



*(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 Interim Financial Statements  
As at and for the Six-Month Interim Period Ended  
30 June 2012

**With Independent Auditors’  
Review Report Thereon**

Akis Bağımsız Denetim ve Serbest Muhasebeci  
Mali Müşavirlik Anonim Şirketi

7 August 2012

This report includes 1 page of “Independent Auditors’  
Review Report” and 74 pages of interim financial  
information together with their explanatory notes.

**(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**

CONTENTS	PAGE
Independent Auditors' Review Report	
Consolidated Balance Sheet (Statement of Financial Position).....	1 - 2
Consolidated Statement of Off-Balance Sheet Items.....	3
Consolidated Statement of Income.....	4
Consolidated Statement of Gains and Losses Recognized in Equity.....	5
Consolidated Statement of Changes in Equity.....	6
Consolidated Statement of Cash Flows.....	7
Notes to the Consolidated Financial Statements.....	8 - 74
Note 1 Organization and Operations of the Company .....	8
Note 2 Basis of Presentation.....	8 - 13
Note 3 Significant Accounting Policies .....	13 - 24
Note 4 Financial Assets at Fair Value Through Profit or Loss .....	24 - 25
Note 5 Banks.....	25
Note 6 Financial Assets Available For Sale.....	26
Note 7 Factoring Receivables.....	27 - 28
Note 8 Lease Receivables.....	29 - 32
Note 9 Related Parties.....	33 - 37
Note 10 Tangible Assets.....	37 - 38
Note 11 Intangible Assets.....	38
Note 12 Goodwill.....	38
Note 13 Deferred Tax Assets and Liabilities .....	39 - 40
Note 14 Assets Held For Sale and Discontinued Operations .....	40
Note 15 Other Assets.....	41
Note 16 Funds Borrowed.....	41 - 43
Note 17 Miscellaneous Payables and Other Liabilities .....	43
Note 18 Finance Lease Obligations.....	44
Note 19 Debt Securities Issued .....	44
Note 20 Taxes and Duties Payable .....	45
Note 21 Provisions .....	45
Note 22 Employee Benefits .....	46 - 47
Note 23 Non-Controlling Interests .....	48
Note 24 Paid-in Capital and Capital Reserves .....	48 - 49
Note 25 Profit Reserves.....	49
Note 26 Prior Years' Profit / Loss.....	49
Note 27 Commitments and Contingencies .....	49 - 50
Note 28 Segment Reporting .....	51 - 52
Note 29 Events After Reporting Date .....	52
Note 30 Operating Income .....	52
Note 31 Operating Expenses .....	53
Note 32 Other Operating Income .....	53
Note 33 Finance Expenses.....	53
Note 34 Provisions for Non-Performing Receivables .....	54
Note 35 Other Operating Expenses .....	54
Note 36 Taxation .....	54 - 57
Note 37 Earnings Per Share .....	57 - 58
Note 38 Other Issues That Significantly Affect the Financial Statements or Other Issues Required for Understanding of the Financial Statements.....	58
Note 39 Additional Information About Financial Instruments.....	58 - 74



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
Internet www.kpmg.com.tr

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

**INDEPENDENT AUDITORS' REVIEW REPORT**

To the Board of Directors of İş Finansal Kiralama Anonim Şirketi

We have reviewed the consolidated interim balance sheet of İş Finansal Kiralama Anonim Şirketi and its subsidiary (together "the Group") as at 30 June 2012 and the related consolidated interim statements of income, cash flows, and changes in equity ("consolidated interim financial statements") for the six-month period then ended. These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility, as independent auditors, is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with the accounting rules, policies and auditing standards set out by the Banking Law numbered 5411. These regulations require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is principally limited to reviewing the financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information, and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly the consolidated financial position of İş Finansal Kiralama Anonim Şirketi and its subsidiary as at 30 June 2012, and of the consolidated results of its operations and its consolidated cash flows for the six-month period then ended in accordance with the communiqués, disclosures and directives promulgated by the Banking Regulation and Supervision Agency on accounting and financial reporting principles (see Note 2).

Istanbul, 7 August 2012

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova, Certified Public Accountant  
Partner

*Additional paragraph for convenience translation to English*

As explained in Section Note 2.1, the accompanying consolidated interim financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**(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 INTERIM BALANCE SHEET AS AT 30 JUNE 2012  
(STATEMENT OF FINANCIAL POSITION)**

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

<b>BALANCE SHEET - ASSETS</b>		<b>Notes</b>	<b>Reviewed Current Period 30 June 2012</b>			<b>Audited Prior Period 31 December 2011</b>		
			<b>TRY</b>	<b>FC</b>	<b>TOTAL</b>	<b>TRY</b>	<b>FC</b>	<b>TOTAL</b>
<b>I.</b>	<b>CASH</b>		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>4</b>	<b>8.025</b>	<b>14.730</b>	<b>22.755</b>	<b>11.385</b>	<b>608</b>	<b>11.993</b>
2.1	Financial Assets Held for Trading		8.025	-	8.025	11.385	-	11.385
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		-	14.730	14.730	-	608	608
<b>III.</b>	<b>BANKS</b>	<b>5</b>	<b>6.736</b>	<b>105.866</b>	<b>112.602</b>	<b>5.526</b>	<b>304.035</b>	<b>309.561</b>
<b>IV.</b>	<b>RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>6</b>	<b>24.299</b>	-	<b>24.299</b>	<b>20.231</b>	-	<b>20.231</b>
<b>VI.</b>	<b>FACTORING RECEIVABLES</b>	<b>7</b>	<b>642.556</b>	<b>24.727</b>	<b>667.283</b>	<b>401.882</b>	<b>2.771</b>	<b>404.653</b>
6.1	Discounted Factoring Receivables		183.581	-	183.581	189.166	-	189.166
6.1.1	Domestic		187.461	-	187.461	193.296	-	193.296
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(3.880)	-	(3.880)	(4.130)	-	(4.130)
6.2	Other Factoring Receivables		458.975	24.727	483.702	212.716	2.771	215.487
6.2.1	Domestic		458.975	-	458.975	212.716	-	212.716
6.2.2	Foreign		-	24.727	24.727	-	2.771	2.771
<b>VII.</b>	<b>FINANCING LOANS</b>		-	-	-	-	-	-
7.1	Retail Loans		-	-	-	-	-	-
7.2	Credit Loans		-	-	-	-	-	-
7.3	Instalment Commercial Loans		-	-	-	-	-	-
<b>VIII.</b>	<b>LEASE RECEIVABLES</b>	<b>8</b>	<b>258.479</b>	<b>1.071.107</b>	<b>1.329.586</b>	<b>201.013</b>	<b>1.144.662</b>	<b>1.345.675</b>
8.1	Lease Receivables		236.118	1.029.725	1.265.843	197.533	1.095.381	1.292.914
8.1.1	Finance Lease Receivables		291.062	1.187.371	1.478.433	244.399	1.272.611	1.517.010
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Other		-	-	-	-	-	-
8.1.4	Unearned Income (-)		(54.944)	(157.646)	(212.590)	(46.866)	(177.230)	(224.096)
8.2	Leasing Contracts in Progress		16.818	19.282	36.100	1.650	14.110	15.760
8.3	Advances Given for Lease Transactions		5.543	22.100	27.643	1.830	35.171	37.001
<b>IX.</b>	<b>NON-PERFORMING RECEIVABLES</b>	<b>7, 8</b>	<b>41.370</b>	<b>6.166</b>	<b>47.536</b>	<b>24.347</b>	<b>28.454</b>	<b>52.801</b>
9.1	Non-Performing Factoring Receivables		7.826	-	7.826	2.603	-	2.603
9.2	Non-Performing Financing Loans		-	-	-	-	-	-
9.3	Non-Performing Lease Receivables		83.353	24.131	107.484	57.462	52.866	110.328
9.4	Specific Provisions (-)		(49.809)	(17.965)	(67.774)	(35.718)	(24.412)	(60.130)
<b>X.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
10.1	Fair Value Hedges		-	-	-	-	-	-
10.2	Cash Flow Hedges		-	-	-	-	-	-
10.3	Net Foreign Investment Hedges		-	-	-	-	-	-
<b>XI.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-	-	-	-
<b>XII.</b>	<b>INVESTMENT IN SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIII.</b>	<b>INVESTMENT IN ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>INVESTMENT IN JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XV.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>10</b>	<b>976</b>	-	<b>976</b>	<b>1.104</b>	-	<b>1.104</b>
<b>XVI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>905</b>	-	<b>905</b>	<b>958</b>	-	<b>958</b>
16.1	Goodwill	<b>12</b>	166	-	166	166	-	166
16.2	Other Intangibles	<b>11</b>	739	-	739	792	-	792
<b>XVII.</b>	<b>DEFERRED TAX ASSETS</b>	<b>13</b>	<b>54.245</b>	-	<b>54.245</b>	<b>72.516</b>	-	<b>72.516</b>
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>14</b>	<b>278</b>	-	<b>278</b>	<b>453</b>	-	<b>453</b>
18.1	Assets Held For Sale		278	-	278	453	-	453
18.2	Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>15</b>	<b>10.962</b>	<b>5.905</b>	<b>16.867</b>	<b>14.580</b>	<b>7.528</b>	<b>22.108</b>
<b>TOTAL ASSETS</b>			<b>1.048.831</b>	<b>1.228.501</b>	<b>2.277.332</b>	<b>753.995</b>	<b>1.488.058</b>	<b>2.242.053</b>

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**

<b>BALANCE SHEET - LIABILITIES</b>		<b>Notes</b>	<b>Reviewed Current Period 30 June 2012</b>			<b>Audited Prior Period 31 December 2011</b>		
			<b>TRY</b>	<b>FC</b>	<b>TOTAL</b>	<b>TRY</b>	<b>FC</b>	<b>TOTAL</b>
<b>I.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>4</b>	<b>1</b>	<b>3.861</b>	<b>3.862</b>	<b>-</b>	<b>18.693</b>	<b>18.693</b>
<b>II.</b>	<b>FUNDS BORROWED</b>	<b>16</b>	<b>721.816</b>	<b>716.937</b>	<b>1.438.753</b>	<b>391.192</b>	<b>1.188.243</b>	<b>1.579.435</b>
<b>III.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IV.</b>	<b>LEASE OBLIGATIONS</b>	<b>18</b>	-	-	-	-	-	-
4.1	Finance Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>V.</b>	<b>DEBT SECURITIES ISSUED (Net)</b>	<b>19</b>	<b>248.832</b>	-	<b>248.832</b>	<b>93.241</b>	-	<b>93.241</b>
5.1	Bills		97.711	-	97.711	93.241	-	93.241
5.2	Asset-Backed Securities		-	-	-	-	-	-
5.3	Bonds		151.121	-	151.121	-	-	-
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>	<b>17</b>	<b>6.782</b>	<b>13.876</b>	<b>20.658</b>	<b>3.171</b>	<b>11.974</b>	<b>15.145</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>17</b>	<b>3.856</b>	<b>10.220</b>	<b>14.076</b>	<b>2.761</b>	<b>5.034</b>	<b>7.795</b>
<b>VIII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
<b>IX.</b>	<b>TAXES AND DUTIES PAYABLE</b>	<b>20</b>	<b>3.726</b>	-	<b>3.726</b>	<b>3.352</b>	-	<b>3.352</b>
<b>X.</b>	<b>PROVISIONS</b>		<b>3.352</b>	<b>790</b>	<b>4.142</b>	<b>3.480</b>	<b>894</b>	<b>4.374</b>
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves For Employee Benefits	<b>22</b>	2.301	-	2.301	2.742	-	2.742
10.3	Other Provisions	<b>21</b>	1.051	790	1.841	738	894	1.632
<b>XI.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XII.</b>	<b>PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
12.1	Held For Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>543.283</b>	-	<b>543.283</b>	<b>520.018</b>	-	<b>520.018</b>
14.1	Paid-in Capital	<b>24</b>	389.000	-	389.000	339.000	-	339.000
14.2	Capital Reserves	<b>24</b>	9.000	-	9.000	6.577	-	6.577
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Securities Value Increase Fund		7.062	-	7.062	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	<b>25</b>	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		20.554	-	20.554	52.039	-	52.039
14.4.1	Prior Periods Profit/Loss	<b>26</b>	-	-	-	(434)	-	(434)
14.4.2	Current Period Profit/Loss		20.554	-	20.554	52.473	-	52.473
14.5	Non-Controlling Interests	<b>23</b>	11.822	-	11.822	11.534	-	11.534
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>1.531.648</b>	<b>745.684</b>	<b>2.277.332</b>	<b>1.017.215</b>	<b>1.224.838</b>	<b>2.242.053</b>

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 INTERIM STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2012**

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

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Reviewed Current Period 30 June 2012			Audited Prior Period 31 December 2011		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		29.646	12.629	42.275	39.672	4.168	43.840
<b>II.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		25.252	3.151	28.403	25.017	95	25.112
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	39	427.913	155.683	583.596	400.520	202.229	602.749
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	27	2.425	-	2.425	734	-	734
<b>V.</b>	<b>COMMITMENTS</b>		20.002	87.223	107.225	10.752	157.537	168.289
5.1	Irrevocable Commitments		1.000	29.544	30.544	1.000	43.685	44.685
5.2	Revocable Commitments		19.002	57.679	76.681	9.752	113.852	123.604
5.2.1	Lease Commitments		19.002	57.679	76.681	9.752	113.852	123.604
5.2.1.1	Finance Lease Commitments		19.002	57.679	76.681	9.752	113.852	123.604
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		445.503	549.567	995.070	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	445.503	549.567	995.070	271.605	280.421	552.026
6.2.1	Forward Foreign Currency Purchases/Sales		1.122	756	1.878	2.443	2.444	4.887
6.2.2	Swap Purchases/Sales	27	444.381	548.811	993.192	269.162	277.977	547.139
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
<b>VII.</b>	<b>ITEMS HELD IN CUSTODY</b>		107.035	10.011	117.046	109.903	21.922	131.825
	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>1.057.776</b>	<b>818.264</b>	<b>1.876.040</b>	<b>858.203</b>	<b>666.372</b>	<b>1.524.575</b>

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 INTERIM STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2012**

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

	INCOME STATEMENT	Notes	Reviewed Current Period 01.01-30.06.2012	Not Reviewed Current Period 01.04 - 30.06.2012	Reviewed Prior Period 01.01- 30.06.2011	Not Reviewed Prior Period 01.04 - 30.06.2011
<b>I.</b>	<b>OPERATING INCOME</b>	<b>30</b>	<b>73.312</b>	<b>37.821</b>	<b>60.495</b>	<b>32.820</b>
	<b>FACTORING INCOME</b>		<b>23.443</b>	<b>12.379</b>	<b>13.129</b>	<b>7.234</b>
1.1	Factoring Interest Income		22.190	11.713	12.080	6.592
1.1.1	Discount		9.767	4.904	4.325	2.372
1.1.2	Other		12.423	6.809	7.755	4.220
1.2	Factoring Commission Income		1.253	666	1.049	642
1.2.1	Discount		466	290	518	321
1.2.2	Other		787	376	531	321
	<b>INCOME FROM FINANCIAL LOANS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.1	Interest Income From Financial Loans		-	-	-	-
1.2	Commission Income From Financial Loans		-	-	-	-
	<b>LEASE INCOME</b>		<b>49.869</b>	<b>25.442</b>	<b>47.366</b>	<b>25.586</b>
1.1	Finance Lease Income		49.869	25.442	47.366	25.586
1.2	Operational Lease Income		-	-	-	-
1.3	Fees and Commission Income on Lease Operations		-	-	-	-
<b>II.</b>	<b>OPERATING EXPENSE (-)</b>	<b>31</b>	<b>(12.222)</b>	<b>(6.220)</b>	<b>(10.303)</b>	<b>(5.460)</b>
2.1	Personal Expenses		(7.576)	(3.700)	(7.019)	(3.708)
2.2	Retirement Pay Provision Expense	21	(227)	(161)	(132)	(76)
2.3	Research and Development Expense		-	-	-	-
2.4	General Administration Expense		(4.419)	(2.359)	(3.152)	(1.676)
2.5	Other		-	-	-	-
<b>III.</b>	<b>OTHER OPERATING INCOME</b>	<b>32</b>	<b>42.942</b>	<b>19.464</b>	<b>41.955</b>	<b>27.326</b>
3.1	Interest Income on Bank Deposits		5.200	2.006	15.744	5.780
3.2	Interest Income on Reverse Repurchase Agreements		-	-	-	-
3.3	Interest Income on Marketable Securities		778	276	561	352
3.3.1	Interest Income on Financial Assets Held for Trading		778	276	561	352
3.3.2	Interest Income on Financial Assets at Fair Value Through Profit and 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		2.222	2.178	3.935	3.914
3.5	Interest Received from Money Market Placements		30.007	12.635	967	(833)
3.5.1	Derivatives		30.007	12.635	967	(833)
3.5.2	Other		-	-	-	-
3.6	Foreign Exchange Gains		-	-	15.882	15.126
3.7	Others		4.735	2.369	4.866	2.987
<b>IV.</b>	<b>FINANCIAL EXPENSES (-)</b>	<b>33</b>	<b>(48.441)</b>	<b>(25.000)</b>	<b>(37.015)</b>	<b>(18.875)</b>
4.1	Interest Expense on Funds Borrowed		(39.017)	(19.180)	(36.701)	(18.707)
4.2	Interest Expense on Factoring Payables		-	-	-	-
4.3	Interest Expense of Finance Leases		-	-	-	-
4.4	Interest Expense on Securities Issued		(8.172)	(5.120)	-	-
4.5	Other Interest Expenses		-	-	-	-
4.6	Fees and Commissions Expenses		(1.252)	(700)	(314)	(168)
<b>V.</b>	<b>SPECIFIC PROVISION FOR NON-PERFORMING RECEIVABLES (-)</b>	<b>34</b>	<b>(8.626)</b>	<b>(3.000)</b>	<b>(5.869)</b>	<b>(2.951)</b>
<b>VI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>35</b>	<b>(18.569)</b>	<b>(2.352)</b>	<b>(11.122)</b>	<b>(8.996)</b>
6.1	Impairment in Value of Marketable Securities		(51)	(3)	(62)	(62)
6.1.1	Impairment in Value of Financial Assets at Fair Value Through Profit and Loss		(51)	(3)	(62)	(62)
6.1.2	Impairment in Value of Financial Assets Available For Sale		-	-	-	-
6.1.3	Impairment in Value of Financial Assets Held to Maturity		-	-	-	-
6.2	Impairment in Value of Non-Current Assets		-	-	-	-
6.2.1	Impairment in Value of Tangible Assets		-	-	-	-
6.2.2	Impairment in Value of Assets Held for Sale and Discontinued Operations		-	-	-	-
6.2.3	Impairment in Value of Goodwill		-	-	-	-
6.2.4	Impairment in Value of Other Intangible Assets		-	-	-	-
6.2.5	Impairment in Value of Subsidiaries, Associates and Joint Ventures		-	-	-	-
6.3	Losses from Derivative Financial Operations		(7.007)	(7.005)	(10.005)	(8.486)
6.4	Foreign Exchange Losses		(7.352)	5.151	-	-
6.5	Other		(4.159)	(495)	(1.055)	(448)
<b>VII.</b>	<b>NET OPERATING INCOME</b>		<b>28.396</b>	<b>20.713</b>	<b>38.141</b>	<b>23.864</b>
<b>VIII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>POFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX</b>		<b>28.396</b>	<b>20.713</b>	<b>38.141</b>	<b>23.864</b>
<b>XI.</b>	<b>PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)</b>	<b>36</b>	<b>(7.863)</b>	<b>(3.524)</b>	<b>(2.610)</b>	<b>(3.961)</b>
11.1	Current Tax Charge		10.408	11.386	(6.230)	(3.788)
11.2	Deferred Tax Charge (-)		(18.271)	(14.910)	-	(173)
11.3	Deferred Tax Credit (+)		-	-	3.620	-
<b>XII.</b>	<b>NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS</b>		<b>20.533</b>	<b>17.189</b>	<b>35.531</b>	<b>19.903</b>
<b>XIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XIV.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Expense from Assets Held for Sale		-	-	-	-
14.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-
14.3	Other Expense from Discontinued Operations		-	-	-	-
<b>XV.</b>	<b>POFIT/LOSS BEFORE TAX ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
16.1	Current Tax Charge		-	-	-	-
16.2	Deferred Tax Charge (-)		-	-	-	-
16.3	Deferred Tax Credit (+)		-	-	-	-
<b>XVII.</b>	<b>NET PROFIT/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVIII.</b>	<b>NON-CONTROLLING INTERESTS</b>	<b>23</b>	<b>21</b>	<b>(979)</b>	<b>(872)</b>	<b>(665)</b>
<b>XIX.</b>	<b>NET PROFIT/LOSS FOR THE PERIOD</b>		<b>20.554</b>	<b>16.210</b>	<b>34.659</b>	<b>19.238</b>
	Earnings Per Share	37	0,05	0,04	0,09	0,05

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 INTERIM STATEMENT OF GAINS AND LOSSES RECOGNIZED IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2012**

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

<b>PROFIT/LOSS ITEMS RECOGNISED DIRECTLY IN EQUITY</b>	<b>Reviewed Current Period 30 June 2012</b>	<b>Reviewed Current Period 30 June 2011</b>
<b>I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>2.423</b>	<b>(6.304)</b>
1.1 Change in the Fair Value of the Financial Assets Available For Sale, Net	2.423	(6.304)
1.2 Change in the Fair Value of the Financial Assets Available For Sale, Net (Transfer to Profit/Loss)	-	-
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV. FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS FOR CASH FLOW HEDGES</b>	-	-
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	-	-
<b>VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES</b>	-	-
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	-	-
<b>VII. EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN THE ACCOUNTING POLICIES</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER EQUITY IN ACCORDANCE WITH TAS</b>	-	-
<b>IX. DEFERRED TAXES ON REVALUATION DIFFERENCES</b>	-	-
<b>X. NET PROFIT/LOSS RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>2.423</b>	<b>(6.304)</b>
<b>XI. PROFIT/LOSS FOR THE PERIOD</b>	<b>20.554</b>	<b>34.659</b>
<b>XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD</b>	<b>22.977</b>	<b>28.355</b>

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 30 JUNE 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
<b>CHANGES IN EQUITY</b>																			
<b>Prior Period (01.01 – 30.06.2011) (Reviewed)</b>																			
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											(6.304)					(6.304)	(767)	(7.071)
VII.	24																		
VIII.																			
IX.																			
X.																			
XI.																			
XII.	24	44.000						(24.000)	(20.000)										
XIII.																			
XIV.																			
XV.																			
XVI.																			
XVII.										34.659							34.659	872	35.531
XVIII.						3.185		40.517	20.000	(63.702)									
18.1						3.185		40.517	20.000	(63.702)									
18.2																			
18.3																			
		339.000	-	-	-	16.627	-	94.241	-	34.659	(434)	7.424	-	1.938	-	-	493.455	10.966	504.421
<b>Current Period (01.01. – 30.06.2012) (Reviewed)</b>																			
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											2.423					2.423	309	2.732
V.	24																		
VI.																			
VII.																			
VIII.																			
IX.																			
X.	24	50.000						(34.935)	(15.065)										
XI.																			
XII.																			
XIII.																			
XIV.																			
XV.										20.554							20.554	(21)	20.533
XVI.																			
16.1						2.624		34.350	15.065	(52.473)	434								
16.2						2.624		34.350	15.065	(52.473)	434								
16.3																			
		389.000	-	-	-	19.251	-	93.656	-	20.554	-	7.062	-	1.938	-	-	531.461	11.822	543.283

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 INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2012**

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

		Reviewed Current Period	Reviewed Prior Period
	Notes	30 June 2012	30 June 2011
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>15.618</b>	<b>70.632</b>
1.1.1 Interests Received/Lease Income		81.499	75.702
1.1.2 Lease Expenses		-	-
1.1.3 Dividends Received		886	1.012
1.1.4 Fees and Commissions Received		1.253	1.049
1.1.5 Other Income		5.491	8.103
1.1.6 Collections from Non-performing Receivables	32	1.076	1.448
1.1.7 Payments to Personnel and Service Suppliers		(7.244)	(6.410)
1.1.8 Taxes Paid		(3.448)	(5.041)
1.1.9 Others		(63.895)	(5.231)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(362.504)</b>	<b>(366.636)</b>
1.2.1 Net (Increase) Decrease in Factoring Receivables		(268.155)	(120.388)
1.2.2 Net (Increase) Decrease in Financing Loans		-	-
1.2.3 Net (Increase) Decrease in Lease Receivables		74.759	(428.703)
1.2.4 Net (Increase) Decrease in Other Assets		23.607	(17.523)
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		(202.588)	191.433
1.2.8 Net Increase (Decrease) in Due Payables		-	-
1.2.9 Net Increase (Decrease) in Other Liabilities		9.873	8.545
<b>I. Net Cash Provided from / (Used in) Operating Activities</b>		<b>(346.886)</b>	<b>(296.004)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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		(97)	(1.054)
2.4 Proceeds From Sale of Tangible and Intangible Assets	10, 11	10	5
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		-	-
<b>II. Net cash used in investing activities</b>		<b>(97)</b>	<b>(2.049)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash obtained from funds borrowed and securities issued		150.000	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>III. Net Cash Used in Financing Activities</b>		<b>150.000</b>	<b>-</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>383</b>	<b>(1.741)</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(196.600)</b>	<b>(299.794)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>5</b>	<b>309.118</b>	<b>686.906</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	<b>5</b>	<b>112.518</b>	<b>387.112</b>

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

## **İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 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 the Finance Lease Act No: 3226. 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:2 Kat:10 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 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 30 June 2012, the Company and its subsidiary (“the Group”) employ 139 employees (31 December 2011: 143 employees).

#### Dividend Payable

As at 30 June 2012, the Company does not have any dividend payable.

#### Approval of the Financial Statements

The consolidated financial statements as at 30 June 2012 have been approved by the Board of Directors of the Company and authorized for issue as at 7 August 2012 General Assembly and / or legal authorities has 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 Banking Regulation and Supervision Agency (“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”).

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.

*(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 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)**

The consolidated financial statements have been prepared on the historical cost basis except for the remeasurement of financial instruments. Historical cost is generally determined as fair value of the consideration 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 30 June 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.

Corresponding figures of Foreign Exchange Gains and Foreign Exchange Losses which have been presented gross in prior periods, have been offset in the income statement of the current year.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 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)**

Accounting estimates

The preparation of consolidated financial statements requires management to make judgments, 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 about financial instruments

Basis of Consolidation

The details of the Group’s subsidiary as at 30 June 2012 and 31 December 2011 are as follows:

<u>Subsidiary</u>	<u>Incorporation 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.

*(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 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)**

##### Basis of Consolidation (Continued)

As at 30 June 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.

##### (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 balance sheet 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 balance sheet 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

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

**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.

**2.4 Changes in Standards and Interpretations not yet effective as at 30 June 2012**

The Group applied all of the relevant and required standards promulgated by TASB as at 30 June 2012.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2012, and have not been applied in preparing these consolidated financial statements. These standards are as follows;

Amendments to TAS 1 – “*Presentation of Items of Other Comprehensive Income*” are effective for annual periods beginning on or after 1 July 2012. The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

TFRS 9 – *Financial instruments*, is published by International 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

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

**2.4 Changes in Standards and Interpretations not yet effective as at 30 June 2012 (Continued)**

TFRS 12 “*Disclosure of Interests in Other Entities*” is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but TFRS 10 Consolidated Financial Statements and TFRS 11 Joint Arrangements should be also adopted early. TFRS 12 includes all of the disclosures that were previously in TAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in TAS 31 Interests in Joint Ventures and TAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard it is expected that more comprehensive disclosures will be given for interests in other entities.

Revised TFRS 13 “*Fair Value Measurement*” replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other TFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity shall apply TFRS 13 for annual periods beginning on or after 1 January 2013.

The amended TAS 19 “*Employee Benefits*” is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

**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 balance sheet. 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.

Commission income and expenses recognized from any deferred transactions, are recognised with an accrual basis.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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>Description</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).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d. Impairment of Non-Financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are 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 in the period in which they are incurred.

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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Financial Instruments (Continued)**

**Financial assets (Continued)**

**Available for sale financial assets (Continued)**

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.

**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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

(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 (Continued)

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.

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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Financial Instruments (Continued)**

**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.

**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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
USD	1,8065	1,8889
AVRO	2,2742	2,4438
GBP	2,8216	2,9170
CHF	1,8889	2,0062
JPY	2,2678	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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Events After the Reporting Periods

Events after the reporting periods 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 Reporting Date”; post-reporting date events that provide additional information about the Group’s position at the reporting dates (adjusting events) are reflected in the consolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

l. Provisions, Contingent Liabilities and Contingent Assets:

In accordance with the 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

- The Group as Lessor

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

- The 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 balance sheet 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Segment Reporting

The Group has two different operating segments, leasing and factoring, that are 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.

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.

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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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>30 June 2012</u>	<u>31 December 2011</u>
Discount rate	3,82%	3,82%
Expected rate of salary/limit increase	5%	5%
Probability of retirement	100%	100%

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 3.033,98 effective from 1 July 2012 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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).

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

Financial assets held for trading:

As at 30 June 2012 and 31 December 2011, details of financial assets held for trading are as follows:

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Debt securities issued by private sector	2.406	-	4.827	-
Public debt securities	3.919	-	4.419	-
Equity securities	1.126	-	1.030	-
Mutual funds	360	-	1.062	-
Other securities held for trading	214	-	47	-
	<u>8.025</u>	<u>-</u>	<u>11.385</u>	<u>-</u>

30 June 2012	Nominal Value	Fair Value
	TRY	TRY
Debt securities issued by private sector	2.391	2.406
Public debt securities	3.900	3.919
	<u>6.291</u>	<u>6.325</u>

Maturities of debt securities issued by private sector are between 20 March 2013 – 9 February 2015 and maturities of public debt securities are between 20 February 2013 – 8 March 2017.

The Group has investments in Türkiye İş Bankası A.Ş. mutual funds amounting to TRY 360 (31 December 2011: TRY 1.062).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

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.

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Derivative Financial Assets Held For Trading	-	14.730	-	608
	-	14.730	-	608
	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Derivative Financial Liabilities Held For Trading	1	3.861	-	18.693
	1	3.861	-	18.693

**5. BANKS**

As at 30 June 2012 and 31 December 2011, the details of the banks are as follows:

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Demand Deposits	1.239	7.681	603	4.159
Time Deposits	5.438	98.160	4.891	299.465
Interest Accrual	59	25	32	411
	6.736	105.866	5.526	304.035

The details of the time deposits as at 30 June 2012 are as follows:

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 June 2012</u>
TRY	6,00-11,25	02.07.2012-03.07.2012	5.497
USD	3,60	02.07.2012	42.772
Euro	3,60	02.07.2012	55.413
			103.682

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**5. BANKS (Continued)**

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 30 June 2012, TRY 7.673 portion of total foreign currency deposits (31 December 2011: TRY5.626) and TRY 1.528 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 flows is as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Demand deposits	8.920	4.515
Time deposits (1-3 months) (without accrual)	103.598	382.597
Cash and cash equivalents	<u>112.518</u>	<u>387.112</u>

As at 30 June 2012 and 31 December 2011, there is not any blockage on cash and cash equivalents.

**6. FINANCIAL ASSETS AVAILABLE FOR SALE**

As at 30 June 2012 and 31 December 2011, details of financial assets available for sale are as follows:

<u>Name of the investment</u>	<u>Core business</u>	<u>Incorporation and location</u>	<u>Voting right (%)</u>	<u>Ownership Rate (%)</u>		<u>Carrying Amount</u>	
				<u>30</u>	<u>31</u>	<u>30</u>	<u>31</u>
				<u>June 2012</u>	<u>December 2011</u>	<u>June 2012</u>	<u>December 2011</u>
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş. (İş Yatırım)	Investment and Securities Services	İstanbul	4,86	4,86	4,86	21.984	18.088
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.046	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	227	227
Efes Varlık Yönetimi A.Ş.	Asset Management	İstanbul	10,00	10,00	10,00	1.000	1.000
<b>TOTAL</b>						<b>24.299</b>	<b>20.231</b>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**7. FACTORING RECEIVABLES**

As at 30 June 2012 and 31 December 2011, details of factoring receivables are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
<u>Short-term factoring receivables (*)</u>		
Domestic factoring receivables (net)	645.288	404.638
Export and import factoring receivables	24.646	2.766
Factoring interest income accrual	1.229	1.379
Unearned interest income	(3.880)	(4.130)
	<u>667.283</u>	<u>404.653</u>
Non-performing factoring receivables (**)	<u>7.826</u>	<u>2.603</u>
Provision for non-performing factoring receivables (**)	<u>(7.826)</u>	<u>(2.603)</u>
	<u>667.283</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 balance sheet.

Euro 5.381.553, USD 6.899.466 and TRY 224.571 of factoring receivables have variable rates (31 December 2011: Euro 1.134.088 and TRY 98.139) while TRY 418.009 of factoring receivables have fixed rates (31 December 2011: TRY 303.743).

As at 30 June 2012, the average interest rate applicable for the factoring receivables is; 13,91% for TRY, 7,35% for USD and 4,72% 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>30 June 2012</u>	<u>31 December 2011</u>
Domestic irrevocable	287.626	60.671
Foreign irrevocable	9.667	1.386
Domestic revocable	354.930	341.211
Foreign revocable	15.060	1.385
	<u>667.283</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 91 (31 December 2011: TRY 614). If such receivables had not been restructured, they would have been on classified as overdue or doubtful receivables. 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>30 June 2012</u>	<u>31 December 2011</u>
Letters of guarantee	<u>334</u>	<u>14.182</u>
	<u>334</u>	<u>14.182</u>

Besides the collaterals presented above, the Group also has commercial pledges amounting to TRY 1.946 (31.12.2011: TRY 128)

*(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**7. FACTORING RECEIVABLES (Continued)**

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Up to 90 days	5.535	186
Between 90 – 180 days	-	-
Between 180 – 360 days	-	-
Over 360 days	2.291	2.417
	<u>7.826</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- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Provision at the beginning of the period	(2.603)	(2.651)
Provision set during the period	(5.374)	-
Collections	151	111
Provision at the end of the period	<u>(7.826)</u>	<u>(2.540)</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**8. LEASE RECEIVABLES**

As at 30 June 2012 and 31 December 2011, details of finance lease receivables are as follows:

<u>30 June 2012</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	28.137	-	28.137
Uninvoiced finance lease receivables	474.345	975.951	1.450.296
Less: Unearned interest income	(94.270)	(118.320)	(212.590)
Leasing contracts in progress (**)	-	36.100	36.100
Advances given for lease transactions	-	27.643	27.643
Gross finance lease receivables	408.212	921.374	1.329.586
Non-performing finance lease receivables (*)	97.088	10.396	107.484
Specific provisions (*)	(54.150)	(5.798)	(59.948)
Net finance lease receivables	451.150	925.972	1.377.122

  

<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 balance sheet.

(\*\*) 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 30 June 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 30 June 2012, 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) (*)	312.561	443.656	326.455	197.145	107.416	138.736	1.525.969
Unearned interest	(50.389)	(78.469)	(42.265)	(22.182)	(11.540)	(7.745)	(212.590)
Finance lease receivables (net)	262.172	365.187	284.190	174.963	95.876	130.991	1.313.379

(\*) 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 47.536 are presented in 2012 column since their collection dates are not certain.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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 30 June 2012, the average compound interest rate applicable for the finance lease receivables is; 16,50% for TRY, 6,78% for USD, and 7,55% for Euro (31 December 2011: 16,04% for TRY, 6,62% for USD and 7,55% for Euro).

As at 30 June 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)(TRY)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest(TRY)</u>
USD	313.163.759	565.730	47.808.757	86.367
Euro	206.736.599	470.161	31.342.477	71.279
TRY	-	<u>277.488</u>	-	<u>54.944</u>
Total		<u>1.313.379</u>		<u>212.590</u>

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

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)(TRY)</u>	<u>Unearned interest in foreign currency</u>	<u>Unearned interest(TRY)</u>
USD	313.902.551	592.931	48.649.718	91.894
Euro	217.245.175	530.904	34.919.377	85.336
TRY	-	<u>221.880</u>		<u>46.866</u>
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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**8. LEASE RECEIVABLES (Continued)**

USD 50.862.774 and Euro 20.223.477 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 262.300.985, Euro 186.513.123 and TRY 277.488 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>30 June 2012</u>	<u>31 December 2011</u>
Mortgages	92.815	97.811
Equities	2.450	2.450
Cash blockages	1.541	1.066
Letters of guarantee	1.108	1.363
Guarantors	38	16
	<u>97.952</u>	<u>102.706</u>

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 11.042 and pledged machines amounting to TRY 523. (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 book provision for invoiced finance lease receivables overdue less than 150 days classified under the finance lease receivables amounting to TRY 12.623 (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>30 June 2012</u>	<u>31 December 2011</u>
Up to 30 days	7.184	5.832
Between 30 – 60 days	2.384	1.746
Between 60 – 90 days	1.581	1.341
Between 90 – 150 days	1.474	1.343
Total overdue	<u>12.623</u>	<u>10.262</u>
Not due amount	<u>143.783</u>	<u>160.540</u>
	<u>156.406</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>30 June 2012</u>	<u>31 December 2011</u>
Mortgages	22.223	17.042
Letters of guarantee	173	424
Cash blockages	47	88
Guarantors	38	7
	<u>22.481</u>	<u>17.561</u>

In addition to above guarantees, the Group also has pledged vehicles amounting to TRY 2.310 and pledged machines amounting to TRY 323 (31 December 2011: pledged vehicles amounting to TRY 1.814 and pledged machines amounting to TRY 506).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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 30 June 2012 and 31 December 2011, the aging of non-performing finance lease receivables is as follows:

	30 June 2012	31 December 2011
Between 150 – 240 days	1.443	3.322
Between 240 – 360 days	4.919	704
Over 360 days	44.967	45.660
Uninvoiced non-performing finance lease receivables	60.145	70.059
Unearned interest of non-performing finance lease receivables	(3.990)	(9.417)
	<u>107.484</u>	<u>110.328</u>

Collaterals obtained for non-performing finance lease receivables as at 30 June 2012 and 31 December 2011 are as follows:

<u>Collateral type:</u>	30 June 2012	31 December 2011
Mortgages	9.215	7.613
Cash blockages	-	106
	<u>9.215</u>	<u>7.719</u>

In addition to the above collaterals, leased equipments amounting to TRY 28.835 and pledged assets (vehicles) amounting to TRY 262 and checks amounting to TRY 114 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- 30 June 2012	1 January- 30 June 2011
Provision at the beginning of the period	(57.527)	(44.607)
Provision set during the period	(3.298)	(5.535)
Collections	877	1.337
Provision at the end of the period	<u>(59.948)</u>	<u>(48.805)</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**9. RELATED PARTIES**

As at 30 June 2012 and 31 December 2011, details of related party balances are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
<u>Finance lease receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	34.640	39.955
Avea İletişim Hizmetleri A.Ş.	2.865	3.265
Ortopro Tıbbi Aletler San.ve Tic.A.Ş.	919	1.162
Anadolu Cam Sanayii A.Ş.	736	-
Gemport Gemlik Liman İşletmeleri A.Ş.	62	1.106
Türkiye Sınai Kalkınma Bankası A.Ş.	13	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	138
TSKB Gayrimenkul Aracılık Hizmetleri A.Ş.	-	19
Türkiye İş Bankası A.Ş.	-	5
	<u>39.235</u>	<u>45.650</u>
<u>Factoring receivables</u>		
Ant Gıda Tarım Turizm Enerji ve Demir Çelik San.Tic. A.Ş.	4.053	3.353
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	2.030
Kültür Yayınları İş-Türk Ltd. Şti.	667	743
Nevotek Bilişim Ses Ve İletişim Sist.San. Ve Tic. A.Ş.	235	235
	<u>4.955</u>	<u>6.361</u>
<u>Payables to related parties</u>		
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	8.422	7.149
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş	6	4
Aras Kargo Yurtiçi Yurtdışı Taş.A.Ş.	5	7
Türkiye İş Bankası A.Ş.	-	194
İş Merkezleri Yönetim ve İşletim A.Ş.	-	9
	<u>8.433</u>	<u>7.363</u>
<u>Deposits placed to related parties</u>		
Türkiye İş Bankası A.Ş. Time Deposits	296	1.477
Türkiye İş Bankası A.Ş. Demand Deposits	8.905	4.735
	<u>9.201</u>	<u>6.212</u>
<u>Derivative financial assets held for trading</u>		
Türkiye İş Bankası A.Ş.	13.613	608
	<u>13.613</u>	<u>608</u>
<u>Derivative financial liabilities held for trading</u>		
Türkiye İş Bankası A.Ş.	3.161	15.272
	<u>3.161</u>	<u>15.272</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**9. RELATED PARTIES (Continued)**

As at 30 June 2012 and 31 December 2011, details of borrowings from related parties are as follows:

Loans received from related parties:

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 June 2012</u>
TRY	12,00-13,84	Rotatif-15.06.2018	361.590
USD	4,02-6,92	08.08.2012-30.09.2016	198.860
Euro	5,63-7,25	09.07.2012-31.08.2012	11.700
			<u>572.150</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 GmbH

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 June 2012</u>
USD	3,50-3,60	Overdraft	5.403
Euro	3,00-5,78	Overdraft-19.12.2012	69.372
			<u>74.775</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>

TSKB

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>30 June 2012</u>
USD	2,82-3,28	15.07.2014-15.06.2017	69.475
Euro	3,22-3,50	15.07.2014-15.06.2017	21.169
			<u>90.644</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>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**9. RELATED PARTIES (Continued)**

For the interim periods ended 30 June 2012 and 30 June 2011, income and expenses from related parties are as follows:

	01.01.2012- 30.06.2012	01.04.2012- 30.06.2012	01.01.2011- 30.06.2011	01.04.2011- 30.06.2011
<u>Finance lease interest income</u>				
Bayek Tedavi Sağlık Hizm. ve İşlet. A.Ş.	996	489	890	454
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	48	23	50	26
Avea İletişim Hizmetleri A.Ş.	43	28	46	22
Anadolu Cam Sanayii A.Ş.	21	21	-	-
Türkiye İş Bankası A.Ş.	19	15	129	58
Gemport Gemlik Liman. İşl. A.Ş.	18	3	169	74
İş Merkezleri Yönetim ve İşletim A.Ş.	5	-	37	17
Other	3	2	2	1
	<u>1.153</u>	<u>581</u>	<u>1.323</u>	<u>652</u>
<u>Interest income from related parties</u>				
Türkiye İş Bankası A.Ş.	230	142	8.908	2.138
Total	<u>230</u>	<u>142</u>	<u>8.908</u>	<u>2.138</u>
<u>Dividend income from related parties</u>				
İş Yatırım Menkul Değerler A.Ş.	1.999	1.999	3.891	3.891
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	179	179	22	22
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	40	-	17	-
Yatırım Finansman Menkul Değerler A.Ş.	4	-	5	1
Total	<u>2.222</u>	<u>2.178</u>	<u>3.935</u>	<u>3.914</u>
<u>Finance expense</u>				
Türkiye İş Bankası A.Ş.	16.906	5.391	8.874	5.539
İşbank Gmbh	1.581	755	4	-
TSKB	1.389	741	381	198
İş Yatırım Menkul Değerler A.Ş.	346	184	-	-
İş Portföy Yönetimi A.Ş.	53	11	5	4
Toplam	<u>20.275</u>	<u>7.082</u>	<u>9.264</u>	<u>5.741</u>
<u>Rent expense</u>				
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	564	287	527	260
Türkiye İş Bankası A.Ş.	344	173	105	105
Total	<u>908</u>	<u>460</u>	<u>632</u>	<u>365</u>



**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**9. RELATED PARTIES (Continued)**

As at 30 June 2012 and 31 December 2011, the amounts of İş Leasing’s issued debt securities (with a maturity of 28 September 2012 and 26 February 2014 and 10 June 2014 ) in related parties’ portfolio are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Türkiye İş Bankası A.Ş.	7.602	9
İş Yatırım Menkul Değerler A.Ş.	5.934	416
İş Yatırım Ortaklığı A.Ş.	4.982	3.161
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	2.803	1.473
İş Portföy Yönetimi A.Ş.	1.543	-
TSKB Yatırım Ortaklığı A.Ş.	794	-
Millî Reasürans T.A.Ş.	525	1.865
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	182	-
Anadolu Hayat Emeklilik A.Ş.	-	298
	<u>24.365</u>	<u>7.222</u>

For the interim periods ended 30 June 2012 and 30 June 2011, the remuneration of the key management during year comprised the following:

	<u>01.01.2012-</u> <u>30.06.2012</u>	<u>01.04.2012-</u> <u>30.06.2012</u>	<u>01.01.2011-</u> <u>30.06.2011</u>	<u>01.04.2011-</u> <u>30.06.2011</u>
<u>Key management personnel compensation (*)</u>				
Salaries and other short-term benefits (**)	1.673	759	1.405	611
	<u>1.673</u>	<u>759</u>	<u>1.405</u>	<u>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 interim periods 30 June 2012 and 30 June 2011, movements 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	-	22	-	2	24
Disposals	-	-	-	(1)	(1)
Closing balance at 30 June 2012	<u>179</u>	<u>3.188</u>	<u>1.867</u>	<u>2.108</u>	<u>7.342</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2012	(21)	(2.314)	(1.867)	(2.013)	(6.215)
Depreciation for the period	(18)	(120)	-	(14)	(152)
Disposals	-	-	-	1	1
Closing balance at 30 June 2012	<u>(39)</u>	<u>(2.434)</u>	<u>(1.867)</u>	<u>(2.026)</u>	<u>(6.366)</u>
Carrying amounts at 30 June 2012	<u>140</u>	<u>754</u>	<u>-</u>	<u>82</u>	<u>976</u>

(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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	152	596	-	19	767
Disposals	-	(515)	-	(49)	(564)
Closing balance 30 June 2011	<u>181</u>	<u>3.091</u>	<u>1.902</u>	<u>2.077</u>	<u>7.251</u>
<u>Accumulated depreciation</u>					
Opening balance 1 January 2011	(29)	(2.653)	(1.886)	(2.032)	(6.600)
Depreciation for the period	-	(82)	(10)	(14)	(106)
Disposals	-	512	-	47	559
Closing balance 30 June 2011	<u>(29)</u>	<u>(2.223)</u>	<u>(1.896)</u>	<u>(1.999)</u>	<u>(6.147)</u>
Carrying amounts at 30 June 2011	<u>152</u>	<u>868</u>	<u>6</u>	<u>78</u>	<u>1.104</u>

As at 30 June 2012 and 30 June 2011, there is no restriction on the tangible assets of the Group.

**11. INTANGIBLE ASSETS**

For the interim periods 30 June 2012 and 30 June 2011, movement’s in intangible assets are as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
<u>Cost</u>		
Opening balance at 1 January	1.639	1.374
Additions	73	287
Disposals	-	(156)
Closing balance at the end of the period	<u>1.712</u>	<u>1.505</u>
<u>Amortization</u>		
Opening balance at 1 January	(847)	(734)
Amortization for the period	(126)	(125)
Disposals	-	155
Closing balance at the end of the period	<u>(973)</u>	<u>(704)</u>
Carrying amounts	<u>739</u>	<u>801</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 30 June 2012, net amount of goodwill is TRY 166 (31 December 2011: TRY 166). Based on TFRS 3, for the annual periods beginning on (1January 2005) 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)

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**13. DEFERRED TAX ASSETS AND LIABILITIES**

As at 30 June 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>30 June 2012</u>	<u>31 December 2011</u>
<u>Temporary differences subject to deferred tax</u>		
Investment incentive – without withholding tax	241.548	312.293
Investment incentive – with withholding tax	165.814	158.544
Allowance for doubtful finance lease receivables	49.115	48.049
Unearned factoring income	3.880	-
Employee bonus accrual	1.381	1.198
Provision for lawsuit	926	966
Unused vacation provision	545	325
Reserve for employee benefits	375	1.218
Equity valuation	(31)	159
Finance lease adjustment	(146)	(371)
Prepaid expenses	(230)	(278)
Tax base differences tangible and intangible assets	(784)	(773)
Valuation differences on financial instruments	(10.868)	18.085
Finance lease income accruals	(16.260)	(19.991)
Other	115	115
	<u>435.380</u>	<u>519.539</u>

	<u>30 June 2012</u>	<u>31 December 2011</u>
<u>Deferred tax assets / (liabilities)</u>		
Investment incentive – without withholding tax	48.310	62.458
Investment incentive – with withholding tax	332	317
Allowance for doubtful finance lease receivables	9.823	9.610
Unearned factoring income	776	-
Employee bonus accrual	276	240
Provision for lawsuit	185	193
Unused vacation provision	109	65
Reserve for employee benefits	75	244
Equity valuation	(6)	32
Finance lease adjustment	(29)	(74)
Prepaid expenses	(46)	(56)
Tax base differences tangible and intangible assets	(157)	(155)
Valuation differences on financial instruments	(2.174)	3.617
Finance lease income accruals	(3.252)	(3.998)
Other	23	23
Deferred tax asset	<u>54.245</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%).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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 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. Following the decision of Constitutional Court necessary arrangements have been made on annual corporate tax return to use 100% investment allowances for the year 2011 by Revenue Administration Department. The Group may utilize TRY 407.362 (31 December 2011: TRY 470.837) of its unused investment allowances as offset against its future profits. The Group has TRY 48.642 (31 December 2011: TRY 62.775) 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>30 June 2012</u>	<u>30 June 2011</u>
Opening balance at 1 January	72.516	78.615
Deferred tax benefit	<u>(18.271)</u>	<u>3.620</u>
Closing balance	<u><u>54.245</u></u>	<u><u>82.235</u></u>

**14. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

As at 30 June 2012 and 31 December 2011, details of assets held for sale and discontinued operations are as follows:

	<u>30 June 2012</u>		<u>31 December 2011</u>	
	TRY	FC	TRY	FC
Assets held for sale (*)	<u>278</u>	-	<u>453</u>	-
	<u><u>278</u></u>	<u><u>-</u></u>	<u><u>453</u></u>	<u><u>-</u></u>

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

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**15. OTHER ASSETS**

As at 30 June 2012 and 31 December 2011, details of other assets are as follows:

	30 June 2012		31 December 2011	
	TP	YP	TP	YP
Income Tax Refund Receivable (**)	5.717	-	-	-
Prepaid Expenses	2.157	-	1.365	-
Advanced Given	1.041	-	1.041	-
Insurance premium receivables	810	2.026	516	2.417
Receivables from sales of Tangible Assets(*)	204	1.901	-	3.317
Deductible value added tax	-	-	10.828	-
Other	1.033	1.978	830	1.794
	<u>10.962</u>	<u>5.905</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.

(\*\*) As a result of driving benefit from investment incentives at 2011 Annual Corporate Tax Declaration (detailed information are presented at Note 36), for the interim periods 2011 the Company has gained a right of return of corporate income tax amounting to TL 12,004 for the year 2011. Application process for tax return has been started and is being continued. Deduction for taxes payable amounting to TL 6,287 has been used in this process and the remaining refund receivable amount is TL 5,717 as at 30 June 2012.

**16. FUNDS BORROWED**

As at 30 June 2012 and 31 December 2011, details of funds borrowed are as follows:

	30 June 2012		31 December 2011	
	TRY	FC (*)	TRY	FC (*)
Short-term borrowings	613.722	443.747	340.081	786.949
Short-term portion of long-term borrowings	87.589	168.391	8.597	124.482
Total short-term borrowings	<u>701.321</u>	<u>612.138</u>	<u>348.678</u>	<u>911.431</u>
Long-term borrowings	20.505	104.799	42.514	276.812
Total long-term borrowings	<u>20.505</u>	<u>104.799</u>	<u>42.514</u>	<u>276.812</u>
Total borrowings	<u>721.816</u>	<u>716.937</u>	<u>391.192</u>	<u>1.188.243</u>

(\*) Total TRY 90.811 foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated balance sheet (31 December 2011 – TRY 51.487).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**16. FUNDS BORROWED (Continued)**

As at 30 June 2012 and 31 December 2011, maturity analysis of borrowings are as follows:

<u>Maturity analysis of borrowings</u>	<u>30 June 2012</u>	<u>31 December 2011</u>
Within 1 year	1.182.773	1.260.109
Within 1-2 years	155.063	175.661
Within 2-3 years	59.375	102.201
Within 3-4 years	15.579	24.414
Within 4-5 years	22.980	13.885
5 years and over	2.983	3.165
<b>TOTAL</b>	<b>1.438.753</b>	<b>1.579.435</b>

As at 30 June 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>30 June 2012</u>
TRY	11,00-13,02	-	612.135
USD	1,94-6,65	99.908.127	180.484
Euro	3,00-7,25	112.865.449	256.679
Interest accruals			8.171
<b>TOTAL</b>			<b>1.057.469</b>

<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
<b>TOTAL</b>			<b>1.127.030</b>

(\*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated balance sheet.

As at 30 June 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>30 June 2012</u>
TRY	13,84	-	17.900
USD	1,98-6,92	158.662.209	286.623
Euro	3,22-7,12	33.752.931	76.761
<b>TOTAL</b>			<b>381.284</b>

<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
<b>TOTAL</b>			<b>452.405</b>

As at 30 June 2012 and 31 December 2011, interest rates are expressed compounded.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**16. FUNDS BORROWED (Continued)**

As at 30 June 2012 and 31 December 2011, details of borrowings based on types of interest rate are as follows:

	30 June 2012		31 December 2011	
	TRY	FC (*)	TRY	FC (*)
Fixed rate	457.056	415.924	54.051	838.883
Variable rate	173.949	391.824	285.654	400.847
	<u>631.005</u>	<u>807.748</u>	<u>339.705</u>	<u>1.239.730</u>

(\*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying consolidated balance sheet.

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

As at 30 June 2012, the Group has available TRY 2.978.923 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 30 June 2012 and 31 December 2011, details of miscellaneous payables are as follows:

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Payables to suppliers for lease transactions	2.909	9.195	683	6.747
Other payables (*)	3.873	4.681	2.488	5.227
	<u>6.782</u>	<u>13.876</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 installments. 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 30 June 2012 and 31 December 2011, details of other liabilities are as follows:

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Advances received (**)	3.748	10.220	2.497	5.013
Others	108	-	264	21
	<u>3.856</u>	<u>10.220</u>	<u>2.761</u>	<u>5.034</u>

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

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**18. FINANCE LEASE OBLIGATIONS**

None.

**19. DEBT SECURITIES ISSUED**

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Financing Bills	91.153	-	91.153	-
Bond issue	150.000	-	-	-
Interest accruals	7.679	-	2.088	-
	<u>248.832</u>	<u>-</u>	<u>93.241</u>	<u>-</u>

Bills having nominal value of TRY 100.000 were registered in accordance with the decision of the Capital Markets Board of Turkey (numbered 1/FB-868 dated 26 September 2011). Issuance of financing bills was held on 29-30 September 2011. Financing bills have a maturity of 28 September 2012 with a fixed interest rate of 9,84%.

Bond 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 second coupon annual compound interest rate of 2,63 % (first coupon interest rate is 2,58%).

The dates of coupon payments are as follows:

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

(\*) The first coupon payment of bond was held on 31 May 2012

Bond 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 5 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 first coupon annual compound interest rate of 10,76%.

The first date of coupon payment	11 September 2012
The second date of coupon payment	11 December 2012
The third date of coupon payment	12 March 2012
The fourth date of coupon payment	11 June 2013
The fifth date of coupon payment	10 September 2013
The sixth date of coupon payment	10 December 2013
The seventh date of coupon payment	11 March 2014
The eighth date of coupon payment	10 June 2014

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**20. TAXES AND DUTIES PAYABLE**

As at 30 June 2012 and 31 December 2011, details of taxes and duties payable are as follows:

	30 June 2012		31 December 2011	
	TRY	FC	TRY	FC
Corporate tax provision	654	-	2.474	-
Taxes and duties payable	3.072	-	878	-
	<u>3.726</u>	<u>-</u>	<u>3.352</u>	<u>-</u>

As at 30 June 2012 and 31 December 2011, details of corporate tax provision and prepaid taxes are as follows:

	30 June 2012	31 December 2011
Current period corporate tax provision	1.628	13.543
Corporation taxes paid in advance during the year	(974)	(11.069)
Corporate tax provision (net)	<u>654</u>	<u>2.474</u>

For the interim periods ended 30 June 2012 and 30 June 2011, movements of corporate tax provision are as follows:

	30 June 2012	30 June 2011
Corporate tax provision at the beginning of the period	2.474	2.599
Total income tax expense	1.628	6.230
Corporation taxes paid during the period	(3.448)	(5.041)
Corporate tax provision	<u>654</u>	<u>3.788</u>

**21. PROVISIONS**

As at 30 June 2012 and 31 December 2011, other provisions are as follows:

	30 June 2012	31 December 2011
Provision for lawsuits	926	966
General provision for financial lease receivables	572	666
Provision for expenses	343	-
	<u>1.841</u>	<u>1.632</u>

For the interim periods ended 30 June 2012 and 30 June 2011, movements in other provisions are as follows:

	General Provision for Financial Lease Receivables	Provision for lawsuits	Provision for general administrative expenses
<u>30 June 2012</u>			
At the beginning of the period	666	966	-
Additions	-	-	343
Foreign exchange difference	(46)	(10)	-
Cancellations	-	(30)	-
Collections	(48)	-	-
At the end of the period	<u>572</u>	<u>926</u>	<u>343</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**21. PROVISIONS (Continued)**

<u>30 June 2011</u>	General Provision for Financial Lease Receivables	Provision for lawsuits	Provision for general administrative expenses
At the beginning of the period	-	864	-
Additions	334	143	-
Foreign exchange difference	-	10	-
Cancellations	-	(468)	-
Collections	-	-	-
At the end of the period	<u>334</u>	<u>549</u>	<u>-</u>

**22. EMPLOYEE BENEFITS**

As at 30 June 2012 and 31 December 2011, details of reserve for employee benefits are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Reserve for employee severance indemnity	1.380	1.198
Unused vacation provision	546	325
Employee bonus accrual	375	1.219
	<u>2.301</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 3.033,98 effective from 1 July 2012 has been taken into consideration in calculation of provision for employee termination benefits of the Group as at 30 June 2012.

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>30 June 2012</u>	<u>30 December 2011</u>
Discount rate	3,82%	3,82%
Probability of retirement	100%	100%

For the interim periods ended 30 June 2012 and 30 June 2011, movements in reserve for employee severance indemnity are as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance at the beginning of the period	1.198	921
Charge for the period	(51)	42
Cost of services	90	142
Amounts paid	(45)	(70)
Actuarial difference	188	(52)
Balance at the end of the period	<u>1.380</u>	<u>983</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**22. EMPLOYEE BENEFITS (Continued)**

The movements of the provision for unused vacation during the interim periods ended 30 June 2012 and 30 June 2011 are as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance at the beginning of the period	325	252
Provision set during the period	221	140
Balance at the end of the period	<u>546</u>	<u>392</u>

The movements of the provision for employee bonus accrual during the interim periods ended 30 June 2012 and 30 June 2011 are as follows:

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance at the beginning of the period	1.219	1.045
Provision set during the period	375	609
Cancellations	(397)	-
Payment made during the period	(822)	(1.045)
Balance at the end of the period	<u>375</u>	<u>609</u>

**23. NON-CONTROLLING INTERESTS**

The Company owns 78,23% of İş Factoring. As at 30 June 2012, the non-controlling interests amounted to TRY 11.822 (31 December 2011: TRY 11.534) calculated on the total equity of the subsidiary and TRY 21 (30 June 2011: TRY 872) calculated on the net profit of the subsidiary.

	<u>30 June 2012</u>	<u>30 June 2011</u>
Balance at the beginning of the period	11.534	10.861
Fair value changes of marketable securities	309	(767)
Profit/ Loss for the period	(21)	872
Balance at the end of the period	<u>11.822</u>	<u>10.966</u>

**24. PAID-IN CAPITAL AND CAPITAL RESERVES**

As at 30 June 2012 nominal capital of the Company is TRY 389.000. The share capital company consist of 38.900.000.000 shares Kurus 1 price.

As at 30 June 2012, and 31 December 2011, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 June 2012</u>	<u>(%)</u>	<u>31 December 2011</u>
TSKB	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>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

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

The Group has increased its share capital by TRY 50.000 to TRY 389.000. The increase comprises of TRY 15.065 of bonus shares from previous year’s profit, TRY 34.935 of extraordinary reserves. Capital increase was 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>30 June 2012</u>	<u>31 December 2011</u>
Türkiye İş Bankası A.Ş.	300.000.000	300.000.000
TSKB	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.

**CAPITAL RESERVES**

As at 30 June 2012 and 31 December 2011, details of capital reserves are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Marketable securities revaluation reserve	7.062	4.639
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.938	1.938
Total	<u>9.000</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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**25. PROFIT RESERVES**

As at 30 June 2012 and 31 December 2011, details of profit reserves are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Legal reserves	19.251	16.627
Extraordinary reserves (*)	93.656	94.241
<b>TOTAL</b>	<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 Banking Regulation and Supervision Agency, 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 30 June 2012 ( 31 December 2011: TRY 78.645).

**26. PRIOR YEARS’ PROFIT/LOSS**

The Group has no previous year loss as at 30 June 2012 (31 December 2011: TRY 434).

**27. COMMITMENTS AND CONTINGENCIES**

As at 30 June 2012, TRY 2.425 of letters of guarantee are given to customs, authorities and banks (31 December 2011: TRY 734).

As at 30 June 2012, the total risk of litigations filed and currently pending against the Group amounting to approximately TRY 4.311 (31 December 2011: TRY 4.262). The Group has provided a provision amounting to TRY 926 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 30 June 2012, the Group has letter of credit commitments of USD 601.255, Euro 12.513.412 (31 December 2011: USD 1.675.038, Euro 16.470.750, CHF 134.500).

As at 30 June 2012, the Group has letter of lease commitments of USD 7.471.787, Euro 19.427.121, TRY 19.002 (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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**27. COMMITMENTS AND CONTINGENCIES (Continued)**

As at 30 June 2012 details of derivatives are as follows:

	30 June 2012	
	Amount as Original Currency	TRY
<i>Currency Swap Purchases:</i>		
USD	33.741.360	60.954
TRY	-	444.381
		<u>505.335</u>
<i>Currency Swap Sales:</i>		
USD	151.178.933	273.105
Euro	94.429.825	214.752
		<u>487.857</u>

	30 June 2012	
	Amount as Original Currency	TRY
<i>Forward Purchase Transactions:</i>		
Euro	332.300	756
		<u>756</u>
<i>Forward Sales Transactions:</i>		
TRY	-	755
		<u>755</u>

	30 June 2012	
	Amount as Original Currency	TL
<i>Futures contract:</i>		
TRY	-	367
		<u>367</u>

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

	31 December 2011	
	Amount as Original Currency	TRY
<i>Currency Swap Purchases:</i>		
TRY	-	269.162
		<u>269.162</u>
<i>Currency Swap Sales:</i>		
USD	98.000.000	185.112
Euro	38.000.000	92.865
		<u>277.977</u>

	31 December 2011	
	Amount as Original Currency	TRY
<i>Forward Purchase Transactions:</i>		
TRY	-	2.443
		<u>2.443</u>
<i>Forward Sales Transactions:</i>		
Euro	1.000.000	2.444
		<u>2.444</u>

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

All derivative transactions are short-term. As at 30 June 2012, the Group has TRY 14.730 of unrealized profit and TRY 3.862 of unrealized loss in relation to the fair value changes of swap transactions designated at through profit or loss (Note 4) (30 June 2011: TRY 417 profit, 4.775 loss).

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**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>30 June 2012</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Total assets	1.610.326	683.612	(16.606)	2.277.332
Total liabilities	1.104.731	629.318	-	1.734.049
Net profit	20.628	(95)	21	20.554

<u>30 June 2012</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Operating Income	49.869	23.443	-	73.312
Operating Expense (-)	(9.083)	(3.139)	-	(12.222)
Other Operating Income	41.048	1.894	-	42.942
Financial Expenses (-)	(32.331)	(16.110)	-	(48.441)
Provision for Losses on Non-Performing Receivables (-)	(3.252)	(5.374)	-	(8.626)
Other operating Expenses (-)	(18.589)	20	-	(18.569)
Profit or Loss from Continuing Operations	27.662	734	-	28.396
Provision for Taxes from Continuing Operations (±)	(7.034)	(829)	-	(7.863)
Net Profit or Loss from Continuing Operations	20.628	(95)	-	20.533
Non-controlling Interests	-	-	21	21
Net Profit or Loss for the Period	20.628	(95)	21	20.554
Fixed Asset Additions	34	63	-	97
Depreciation and Amortisation	(198)	(80)	-	(278)

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**28. SEGMENT REPORTING (Continued)**

<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

  

<u>30 June 2011</u>	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation Adjustments</u>	<u>Consolidated</u>
Operating Income	47.366	13.129	-	60.495
Operating Expense (-)	(8.236)	(2.067)	-	(10.303)
Other Operating Income	37.068	4.887	-	41.955
Financial Expenses (-)	(25.609)	(11.406)	-	(37.015)
Provision for Losses on Non-Performing Receivables (-)	(5.869)	-	-	(5.869)
Other operating Expenses (-)	(11.122)	-	-	(11.122)
Profit or Loss from Continuing Operations	33.598	4.543	-	38.141
Provision for Taxes from Continuing Operations (±)	(2.072)	(538)	-	(2.610)
Net Profit or Loss from Continuing Operations	31.526	4.005	-	35.531
Non-controlling Interests	-	-	(872)	(872)
Net Profit or Loss for the Period	31.526	4.005	(872)	34.659
Fixed Asset Additions	413	641	-	1.054
Depreciation and Amortisation	(196)	(35)	-	(231)

**29. EVENTS AFTER THE REPORTING PERIOD**

None.

**30. OPERATING INCOME**

For the interim periods ended 30 June 2012 and 30 June 2011, details of operating income are as follows:

	<u>01.01.2012 - 30.06.2012</u>	<u>01.04.2012- 30.06.2012</u>	<u>01.01.2011 - 30.06.2011</u>	<u>01.04.2011 - 30.06.2011</u>
Finance lease interest income	49.869	25.442	47.366	25.586
Factoring income	23.443	12.379	13.129	7.234
	<u>73.312</u>	<u>37.821</u>	<u>60.495</u>	<u>32.820</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**31. OPERATING EXPENSES**

For the interim periods ended 30 June 2012 and 30 June 2011, details of operating expenses are as follows:

	01.01.2012- 30.06.2012	01.04.2012- 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Personnel expenses	(7.576)	(3.700)	(7.019)	(3.708)
Office rent expenses	(1.017)	(514)	(734)	(411)
Information technology expenses	(470)	(253)	(278)	(138)
Travel and car expenses	(404)	(195)	(408)	(205)
Litigation expenses	(315)	(268)	(107)	(29)
Depreciation and amortisation expense	(278)	(138)	(231)	(131)
Consultancy expenses	(265)	(111)	(265)	(129)
Capital increase expense	(153)	(136)	(142)	(105)
Advertisements expenses	(83)	(17)	(71)	(30)
Other general administrative expenses	(1.661)	(888)	(1.048)	(574)
	<u>(12.222)</u>	<u>(6.220)</u>	<u>(10.303)</u>	<u>(5.460)</u>

**32. OTHER OPERATING INCOME**

For the interim periods ended 30 June 2012 and 30 June 2011, details of other operating income are as follows:

	01.01.2012 - 30.06.2012	01.04.2012 - 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Foreign exchange gains, net	-	-	15.882	15.126
Interest income	5.978	2.282	16.305	6.132
Dividend income	2.222	2.178	3.935	3.914
Collections from non-performing receivables	1.076	230	1.448	1.173
Commission income	1.051	672	1.011	577
Income from derivative financial transactions	30.007	12.635	967	(833)
Other	2.608	1.467	2.407	1.237
	<u>42.942</u>	<u>19.464</u>	<u>41.955</u>	<u>27.326</u>

**33. FINANCE EXPENSES**

For the interim periods ended 30 June 2012 and 30 June 2011, details of finance expenses are as follows:

	01.01.2012 - 30.06.2012	01.04.2012 - 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Interest expense	(39.017)	(19.180)	(36.701)	(18.707)
Interest expense on debt securities issued	(8.172)	(5.120)	-	-
Fees and commissions expense	(1.252)	(700)	(314)	(168)
	<u>(48.441)</u>	<u>(25.000)</u>	<u>(37.015)</u>	<u>(18.875)</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**34. PROVISION FOR NON-PERFORMING RECEIVABLES**

For the interim periods ended 30 June 2012 and 30 June 2011, details of provision for non-performing receivables are as follows:

	01.01.2012 - 30.06.2012	01.04.2012 - 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Specific provision expenses	(8.672)	(3.021)	(5.535)	(2.617)
General provision expenses (*)	46	21	(334)	(334)
	<u>(8.626)</u>	<u>(3.000)</u>	<u>(5.869)</u>	<u>(2.951)</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 determined as risky by the management as at 30 June 2012.

**35. OTHER OPERATING EXPENSES**

For the interim periods ended 30 June 2012 and 30 June 2011, details of other operating expenses are as follows:

	01.01.2012 - 30.06.2012	01.04.2012 - 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Foreign exchange losses, net	(7.352)	5.151	-	-
Losses from derivative financial transactions	(7.007)	(7.005)	(10.005)	(8.486)
Tax penalties (*)	(2.997)	-	-	-
Impairment losses on assets held for sale	(51)	(3)	(62)	(62)
Other	(1.162)	(495)	(1.055)	(448)
	<u>(18.569)</u>	<u>(2.352)</u>	<u>(11.122)</u>	<u>(8.996)</u>

(\*) Pursuant to the resolution of Financial Crimes Investigation Board dated 3 February 2012 and numbered 2448 and 394, it has been decided to impose administrative fine of TL 3.996 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 TL 2.997 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 opened a lawsuit for the cancelation of the fine.

**36. TAXATION**

For the interim periods ended 30 June 2012 and 30 June 2011, details of income tax expense are as follows:

	01.01.2012 - 30.06.2012	01.04.2012 - 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Current tax charge	(1.628)	(650)	(6.230)	(3.788)
Adjustment to prior period corporate tax (*)	12.036	12.036	-	-
Deferred tax benefit	(18.271)	(14.910)	3.620	(173)
	<u>(7.863)</u>	<u>(3.524)</u>	<u>(2.610)</u>	<u>(3.961)</u>

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**36. TAXATION (Continued)**

(\*) During year 2011 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. 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 69<sup>th</sup> article of Law No:193 with the 5<sup>th</sup> 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. Therefore, temporary corporate tax refund amounting TRY 12,004 has been presented as “Income tax refund receivable” in Other Assets in the balance sheet, and has been recognized as income under “Current tax provision” in Income Statement.

The tax provision which is reported on 30 June 2012 is different from tax expense to profit before tax amounts computed by applying the statutory tax rate. The relevant tax reconciliation is as follows:

	1 January- 30 June 2012		1 January- 30 June 2011	
	%		%	
Net profit for the period		20.533		35.531
Total tax expense/(income)		7.863		2.610
Profit before tax		28.396		38.141
Income tax using the Company's tax rate	20,00	5.679	20,00	7.628
- Non deductible expenses	6,55	1.861	0,64	246
- Tax exempt income	(1,49)	(422)	(2,05)	(783)
- Investment incentives	7,65	2.171	(10,54)	(4.019)
- Other	(5,02)	(1.426)	(1,21)	(462)
Total income tax expense / (income)	27,69	7.863	6,84	2.610

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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**36. TAXATION (Continued)**

As at 30 June 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.

*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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**36. TAXATION (Continued)**

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. Following the decision of Constitutional Court necessary arrangements have been made on annual corporate tax return to use 100% investment allowances for the year 2011, by the Revenue Administration.

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 interim periods ended 30 June 2012 and 30 June 2011 are as follows:

	1 January- 30 June 2012	1 January- 30 June 2011
Weighted average number of outstanding shares (*)	38.900.000.000	33.900.000.000
Net profit for the period (TRY)	20.554	34.659
Basic earnings per share (full Kurus)	0,05	0,10

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**37. EARNINGS PER SHARE (Continued)**

(\*) As at 30 June 2012, the share capital of the Company consists of 38.900.000.000 shares having Kurus 1 nominal price.

	<u>2012</u>	<u>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 is made through internal resources and prior period’s earnings per share figure are revised by using the number of shares subsequent to the capital increase.

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

None.

**39. ADDITIONAL INFORMATION ABOUT 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 34% (31 December 2011: 38%). As at 30 June 2012 and 31 December 2011, the leverage ratios are as follows;

	<u>30 June 2012</u>	<u>31 December 2011</u>
Funds borrowed	1.438.753	1.579.435
Debt securities issued	248.832	93.241
Miscellaneous payables	20.658	15.145
Other liabilities	<u>14.076</u>	<u>7.795</u>
Total liabilities	1.722.319	1.695.616
Banks (-)	<u>(112.602)</u>	<u>(309.561)</u>
Net liabilities	<u>1.609.717</u>	<u>1.386.055</u>
Total shareholders’ equity	543.283	520.018
Shareholders’ equity / liabilities	34%	38%

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

According to the credit rating reports of Fitch issued at 2 July 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 the financial instruments are disclosed in Note 3 “Significant accounting policies”.

(c) Categories of financial instruments

	<u>30 June 2012</u>	<u>31 December 2011</u>
<u>Financial Assets:</u>		
Banks	112.602	309.561
Financial assets at fair value through profit or loss:		
-Financial assets held for trading	8.025	11.385
-Derivative financial assets held for trading	14.730	608
Finance lease receivables and non-performing receivables, net	1.377.122	1.398.476
Factoring receivables and non-performing factoring receivables, net	667.283	404.653
Insurance premium receivables (*)	2.836	2.933
Financial assets available for sale	24.299	20.231
<u>Financial Liabilities:</u>		
Derivative financial liabilities held for trading	(3.862)	(18.693)
Miscellaneous payables and other liabilities	(34.734)	(22.940)
Funds borrowed	(1.438.753)	(1.579.435)
Debt securities issued	(248.832)	(93.241)

(\*) Included in other assets.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

**(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.

**(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 below:

- “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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

(f) Currency risk management (Continued)

As at 30 June 2012 and 31 December 2011, details of foreign currency denominated assets and liabilities are as follows:

<u>30 June 2012(*)</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	25.635	26.164	-	19	26	105.866
Finance lease receivables	313.164	206.737	-	-	-	1.035.891
Factoring receivables	27.191	5.395	-	-	-	61.389
Advances given for lease transactions	4.446	6.169	-	14	-	22.100
Leasing contracts in progress	4.385	4.995	-	-	-	19.282
Other assets	1.743	1.212	-	-	-	5.905
Total assets (**)	376.564	250.672	-	33	26	1.250.433
Funds borrowed	(260.394)	(148.336)	-	-	-	(807.748)
Miscellaneous payables and other liabilities	(4.445)	(7.022)	(21)	(21)	74	(24.096)
Other provisions	(121)	(252)	-	-	-	(790)
Total liabilities (**)	(264.960)	(155.610)	(21)	(21)	74	(832.634)
Balance sheet position	111.604	95.062	(21)	12	100	417.799
Notional amounts of derivatives	(117.438)	(94.098)	-	-	-	(426.148)
Net foreign currency position	(5.834)	964	(21)	12	100	(8.349)

(\*) As at 30 June 2012 , foreign currency indexed borrowings amounting to USD 38.534.544 and Euro 9.321.232 (Total: TRY 90.811) and foreign currency indexed factoring receivables amounting to USD 20.278.010 and Euro 13.204 (Total: TRY 36.662) are presented in TRY column in the accompanying consolidated balance sheet.

(\*\*) As at 30 June 2012, accruals related to derivative financial assets amounting to TRY 14.730 and derivative financial liabilities amounting to TRY 3.861 is not taken into consideration.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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
Notional amounts of derivatives	(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 balance sheet.

(\*\*) As at 31 December 2011, accruals related to derivative financial liabilities amounting to TRY 608 and derivative financial liabilities held for trading income / expense accruals amounting to TRY 18.693 are not taken into consideration.

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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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
30 June 2012				
15% change of the USD against TRY				
1- Net USD asset/liability	30.242	(30.242)	30.242	(30.242)
2- Hedged portion of TRY against USD risk (-)	(31.823)	31.823	(31.823)	31.823
3- Net effect of USD ( 1+ 2)	(1.581)	1.581	(1.581)	1.581
15% change of the Euro against TRY				
4- Net Euro asset/liability	32.428	(32.428)	32.428	(32.428)
5- Hedged portion of TRY against Euro risk (-)	(32.099)	32.099	(32.099)	32.099
6- Net effect of Euro (4+5)	329	(329)	329	(329)
15% change of other foreign currencies against TRY				
7- Net other foreign currencies asset/liability	(5)	5	(5)	5
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	(5)	5	(5)	5
TOTAL (3+6+9)	(1.257)	1.257	(1.257)	1.257

(\*) 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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 currencies.

(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 30 June 2012 and 30 December 2011, the interest rate profile of the Group’s interest-bearing financial instruments is as follows:

	30 June 2012	31 December 2011
Fixed rate instruments		
Financial assets:		
Banks	103.682	304.799
Finance lease receivables (*)	1.175.503	1.192.424
Factoring receivables	418.009	303.743
Financial liabilities:		
Funds borrowed	872.980	892.934
Debt securities issued	97.711	93.241
Variable rate instruments		
Financial assets:		
Finance lease receivables (*)	137.876	153.291
Factoring receivables	249.274	100.910
Financial liabilities:		
Borrowings	565.773	686.501
Debt securities issued	151.121	-

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

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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 variable rate finance lease contracts would increase by TRY 680 (30 June 2011: TRY 610), interest income from fixed rate finance lease contracts would increase by TRY 5.486 (30 June 2011: TRY 5.218).
- Interest income from variable rate factoring contracts would increase by TRY 1.109 (30 June 2011: TRY 408), interest income from fixed rate factoring contracts would increase by TRY 2.182 (30 June 2011: TRY 1.821).
- Interest expense from variable rate funds borrowed (borrowings) would increase by TRY 3.357 (30 June 2011: TRY 2.084), Interest expense from fixed rate funds borrowed (borrowings) would increase by TRY 4.656 (30 June 2011: TRY 6.231).

(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.

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

- There would not be any difference in the net profit/loss to the extent that equity investments are classified as available or are not disposed of or are not subject to impairment.
- Revaluation reserve under equity would increase/ (decrease) by TRY 3.454 (30 June 2011: TRY 3.316). It is mainly because of changes in fair value of the available for sale equity securities.

Equity securities price sensitivity of the Group is not subject to a material change compared to prior years.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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>30 June 2012 (%)</u>	<u>31 December 2011 (%)</u>
Transportation	17,97	21,45
Construction	15,01	11,59
Metal industry	12,85	9,22
Tourism	8,65	4,00
Healthcare	6,60	7,21
Forestry products and paper	6,41	12,40
Textile	6,39	6,40
Food and beverage	3,70	3,75
Finance	3,35	3,46
Chemical and plastic	3,24	3,55
Mining	3,07	2,75
Agriculture and forestry	3,03	3,28
Machinery and equipment	2,79	2,73
Retail and wholesale	1,54	1,99
Other	5,40	6,22
	<u>100,00</u>	<u>100,00</u>

Leased asset allocation of finance lease receivables is as follows:

	<u>30 June 2012 (%)</u>	<u>31 December 2011 (%)</u>
Machinery and equipment	24,61	22,84
Real estate	22,64	23,86
Building and construction machinery	15,09	12,15
Sea transport vessels	7,70	8,61
Air transportation equipments	5,56	6,17
Textile machinery	4,83	4,52
Medical equipment	4,27	4,78
Printing machinery	3,54	3,87
Tourism equipment	2,77	3,13
Electronic and optical equipment	2,71	2,89
Road transportation equipments	2,43	2,62
Office equipments	2,02	2,36
Other	1,83	2,20
	<u>100,00</u>	<u>100,00</u>

(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

(i) Credit risk management (Continued)

As at 30 June 2012, details of exposure to credit risk based on categories of financial instruments are as follows:

	Receivables				Deposits	Fair value through profit/loss financial assets	Available for sale financial assets	Insurance premium receivables
	Finance Lease Receivables		Factoring Receivables					
<b>30 June 2012</b>	Related party	Third party	Related party	Third party				
Exposure to maximum credit risk as at reporting date (*)	39.235	1.337.887	4.955	662.328	112.602	22.755	24.299	2.836
- The portion of maximum risk covered by guarantee	-	107.281	-	334	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	39.235	1.133.945	4.955	662.237	112.602	22.755	24.299	2.836
- The portion covered by guarantee	-	75.471	-	334	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	91	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	156.406	-	-	-	-	-	-
- The portion covered by guarantee	-	22.481	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	47.536	-	-	-	-	-	-
- Overdue (gross book value)	-	87.492	-	7.826	-	-	-	-
- Impairment (-)	-	(50.480)	-	(7.826)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	9.329	-	-	-	-	-	-
- Not past due (gross book value)	-	19.992	-	-	-	-	-	-
- Impairment (-)	-	(9.468)	-	-	-	-	-	-
- 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.

(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

(i) Credit risk management (Continued)

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

	Receivables				Deposits	Fair value through profit/loss financial assets	Available for sale financial assets	Insurance premium receivables
	Finance Lease Receivables		Factoring Receivables					
	Related party	Third party	Related party	Third party				
<b>31 December 2011</b>								
Exposure to maximum credit risk as at reporting date (*)	45.650	1.352.826	6.361	398.292	309.561	11.993	20.231	2.933
- 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	20.231	2.933
- 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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

(i) Credit risk management (Continued)

As at 30 June 2012 and 31 December 2011, details of finance lease receivables rating in terms of internal rating information:

<i>Internal rating results:</i>	<u>30 June 2012 (%)</u>	<u>31 December 2011 (%)</u>
A+ (Perfect)	0,24	0,02
A (Very good)	7,09	3,74
A- (Good)	4,07	1,89
B+ (Satisfactory)	20,60	26,82
B (Reasonable)	24,37	23,34
B- (Close monitoring)	27,41	24,07
C+ (Insufficient)	10,00	11,07
C (Doubtful)	3,86	4,30
Not rated	2,36	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 12,73% as at 30 June 2012 (31 December 2011: 6%)

As at 30 June 2012, details of finance lease receivables ratings in terms of SME-Micro scoring information:

	<u>30 June 2012 (%)</u>
High	32,83
Medium	57,65
Low	9,52
Total	<u>100,00</u>

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

	<u>31 December 2011 (%)</u>
High	31,38
Medium	57,87
Low	10,75
Total	<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 all finance lease receivables and factoring receivables including past dues and non-performing receivables are as follows:

	<u>30 June 2012</u>		<u>31 December 2011</u>	
	Nominal Value	Fair Value (*)	Nominal Value	Fair Value (*)
Other mortgages	548.012	102.03	567.133	105.424
Ship mortgage	4.516	-	4.722	-
Guarantors	1.042	38	1.16	16
Cash blockages	1.914	1.108	2.765	1.469
Equities	2.45	2.45	2.45	2.45
Letters of guarantee	25.662	1.875	24.519	15.248
	<u>583.596</u>	<u>107.501</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.

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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.

30 June 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	112.602	112.626	112.626	-	-	-
Financial Assets Held For Trading	8.025	7.991	1.700	4.091	2.200	-
Finance Lease Receivables (*)	1.313.379	1.509.709	166.977	356.385	884.305	102.042
Factoring Receivables	667.283	667.283	637.617	29.666	-	-
Insurance Premium Receivables	2.836	2.836	2.836	-	-	-
<b>Total Assets</b>	<b>2.104.125</b>	<b>2.300.445</b>	<b>921.756</b>	<b>390.142</b>	<b>886.505</b>	<b>102.042</b>
Non-derivative Financial Liabilities:						
Funds Borrowed	1.438.753	1.488.422	768.763	446.362	270.065	3.232
Debt Securities Issued	248.832	278.373	103.920	11.610	162.843	-
Miscellaneous Payables and Other Liabilities	34.734	34.734	31.704	171	2.859	-
<b>Total Liabilities</b>	<b>1.722.319</b>	<b>1.801.529</b>	<b>904.387</b>	<b>458.143</b>	<b>435.767</b>	<b>3.232</b>

The Group makes payments based on contractual maturities.

(\*) 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 prepared yet.

**(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**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012**

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

**39. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)**

(j) Liquidity risk management (Continued)

31 December 2011

<u>Contractual Maturities</u>	Carrying <u>Amount</u>	Contractual Cash Flows <u>(I+II+III+IV)</u>	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
Non-derivative Financial Assets:						
Banks	309.561	310.026	310.026	-	-	-
Financial Assets at Fair Value Through Profit or Loss	11.385	11.558	2.140	7.127	2.091	200
Finance Lease Receivables (*)	1.345.715	1.549.820	142.790	331.501	943.555	131.974
Factoring Receivables	404.653	404.653	356.346	48.307	-	-
Insurance Premium Receivables	2.933	2.933	2.933	-	-	-
<b>Total Assets</b>	<b>2.074.247</b>	<b>2.278.990</b>	<b>814.235</b>	<b>386.935</b>	<b>945.646</b>	<b>132.174</b>

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	-
<b>Total Liabilities</b>	<b>1.695.616</b>	<b>1.761.367</b>	<b>667.274</b>	<b>755.109</b>	<b>335.771</b>	<b>3.213</b>

(\*) 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 prepared yet.

The following table details the maturities of derivative financial assets and liabilities as at 30 June 2012 and 31 December 2011.

30 June 2012	Carrying <u>Amount</u>	Contractual Cash Flows <u>(I+II+III+IV)</u>	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
<u>Contractual Maturities</u>						
Cash inflows from derivatives	17.479	506.091	220.919	120.256	161.936	2.980
Cash outflows from derivatives	-	(488.612)	(207.139)	(112.889)	(165.576)	(3.008)
31 December 2011	Carrying <u>Amount</u>	Contractual Cash Flows <u>(I+II+III+IV)</u>	Less than 3 Months <u>(I)</u>	3-12 Months <u>(II)</u>	1-5 Years <u>(III)</u>	More than 5 Years <u>(IV)</u>
<u>Contractual Maturities</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)

**İŞ FİNANSAL KİRALAMA ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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.

30 June 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
<u>Financial Assets</u>								
Banks	-	112.602	-	-	-	112.602	112.602	5
Financial assets at fair value through profit or loss								
- Financial assets held for trading	8.025	-	-	-	-	8.025	8.025	4
- Derivative financial assets held for trading	14.730	-	-	-	-	14.730	14.730	4
Finance lease receivables and non-performing lease receivables	-	-	1.377.122	-	-	1.377.122	1.373.982	8
Factoring receivables and non-performing factoring receivables	-	-	667.283	-	-	667.283	667.283	7
Insurance premium receivables	-	-	2.836	-	-	2.836	2.836	15
Available for sale financial assets	-	-	-	24.299	-	24.299	24.299	6
<u>Financial liabilities</u>								
Derivative financial assets held for trading	3.862	-	-	-	-	3.862	3.862	4
Miscellaneous payables and other liabilities	-	-	-	-	34.734	34.734	34.734	17
Funds borrowed	-	-	-	-	1.438.753	1.438.753	1.436.373	16
Debt securities issued	-	-	-	-	248.832	248.832	248.832	19

(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**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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 premium receivables	-	-	2.933	-	-	2.933	2.933	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 ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2012

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

**39. ADDITIONAL INFORMATION ABOUT 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).

<b>30 June 2012</b>	<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	7.451	574	-	8.025
Derivative financial assets held for trading	-	14.730	-	14.730
Available-for-sale financial assets (*)	23.030	-	227	23.257
<b>Total financial assets carried at fair value</b>	<b>30.481</b>	<b>15.304</b>	<b>227</b>	<b>46.012</b>
Derivative financial liabilities held for trading	-	3.862	-	3.862
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>3.862</b>	<b>-</b>	<b>3.862</b>

(\*) As at 30 June 2012, securities that are not publicly traded amounting to TRY 1.042 have been measured at cost.

<b>31 December 2011</b>	<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
<b>Total financial assets carried at fair value</b>	<b>29.242</b>	<b>1.717</b>	<b>227</b>	<b>31.186</b>
Derivative financial liabilities held for trading	-	18.693	-	18.693
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>18.693</b>	<b>-</b>	<b>18.693</b>

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