the USD against TRY | | | | |
| 1- Net USD asset/liability | 25.023 | (25.023) | 25.023 | (25.023) |
| 2- Hedged portion of TRY against USD risk (-) | (27.767) | 27.767 | (27.767) | 27.767 |
| 3- Net effect of USD (1+ 2) | (2.744) | 2.744 | (2.744) | 2.744 |
| 15% change of the Euro against TRY | | | | |
| 4- Net Euro asset/liability | 17.350 | (17.350) | 17.350 | (17.350) |
| 5- Hedged portion of TRY against Euro risk (-) | (14.296) | 14.296 | (14.296) | 14.296 |
| 6- Net effect of Euro (4+5) | 3.054 | (3.054) | 3.054 | (3.054) |
| 15% change of other foreign currencies against TRY | | | | |
| 7- Net other foreign currencies asset/liability | 14 | (14) | 14 | (14) |
| 8- Hedged portion of TRY against other currencies risk (-) | - | - | - | - |
| 9- Net effect of other foreign currencies (7+8) | 14 | (14) | 14 | (14) |
| TOTAL (3+6+9) | 324 | (324) | 324 | (324) |

(*) Includes profit/loss effect.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Currency risk management (Continued)

Forward foreign exchange contracts and currency swaps

The Group uses forward contracts and currency swaps to cover the risks of receipts and payments, expected sales and purchases in a certain foreign currency.

(g) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Group’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Group management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management.

As at 31 December 2012 and 31 December 2011, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

| | <u>31 December 2012</u> | <u>31 December 2011</u> |
|----------------------------------|-----------------------------|-----------------------------|
| <u>Fixed rate instruments</u> | | |
| Financial assets: | | |
| Banks | 311.104 | 304.799 |
| Finance lease receivables (*) | 1.202.494 | 1.192.424 |
| Factoring receivables | 628.306 | 303.743 |
| Financial liabilities: | | |
| Funds borrowed | 736.829 | 892.934 |
| Debt securities issued | - | 93.241 |
| <u>Variable rate instruments</u> | | |
| Financial assets: | | |
| Finance lease receivables (*) | 169.411 | 153.291 |
| Factoring receivables | 386.638 | 100.910 |
| Financial liabilities: | | |
| Borrowings | 1.325.547 | 686.501 |
| Debt securities issued | 151.005 | - |

(*) Leasing contracts in progress and advances given are not included in the balances above.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk management (Continued)

Interest rate sensitivity (Continued)

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from finance leases with variable interest rates would be higher at an amount of TL 1.671 (31 December 2011: TL 1.512).
- Interest income from factoring transactions variable interest rates would be higher at an amount of TL 3.813 (31 December 2011: TL 978).
- Interest expense on funds borrowed with variable interest rates would be higher at an amount of TL 14.486 (31 December 2011: TL 6.721).

(h) Other price risks

The Group is exposed to equity securities price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Group.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher / lower and all other variables were fixed:

The effect on equity (without tax effects) as a result of change in the fair value of equity instruments quoted to Istanbul Stock Exchange held as financial assets available for sale in the accompanying consolidated financial statements, due to a reasonably possible change in equity indices, with all other variables held constant, would be TL 1.287 (31 December 2011: TL 1.267).

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group’s exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

Finance lease receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of finance lease receivables is as follows:

| | <u>31 December 2012 (%)</u> | <u>31 December 2011 (%)</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Transportation | 15,39 | 21,45 |
| Metal industry | 15,62 | 9,22 |
| Construction | 14,47 | 11,59 |
| Tourism | 7,70 | 4,00 |
| Healthcare | 7,31 | 7,21 |
| Textile | 6,69 | 6,40 |
| Forestry products and paper | 5,97 | 12,40 |
| Food and beverage | 3,86 | 3,75 |
| Chemical and plastic | 3,26 | 3,55 |
| Agriculture and forestry | 3,20 | 3,28 |
| Finance | 3,11 | 3,46 |
| Mining | 2,75 | 2,75 |
| Machinery and equipment | 2,53 | 2,73 |
| Retail and wholesale | 1,70 | 1,99 |
| Other | 6,44 | 6,22 |
| | <u>100,00</u> | <u>100,00</u> |

Leased asset allocation of finance lease receivables is as follows:

| | <u>31 December 2012 (%)</u> | <u>31 December 2011 (%)</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| Machinery and equipment | 25,71 | 22,84 |
| Real estate | 22,90 | 23,86 |
| Building and construction machinery | 15,93 | 12,15 |
| Sea transport vessels | 5,52 | 8,61 |
| Textile machinery | 5,19 | 4,52 |
| Medical equipment | 5,00 | 4,78 |
| Air transportation equipments | 4,66 | 6,17 |
| Printing machinery | 3,31 | 3,87 |
| Electronic and optical equipment | 3,28 | 2,89 |
| Tourism equipment | 2,81 | 3,13 |
| Road transportation equipments | 1,88 | 2,62 |
| Office equipments | 1,80 | 2,36 |
| Other | 2,01 | 2,20 |
| | <u>100,00</u> | <u>100,00</u> |

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2012, exposure to credit risk based on categories of financial instruments is as follows:

| | Receivables | | | | Deposits | Fair value through profit/loss financial assets | Insurance receivables | Other Receivables |
|--|---------------------------|-------------|-----------------------|-------------|----------|---|-----------------------|-------------------|
| | Finance Lease Receivables | | Factoring Receivables | | | | | |
| | Related party | Third party | Related party | Third party | | | | |
| 31 December 2012 | | | | | | | | |
| Exposure to maximum credit risk as at reporting date (*) | 38.707 | 1.351.931 | 24.090 | 990.854 | 317.154 | 8.723 | 2.198 | 740 |
| - The portion of maximum risk covered by guarantee | - | 107.915 | - | 854 | - | - | - | - |
| A. Net carrying value of financial assets which are neither impaired nor overdue | 38.707 | 1.123.506 | 24.090 | 990.767 | 317.154 | 8.723 | 2.198 | 740 |
| - The portion covered by guarantee | - | 72.028 | - | 854 | - | - | - | - |
| B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired | - | - | - | 87 | - | - | - | - |
| C. Net carrying value of financial assets which are overdue but not impaired | - | 184.704 | - | - | - | - | - | - |
| - The portion covered by guarantee | - | 26.924 | - | - | - | - | - | - |
| D. Net carrying value of impaired assets | - | 43.721 | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 81.557 | - | 10.902 | - | - | - | - |
| - Impairment (-) | - | (56.502) | - | (10.902) | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc) (**) | - | 8.963 | - | - | - | - | - | - |
| - Not past due (gross book value) | - | 20.130 | - | - | - | - | - | - |
| - Impairment (-) | - | (1.464) | - | - | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc.) (**) | - | - | - | - | - | - | - | - |
| E. Off balance sheet items with credit risks | - | - | - | - | - | - | - | - |

(*) Guarantees received are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2011, exposure to credit risk based on categories of financial instruments is as follows:

| | Receivables | | | | Deposits | Fair value through profit/loss financial assets | Insurance receivables | Other Receivables |
|--|---------------------------|-------------|-----------------------|-------------|----------|---|-----------------------|-------------------|
| | Finance Lease Receivables | | Factoring Receivables | | | | | |
| 31 December 2011 | Related party | Third party | Related party | Third party | | | | |
| Exposure to maximum credit risk as at reporting date (*) | 45.650 | 1.352.826 | 6.361 | 398.292 | 309.561 | 11.993 | 2.933 | 3.317 |
| - The portion of maximum risk covered by guarantee | - | 110.425 | - | 14.182 | - | - | - | - |
| A. Net carrying value of financial assets which are neither impaired nor overdue | 45.650 | 1.129.223 | 6.361 | 397.678 | 309.561 | 11.993 | 2.933 | 3.317 |
| - The portion covered by guarantee | - | 85.145 | - | 14.182 | - | - | - | - |
| B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired | - | - | - | 614 | - | - | - | - |
| C. Net carrying value of financial assets which are overdue but not impaired | - | 170.802 | - | - | - | - | - | - |
| - The portion covered by guarantee | - | 17.561 | - | - | - | - | - | - |
| D. Net carrying value of impaired assets | - | 52.801 | - | - | - | - | - | - |
| - Overdue (gross book value) | - | 89.342 | - | 2.603 | - | - | - | - |
| - Impairment (-) | - | (39.361) | - | (2.603) | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc) (**) | - | 7.719 | - | - | - | - | - | - |
| - Not past due (gross book value) | - | 20.986 | - | - | - | - | - | - |
| - Impairment (-) | - | (18.166) | - | - | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc.) (**) | - | - | - | - | - | - | - | - |
| E. Off balance sheet items with credit risks | - | - | - | - | - | - | - | - |

(*) Guarantees received are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Credit risk management (Continued)

As at 31 December 2012 and 31 December 2011, details of finance lease receivables rating in terms of internal rating information:

| | <u>31 December 2012 (%)</u> | <u>31 December 2011 (%)</u> |
|--------------------------|-----------------------------|-----------------------------|
| Internal rating results: | | |
| A+ (Perfect) | 0,21 | 0,02 |
| A (Very good) | 6,77 | 3,74 |
| A- (Good) | 5,81 | 1,89 |
| B+ (Satisfactory) | 16,98 | 26,82 |
| B (Close Monitoring) | 25,24 | 23,34 |
| B- (Insufficient) | 24,76 | 24,07 |
| C+ (Doubtful) | 11,34 | 11,07 |
| C (Loss) | 3,71 | 4,30 |
| Not rated | 5,18 | 4,75 |
| Total | <u>100,00</u> | <u>100,00</u> |

The Company has started SME-Micro scoring system. Accordingly, clients with revenue amounts under USD 1 million and credit limits below USD 60.000 will be subject to scoring under Micro title and the clients with revenue amounts between USD 1 million and USD 8 million and credit limits between USD 60.000 and USD 1 million are to be categorized as SME. The ratio of companies which are subjected to SME and Micro Scoring to total portfolio is 14,68% as at 31 December 2012 (31 December 2011: 6%).

As at 31 December 2012 and 31 December 2011, details of finance lease receivables ratings in terms of SME-Micro scoring information:

| | <u>31 December 2012 (%)</u> | <u>31 December 2011 (%)</u> |
|--------|-----------------------------|-----------------------------|
| High | 31,20 | 31,38 |
| Medium | 57,54 | 57,87 |
| Low | 11,26 | 10,75 |
| Total | <u>100,00</u> | <u>100,00</u> |

The aging analysis of overdue finance lease receivables is disclosed in Note 8. The Group does not have overdue financial assets other than finance lease receivables.

Collaterals obtained for finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

| | <u>31 December 2012</u> | | <u>31 December 2011</u> | |
|----------------------|-------------------------|-------------------|-------------------------|-------------------|
| | Nominal Value | Fair Value (*) | Nominal Value | Fair Value (*) |
| Other mortgages | 524.407 | 100.761 | 567.133 | 105.424 |
| Letters of guarantee | 26.437 | 4.311 | 24.519 | 15.248 |
| Ship mortgage | 4.457 | - | 4.722 | - |
| Equities | 2.450 | 2.450 | 2.450 | 2.450 |
| Cash blockages | 2.244 | 1.175 | 2.765 | 1.469 |
| Guarantors | 1.069 | 72 | 1.160 | 16 |
| | <u>561.064</u> | <u>108.769</u> | <u>602.749</u> | <u>124.607</u> |

(*) In determination of the fair value, lower of collateral amount or fair value up to the credit exposure amount has been taken into account.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the maturities of non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual amounts of the financial assets and liabilities based on their maturities. Interest amounts to be collected and to be disbursed regarding the Group’s assets and liabilities have also been included in the table below.

31 December 2012

| <u>Contractual Maturities</u> | <u>Carrying Amount</u> | <u>Contractual Cash Flows (I+II+III+IV)</u> | <u>Less than 3 Months (I)</u> | <u>3-12 Months (II)</u> | <u>1-5 Years (III)</u> | <u>More than 5 Years (IV)</u> |
|--|------------------------|---|-------------------------------|-------------------------|------------------------|-------------------------------|
| Non-derivative Financial Assets: | | | | | | |
| Banks | 317.154 | 318.223 | 318.223 | - | - | - |
| Financial Assets Held For Trading | 1.631 | 1.631 | 15 | 1.616 | - | - |
| Finance Lease Receivables (*) | 1.371.905 | 1.581.022 | 173.381 | 365.649 | 943.485 | 98.507 |
| Factoring Receivables | 1.014.944 | 1.020.284 | 858.075 | 161.676 | 533 | - |
| Insurance Receivables | 2.198 | 2.198 | 2.198 | - | - | - |
| Other Receivables | 740 | 740 | 605 | 135 | - | - |
| Total Assets | <u>2.708.572</u> | <u>2.924.098</u> | <u>1.352.497</u> | <u>529.076</u> | <u>944.018</u> | <u>98.507</u> |
| Non-derivative Financial Liabilities: | | | | | | |
| Funds Borrowed | 2.062.376 | 2.113.713 | 1.190.745 | 565.734 | 355.695 | 1.539 |
| Debt Securities Issued | 151.005 | 166.620 | 3.170 | 9.544 | 153.906 | - |
| Miscellaneous Payables and Other Liabilities | 23.245 | 23.245 | 20.430 | 258 | 2.557 | - |
| Total Liabilities | <u>2.236.626</u> | <u>2.303.578</u> | <u>1.214.345</u> | <u>575.536</u> | <u>512.158</u> | <u>1.539</u> |

(*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not scheduled yet.

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39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Liquidity risk management (Continued)

31 December 2011

| <u>Contractual Maturities</u> | <u>Carrying Amount</u> | <u>Contractual Cash Flows (I+II+III+IV)</u> | <u>Less than 3 Months (I)</u> | <u>3-12 Months (II)</u> | <u>1-5 Years (III)</u> | <u>More than 5 Years (IV)</u> |
|-----------------------------------|------------------------|---|-------------------------------|-------------------------|------------------------|-------------------------------|
| Non-derivative Financial Assets: | | | | | | |
| Banks | 309.561 | 310.026 | 310.026 | - | - | - |
| Financial Assets Held For Trading | 11.385 | 11.385 | 2.140 | 6.912 | 2.122 | 211 |
| Finance Lease Receivables (*) | 1.345.715 | 1.549.820 | 142.790 | 331.501 | 943.555 | 131.974 |
| Factoring Receivables | 404.653 | 408.459 | 360.006 | 48.453 | - | - |
| Insurance Receivables | 2.933 | 2.933 | 2.933 | - | - | - |
| Other Receivables | 3.317 | 3.317 | 637 | 1.911 | 769 | - |
| Total Assets | 2.077.564 | 2.285.940 | 818.532 | 388.777 | 946.446 | 132.185 |

Non-derivative Financial Liabilities:

| | | | | | | |
|--|------------------|------------------|----------------|----------------|----------------|--------------|
| Funds Borrowed | 1.579.435 | 1.638.427 | 647.032 | 654.742 | 333.440 | 3.213 |
| Debt Securities Issued | 93.241 | 100.000 | - | 100.000 | - | - |
| Miscellaneous Payables and Other Liabilities | 22.940 | 22.940 | 20.242 | 367 | 2.331 | - |
| Total Liabilities | 1.695.616 | 1.761.367 | 667.274 | 755.109 | 335.771 | 3.213 |

(*) Advances given for lease receivables and leasing contracts in progress are not included in finance lease receivables, because payment plan for these transactions have not scheduled yet.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2012 and 31 December 2011.

| <u>31 December 2012 Contractual Maturities</u> | <u>Carrying Amount</u> | <u>Contractual Cash Flows (I+II+III+IV)</u> | <u>Less than 3 Months (I)</u> | <u>3-12 Months (II)</u> | <u>1-5 Years (III)</u> | <u>More than 5 Years (IV)</u> |
|--|------------------------|---|-------------------------------|-------------------------|------------------------|-------------------------------|
| Cash inflows from derivatives | 4.721 | 311.121 | 80.173 | 67.523 | 161.933 | 1.492 |
| Cash outflows from derivatives | - | (306.400) | (75.167) | (64.008) | (165.740) | (1.485) |

| <u>31 December 2011 Contractual Maturities</u> | <u>Carrying Amount</u> | <u>Contractual Cash Flows (I+II+III+IV)</u> | <u>Less than 3 Months (I)</u> | <u>3-12 Months (II)</u> | <u>1-5 Years (III)</u> | <u>More than 5 Years (IV)</u> |
|--|------------------------|---|-------------------------------|-------------------------|------------------------|-------------------------------|
| Cash inflows from derivatives | - | 271.605 | 113.846 | 157.759 | - | - |
| Cash outflows from derivatives | (8.816) | (280.421) | (125.223) | (155.198) | - | - |

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments

Except for the items below, the Group management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

| 31 December 2012 | Financial assets Held for trading | Financial assets at amortized cost | Loans and receivables | Available for sale financial assets | Financial liabilities at amortized cost | Carrying amount | Fair value | Note |
|--|--------------------------------------|---------------------------------------|--------------------------|--|--|--------------------|------------|------|
| Financial Assets | | | | | | | | |
| Banks | - | 317.154 | - | - | - | 317.154 | 317.154 | 5 |
| Financial assets at fair value through profit or loss | | | | | | | | |
| - Financial assets held for trading | 1.631 | - | - | - | - | 1.631 | 1.631 | 4 |
| - Derivative financial assets held for trading | 7.092 | - | - | - | - | 7.092 | 7.092 | 4 |
| Finance lease receivables and non- performing lease receivables | - | - | 1.390.638 | - | - | 1.390.638 | 1.449.984 | 8 |
| Factoring receivables and non-performing factoring receivables | - | - | 1.014.944 | - | - | 1.014.944 | 1.014.944 | 7 |
| Insurance receivables | - | - | 2.198 | - | - | 2.198 | 2.198 | 15 |
| Other Receivables | - | - | 740 | - | - | 740 | 740 | 15 |
| Available for sale financial assets | - | - | - | 25.595 | - | 25.595 | 25.595 | 6 |
| Financial liabilities | | | | | | | | |
| Derivative financial assets held for trading | 7.089 | - | - | - | - | 7.089 | 7.089 | 4 |
| Miscellaneous payables and other liabilities | - | - | - | - | 23.245 | 23.245 | 23.245 | 17 |
| Funds borrowed | - | - | - | - | 2.062.376 | 2.062.376 | 2.067.408 | 16 |
| Debt securities issued | - | - | - | - | 151.005 | 151.005 | 151.005 | 19 |

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value of financial instruments (Continued)

| 31 December 2011 | Financial assets Held for trading | Financial assets at amortized cost | Loans and receivables | Available for sale financial assets | Financial liabilities at amortized cost | Carrying amount | Fair value | Note |
|--|--------------------------------------|---------------------------------------|--------------------------|--|--|--------------------|------------|------|
| <u>Financial Assets</u> | | | | | | | | |
| Banks | - | 309.561 | - | - | - | 309.561 | 309.561 | 5 |
| Financial assets at fair value through profit or loss | | | | | | | | |
| - Financial assets held for trading | 11.385 | - | - | - | - | 11.385 | 11.385 | 4 |
| - Derivative financial assets held for trading | 608 | - | - | - | - | 608 | 608 | 4 |
| Finance lease receivables and non- performing lease receivables | - | - | 1.398.476 | - | - | 1.398.476 | 1.352.960 | 8 |
| Factoring receivables and non-performing factoring receivables | - | - | 404.653 | - | - | 404.653 | 404.653 | 7 |
| Insurance receivables | - | - | 2.933 | - | - | 2.933 | 2.933 | 15 |
| Other Receivables | - | - | 3.317 | - | - | 3.317 | 3.317 | 15 |
| Available for sale financial assets | - | - | - | 20.231 | - | 20.231 | 20.231 | 6 |
| <u>Financial liabilities</u> | | | | | | | | |
| Derivative financial assets held for trading | 18.693 | - | - | - | - | 18.693 | 18.693 | 4 |
| Miscellaneous payables and other liabilities | - | - | - | - | 22.940 | 22.940 | 22.940 | 17 |
| Funds borrowed | - | - | - | - | 1.579.435 | 1.579.435 | 1.541.710 | 16 |
| Debt securities issued | - | - | - | - | 93.241 | 93.241 | 93.241 | 19 |

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

39. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(1) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

| 31 December 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| Financial assets designated at fair value through profit or loss | 1.616 | 15 | - | 1.631 |
| Derivative financial assets held for trading | - | 7.092 | - | 7.092 |
| Available-for-sale financial assets (*) | 24.276 | - | 277 | 24.553 |
| Total financial assets carried at fair value | 25.892 | 7.107 | 277 | 33.276 |
| Derivative financial liabilities held for trading | - | 7.089 | - | 7.089 |
| Total financial liabilities carried at fair value | - | 7.089 | - | 7.089 |

(*) As at 31 December 2012, securities that are not publicly traded amounting to TRY 1.042 have been measured at cost.

| 31 December 2011 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| Financial assets designated at fair value through profit or loss | 10.276 | 1.109 | - | 11.385 |
| Derivative financial assets held for trading | - | 608 | - | 608 |
| Available-for-sale financial assets (*) | 18.966 | - | 227 | 19.193 |
| Total financial assets carried at fair value | 29.242 | 1.717 | 227 | 31.186 |
| Derivative financial liabilities held for trading | - | 18.693 | - | 18.693 |
| Total financial liabilities carried at fair value | - | 18.693 | - | 18.693 |

(*) As at 31 December 2011, securities that are not publicly traded amounting to TRY 1.038 have been measured at cost.