PAMUK FACTORING A.Ş. AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

AT 31 DECEMBER 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pamuk Factoring A.Ş.

Introduction

1. We have audited the accompanying consolidated financial statements of Pamuk Factoring A.Ş. and its subsidiary, which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matter:

5. As described in Notes 1 and 26 to the accompanying consolidated financial statements, Pamuk Factoring A.Ş. and its subsidiary's balances and transactions with related parties as of 31 December 2011 and for the year then ended have significant weight on the financial position and operating results of the Pamuk Factoring A.Ş. and its subsidiary.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 12 April 2012

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicate

	Notes	2011	2010
ASSETS			
Cash and due from banks	5	22,174,247	27,195,517
Trading securities	13	-	-
Finance lease receivables	6	82,380,428	107,611,801
Factoring receivables	7	119,150,033	106,549,351
Available-for-sale investment securities	12	7,528	7,528
Property and equipment, net	9	66,812	105,093
Intangible assets, net	10	44,564	54,345
Assets held for sale	11	8,310,294	898,444
Deferred tax asset	19	386,306	4,474,908
Other assets and prepaid expenses	8	9,068,087	758,879
Total assets		**241,588,299**	**247,655,866**
LIABILITIES AND EQUITY			
Borrowings and bonds issued	14	73,452,217	115,183,481
Derivative financial instruments	15	256,132	526,618
Accounts payable	16	5,351,019	132,173
Current tax liabilities	17	908,671	213,050
Employment benefit obligations	18	227,109	156,659
Other liabilities	17	668,504	371,871
Total liabilities		**80,863,652**	**116,583,852**
EQUITY			
Share capital	20	50,000,000	50,000,000
Adjustment to share capital	20	6,440,321	6,440,321
Total paid-in share capital	20	56,440,321	56,440,321
Legal reserves	21	5,672,340	5,672,340
Retained earnings		98,611,986	68,959,353
Equity attributable to equity holders of the parent		**160,724,647**	**131,072,014**
Non-controlling interest in equity		-	-
Total liabilities and equity		**241,588,299**	**247,655,866**
Commitments and contingent liabilities	27		

These consolidated financial statements as at and for the year ended 31 December 2011 have been approved for issue by the Board of Directors on 9 March 2012. General Assembly has the ability to amend the financial statements.

The accompanying notes form an integral part of this consolidated interim financial information.

PAMUK FACTORING A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

	Notes	1 January- 31 December 2011	1 January- 31 December 2010
Interest income from direct finance leases		9,768,500	11,223,837
Factoring interest income		15,946,356	11,313,731
Interest income on placements and transactions with banks		1,365,697	803,223
Interest income from overdue charges on finance lease receivables and factoring receivables		432,899	434,568
Total interest income		**27,513,452**	**23,775,359**
Interest expense on bank borrowings		(8,112,101)	(5,550,840)
Net interest income		**19,401,351**	**18,224,519**
Fee and commission income	24	1,024,943	1,540,493
Fee and commission expense	24	(469,385)	(59,506)
Net fee and commission income		**555,558**	**1,480,987**
Foreign exchange gains and losses, including net gain or losses from dealing in foreign currency		20,572,380	661,170
Fair value loss on derivative financial instruments		270,486	(1,122,820)
Net gain from trading securities		135,169	82,934
Impairment loss on finance lease receivables	6	(2,396,105)	(1,357,414)
Impairment loss on factoring receivables	7	(461,961)	(864,275)
Other income/(expense), net	22	2,364,607	702,698
Operating income		**40,441,485**	**17,807,799**
Operating expenses	23	(5,097,139)	(4,532,130)
Profit before income taxes		**35,344,339**	**13,275,669**
Taxation on income	19	(5,691,713)	183,794
Net profit for the period		**29,652,633**	**13,459,463**
Attributable to:			
Equity holders of the parent		29,652,633	13,459,463
Minority interest		-	-

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

	2011	2010
Net profit for the period	**29,652,633**	**13,459,463**
Other comprehensive income:		
Other comprehensive income	-	-
Total comprehensive income	**29,652,633**	**13,459,463**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

	Paid in share capital					
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2010	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**55,499,890**	**117,612,551**
Total comprehensive income for the year	-	-	-	-	13,459,463	13,459,463
Balance at 31 December 2010	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**68,959,353**	**131,072,014**
Balance at 1 January 2011	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**68,959,353**	**131,072,014**
Total comprehensive income for the year	-	-	-	-	29,652,633	29,652,633
Balance at 31 December 2011	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**98,611,986**	**160,724,647**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

	Notes	2011	2010
Cash flows from operating activities			
Net profit for the year		**29,652,633**	**13,459,463**
Adjustments for:			
Depreciation of property and equipment	9	(57,084)	74,464
Depreciation of assets held for sale	11	-	7,303
Amortisation of intangible assets	10	18,724	15,213
Reserve for employment termination benefit	18	95,399	73,963
Employment termination benefit payment	18	(68,900)	(27,222)
Provision cancellation for legal proceedings	22	-	(201,797)
Provision for tax and legal proceedings	22	57,388	88,524
Provision for impaired factoring and finance lease receivables	6, 7	1,934,144	2,221,689
Deferred tax income	19	4,832,701	(183,794)
Fair value for derivative financial instrument	15		169,041
Interest income		(25,626,245)	(21,365,895)
Interest expense		8,112,101	5,550,840
Interest received		31,150,886	21,529,705
Interest paid		(8,875,429)	(5,454,944)
Provision for unused vacation		68,159	30,840
Unrealised foreign currency (gains) / losses		(1,960,439)	196,103
Cash flows from operating profit before changes in operating assets and liabilities		**39,334,038**	**16,183,496**
Changes in operating asset and liabilities:			
Net decrease in finance lease receivables		17,183,688	14,830,275
Net increase factoring receivables		(12,196,109)	(48,657,826)
Net decrease in other assets and prepaid expenses		(9,082,523)	636,992
Net increase in assets held for sale	11	(7,411,850)	(758,700)
Net increase in accounts payables		5,218,846	(253,460)
Net decrease in other liabilities		1,556,569	(337,256)
Net decrease / (increase) in blocked deposits		7,972,327	(20,387,100)
Net increase in taxes payable		(859,012)	37,537
Net cash (used in) / provided from operating activities		**41,715,974**	**(38,706,042)**
Cash flows (used in) / provided from investing activities			
Net increase in investment securities		14,292,664	(2,863,067)
Purchase of property, plant and equipment	9	(37,904)	(21,208)
Purchase of intangible assets - net of disposals	10	(8,943)	(55,122)
Proceeds on disposal of property, plant and equipment	9	133,269	15,000
Net cash used in investing activities		**14,379,086**	**(2,924,397)**
Cash flows from financing activities			
Net payments to borrowed funds		(40,104,168)	42,556,239
Bonds issued		(15,000,000)	-
Net cash provided from / (used in) financing activities		**(55,104,168)**	**42,556,239**
Net increase / (decrease) in cash and cash equivalents	5	990,892	925,800
Effect of foreign exchange rate changes on cash and cash equivalents		1,960,439	(196,103)
Cash and cash equivalents at beginning of the period	5	2,269,043	1,539,346
Cash and cash equivalents at end of the period		**5,220,374**	**2,269,043**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Pamuk Factoring A.Ş. ("the Company") was incorporated in 1992 with the name of Direct Factoring Anonim Şirketi and taken over by Savings Deposit and Insurance Fund ("SDIF") in 2002. The Company has been transferred to Karadeniz Holding A.Ş. and started both domestic and export factoring services to industrial and commercial enterprises in Turkey in 2007. The registered office address of the Company is Büyükdere Caddesi Şarlı İş Merkezi No:103 A Blok Kat:7 34394 Mecidiyeköy İstanbul / Turkey.

Based on the decision of Banking Regulation and Supervision Agency ("BRSA") dated 28 May 2008 No: 2626 the Company is entitled to operate in factoring business in accordance with Regulation on the Incorporation and Operating Principles of Leasing, Factoring and Finance Companies.

The main shareholder of the Company is Karadeniz Holding A.Ş. as at 31 December 2011, the number of employees in the Company is 21 (2010: 14).

The Company and its subsidiary (hereafter referred to as "the Group") are currently organised into two operating divisions, factoring and leasing. These divisions are the basis on which the Group reports its primary segment information.

The accompanying consolidated financial statements, Pamuk Factoring A.Ş. and its subsidiary's balances and transactions with related parties as of 31 December 2011 and for the year then ended have significant weight on the financial position and operating results of the Pamuk Factoring A.Ş. and its subsidiary.

These financial statements as at and for the year ended 31 December 2011 have been approved for the issue by the Board of Directors on 9 March 2012.

The subsidiary of the Company is explained below:

Pamuk Finansal Kiralama Anonim Şirketi

Pamuk Finansal Kiralama A.Ş. ("the Subsidiary") was incorporated in April 1990 to operate in Turkey under the provisions of the Turkish Financial Leasing Law number 3226. The subsidiary started leasing operations in 1990 and its head office is located at Büyükdere Caddesi Şarlı İş Merkezi No:103 A Blok Kat:7 34394 Mecidiyeköy İstanbul / Turkey. The subsidiary is engaged in leasing of industrial machinery, real estate, office equipment, and various equipment and transport vehicles. The previous name of the entity, Interlease - Inter Finansal Kiralama Anonim Şirketi has changed to Pamuk Finansal Kiralama Anonim Şirketi on 2 January 2000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial information

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The financial statements are based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held for trading and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

Restatement for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of TL (Note 2.u) in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in this financial information.

Consolidation principles

This consolidated financial information includes the accounts of the subsidiary company, Pamuk Finansal Kiralama A.Ş. The financial information of the Subsidiary included in the consolidation is based on the accounting principles and presentation basis applied by the Group in accordance with IFRS. The result of operations of the Subsidiary is included or excluded in this consolidated financial information subsequent to the date of acquisition or date of sale respectively. Where necessary, accounting policies for the Subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Subsidiary is the entity in which the Company has the power to control the financial and operating policies for the benefit of itself either (1) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby Pamuk Factoring A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them; or (2) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies. Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by Pamuk Factoring A.Ş. and indirectly by its Subsidiary.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The ownership of the Subsidiary which is included in the consolidation as of 31 December 2011 and 31 December 2010 is as follows:

	Direct and indirect Control (%) 2011	Direct and indirect Control (%) 2010
Pamuk Finansal Kiralama A.Ş.	99.99	99.99

The balance sheet and income statement of the Subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by Pamuk Factoring A.Ş. and its Subsidiary is eliminated against the related equity. Intercompany transactions and balances between Pamuk Factoring A.Ş. and its Subsidiary are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Pamuk Factoring A.Ş. in its Subsidiary are eliminated from equity and income for the period, respectively.

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired, plus any costs directly attributable to the business combination. The acquired's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised 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. If, after reassessment, the Group's interest in the net fair value of the acquired's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination; the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquired is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Changes in standards and interpretations

a) *Amendments to published standards and interpretations effective 1 January 2012*

The application of the amendments and interpretations listed below did not result in substantial changes to the Company's accounting policies:

- IAS 32 (amendment), "Financial instruments: Presentation", is effective for annual periods beginning on or after 1 February 2010. The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity. The amendment should be applied retrospectively. Early adoption is permitted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). Early adoption is permitted. The interpretation should be applied retrospectively from the beginning of the earliest comparative period presented, as adoption in earlier periods would result only in a reclassification of amounts within equity.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2010. The amendment Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7. Earlier adoption is permitted. Early adoption is required for a first-time adopter that has a first reporting period that begins earlier than 1 July 2010 in order to benefit from the disclosure relief.

- IAS 24 (revised), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. The amendment also results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.

- Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

b) Interpretations issued but not yet effective

The Company has chosen not to adopt early the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2012:

- IFRS 7 (amendment), "Financial instruments: Disclosures", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 12 (amendment), "Income taxes", is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10, "financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, Stripping costs in the production phase of a surface mine.

Early adoption of standards

The Group did not early-adopt new or amended standards at 31 December 2011.

Cash and cash equivalents

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

Sale and repurchase agreements

Securities purchased under agreements to resell ("reverse repos") are recorded under due from banks.

Factoring receivables

Factoring receivables originated by the Group by providing money directly to the borrowers are considered as factoring receivables and are carried at amortised cost. All factoring receivables are recognised when cash is advanced to borrowers against their domestic and foreign receivables.

Accounting for leases (where the Group is a lessor)

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for impairment of factoring receivables and lease receivables

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

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

Factoring receivables, investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the provision for impaired receivables. Such receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for impairment of factoring, lease and accounts receivables for the period (Notes 6 and 7).

Property and equipment

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

Buildings	50 years
Furniture and fixtures	5 - 6 years
Office equipment and motor vehicles	2 - 15 years
Leasehold improvements	Shorter of lease period or useful lives

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

Expenses for the repair of property and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets mainly comprise rights and are carried at cost less accumulated amortization. Expenditure to acquire software licenses is capitalized and amortized by using the straight-line method over their useful lives of 3 or 5 years.

Investments

Investments are classified as i) the available-for-sale assets ii) held-to-maturity investments. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Investments, which have certain and fixed return with a certain maturity date and which management has both the intent and the ability to hold to maturity are classified as held-to-maturity investments. Management determines the appropriate classification of its investments at the time of the purchase.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it. Available-for-sale investments are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be transferred to income statement. Unlisted equity securities for which fair values cannot be measured reliably are recognised at cost after deductions for any impairment (Note 12).

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and interest rate swaps are initially recognised in the balance sheet at their fair value and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement" and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 30 June 2010. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 15).

Discontinued operations and non-current assets (or disposal groups) held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations. Discontinued operation is a part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. Net assets related with the discontinued operations are measured at fair value less cost to sell.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

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

Bonds Issued

Bonds issued are initially recognised at fair value less transaction costs incurred. Bonds issued are subsequently measured at amortised cost and any difference between net proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the bond using the effective yield method (Note 14).

Deferred income taxes

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

The principal temporary differences arise from the provision for impaired receivables, provision for legal proceedings and derivative financial instruments (Note 19).

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

Provisions

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

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

Reserve for employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in this consolidated interim financial information as they are earned. The total provision represents the present value of the future probable obligation of the Group arising from the retirement of the employees (Note 18).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notice pay liability

In accordance with the social security legislation in Turkey, the Group is required to give notice of between two and eight weeks to employees for termination of employment or to make payments for the notice period calculated on the basis of the current salary of the employee.

No provision for notice pay has been made in the consolidated interim financial information, as the management do not expect the Group to make any significant terminations in the foreseeable future.

Revenue recognition

Factoring services income is interest income on advances to customers. Commission income is a percentage of the value of invoices subject to factoring. Factoring services income and other income and expenses are recognised on the accrual basis, except commissions for factoring services rendered which are recorded as income when received.

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

Future gross lease rentals receivable, net off unearned future lease income, is classified as the net finance lease receivables.

Interest income and expense

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Fee and commission income and expenses

Fee and commission income and expenses are recognised on accrual basis. Commission income and fees for certain banking services such as import and export-related services, issuance of letters of guarantee, clearing, brokerage and custody services are recorded as income at the time of effecting the transactions to which they relate.

Foreign currency transactions

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

Related parties

For the purpose of this consolidated interim financial information, the shareholders, key management personnel and Board of Directors members, the Karadeniz Holding A.Ş. and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 26).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated interim balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Comparatives

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

Consolidated interim financial information of the Group has been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial information is changed, in order to maintain consistency, financial information of the prior periods is also reclassified in line with the related changes.

Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include cash and due from banks with original maturity periods of less than three months (Note 5).

NOTE 3 - FINANCIAL RISK MANAGEMENT

Capital management

According to 23rd Article of "Regulation on the Establishment and Operations of Factoring, Leasing, and Consumer Finance Companies" which was published in the Official Gazette dated 10 October 2006, total volume of factoring receivables granted by factoring companies cannot exceed 30 times of the statutory equity. As of 31 December 2011, total volume of factoring receivables granted by the Group is 1.18 times (2010: 1.51 times) of statutory equity.

Financial risk factors

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

Credit risk

Credit risk refers to the risk that the 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 and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical concentration of assets and liabilities at 31 December 2011 and 31 December 2010 is as follows:

31 December 2011	Total assets	%	Total liabilities	%
Turkey	224,043,302	93	58,871,489	73
Other European countries	17,544,997	7	21,992,163	27
Malta, Bahrain and other countries	-	-	-	-
	241,588,299	**100**	**80,863,652**	**100**

31 December 2010	Total assets	%	Total liabilities	%
Turkey	222,389,024	90	89,591,616	77
Other European countries	2,086,147	1	-	-
Malta, Bahrain and other countries	23,180,695	9	26,992,236	23
	247,655,866	**100**	**116,583,852**	**100**

Maximum exposure to credit risk

	31 December 2011	31 December 2010
Due from banks	22,167,727	27,195,517
Finance lease receivables, net	82,380,428	107,611,801
Factoring receivables, net	119,150,033	106,549,351
Other assets	9,068,087	758,879
	232,772,795	**242,115,548**

The above table represents the worst case scenario of credit risk exposure.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

Currency risk

The Group undertakes certain transactions denominated in foreign currency. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through asset-liability balancing transactions.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ and EUR.

The table below shows the Group's sensitivity against 10% change in US$ and EUR rates against TL in the consolidated interim income statement. In this analysis it has been assumed that all other variables, especially interest rates, are being held constant.

	US$ Impact		EUR Impact	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Profit and loss	±10,502,055	± 8,794,031	±365,225	± 411,172

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below:

	Foreign currency				
31 December 2011	**US$**	**EUR**	**Other**	**TL**	**Total**
Assets					
Cash and due from banks	6,677,725	779,332	-	14,717,190	22,174,247
Finance lease receivables	59,859,394	2,638,899	-	19,882,135	82,380,428
Factoring receivables	67,924,081	285,888	-	50,940,064	119,150,033
Investment securities available-for-sale	-	-	-	8,310,294	8,310,294
Other assets and prepaid expenses	4,721	5,376	-	9,057,990	9,068,087
Property and equipment, net	-	-	-	66,812	66,812
Intangible assets, net	-	-	-	44,564	44,564
Asset held for sale	-	-	-	7,528	7,528
Deferred tax asset	-	-	-	386,306	386,306
Total assets	**134,465,921**	**3,709,495**	**-**	**103,412,883**	**241,588,299**
Liabilities					
Borrowings and bonds issued	29,130,423	-	-	44,321,794	73,452,217
Derivative financial instruments	256,132	-	-	-	256,132
Accounts payable	46,591	50,324	-	5,254,104	5,351,019
Current tax liabilities	-	-	-	908,671	908,671
Employment benefit obligations	-	-	-	227,109	227,109
Other liabilities	12,218	6,918	-	649,368	668,504
Total liabilities	**29,445,364**	**57,242**		**51,361,046**	**80,863,652**
Net balance sheet position	**105,020,557**	**3,652,253**	**-**	**52,051,837**	**160,724,647**

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign currency				
31 December 2010	**US$**	**EUR**	**Other**	**TL**	**Total**
Assets					
Cash and due from banks	12,229,003	292,425	-	14,674,089	27,195,517
Finance lease receivables	80,908,641	3,848,537	-	22,854,623	107,611,801
Factoring receivables	40,167,104	70,725	-	66,311,522	106,549,351
Investment securities available-for-sale	-	-	-	7,528	7,528
Other assets and prepaid expenses	3,858	4,508	-	750,513	758,879
Property and equipment, net	-	-	-	105,093	105,093
Intangible assets, net	-	-	-	54,345	54,345
Asset held for sale	-	-	-	898,444	898,444
Deferred tax asset	-	-	-	4,474,908	4,474,908
Total assets	**133,308,606**	**4,216,195**	**-**	**110,131,065**	**247,655,866**
Liabilities					
Borrowings and bonds issued	44,796,485	-	-	70,386,996	115,183,481
Derivative financial instruments	526,618	-	-	-	526,618
Accounts payable	1,517	3,581	-	127,075	132,173
Current tax liabilities	-	-	-	213,050	213,050
Employment benefit obligations	-	-	-	156,659	156,659
Other liabilities	43,681	100,897	-	227,295	371,873
Total liabilities	**45,368,301**	**104,478**	**-**	**71,111,075**	**116,583,854**
Net balance sheet position	**87,940,305**	**4,111,717**	**-**	**39,019,990**	**131,072,012**

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2011	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and due from banks	4,653,194	17,304,849	-	573,180	22,531,223
Finance lease receivables	2,976,259	28,174,788	47,178,042	16,951,155	95,280,244
Factoring receivables	91,743,768	27,593,549	-	1,153,190	120,490,507
Other assets and prepaid expenses	2,877,526	4,715,946	1,055,200	419,415	9,068,087
Investment securities available for sale	-	-	-	7,528	7,528
Property and equipment	-	-	-	66,812	66,812
Intangible assets	-	-	-	44,564	44,564
Asset held for sale	-	8,236,279	-	74,015	8,310,294
Deferred tax asset	-	-	386,306	-	386,306
Total assets	**102,250,747**	**86,025,411**	**48,619,548**	**19,289,859**	**256,185,565**
Liabilities					
Borrowings and bonds issued	39,479,187	18,966,779	16,931,266	-	75,377,232
Derivative financial instruments	-	256,132	-	-	256,132
Accounts payable	111,819	5,239,200	-	-	5,351,019
Current tax liabilities	908,671	-	-	-	908,671
Employment benefit obligations	-	-	227,109	-	227,109
Other liabilities	521,812	-	-	146,692	668,504
Total liabilities	**41,021,489**	**24,462,111**	**17,158,375**	**146,692**	**82,788,667**
Net liquidity gap	**61,229,258**	**61,563,300**	**31,461,173**	**19,143,167**	**173,396,898**
Derivative financial instruments					
Cash inflows	-	279,945	301,303	-	581,248
Cash outflows	-	419,830	419,066	-	838,896

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2010	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and due from banks	25,671,350	-	-	1,573,078	27,244,428
Finance lease receivables	3,849,843	35,581,560	66,544,188	17,123,691	123,099,282
Factoring receivables	79,875,748	28,058,121	-	-	107,933,869
Other assets and prepaid expenses	464,113	248,020	-	46,746	758,879
Investment securities available for sale	-	-	-	7,528	7,528
Property and equipment	-	-	-	105,093	105,093
Intangible assets	-	-	-	54,345	54,345
Asset held for sale	-	824,429	-	74,015	898,444
Deferred tax asset	-	-	4,474,908	-	4,474,908
Total assets	**109,861,054**	**64,712,130**	**71,019,096**	**18,984,496**	**264,576,776**
Liabilities					
Borrowings and bonds issued	59,236,112	44,289,185	18,767,121	-	122,292,418
Derivative financial instruments	-	526,618	-	-	526,618
Accounts payable	132,173	-	-	-	132,173
Current tax liabilities	213,050	-	-	-	213,050
Employment benefit obligations	-	-	156,659	-	156,659
Other liabilities	225,180	-	-	146,692	371,872
Total liabilities	**59,806,515**	**44,815,803**	**18,923,780**	**146,692**	**123,692,790**
Net liquidity gap	**50,054,539**	**19,896,327**	**52,095,316**	**18,837,804**	**140,883,986**
Derivative financial instruments					
Cash inflows	-	703,714	476,535	-	1,180,249
Cash outflows	-	1,024,591	686,608	-	1,711,199

Interest rate risk

The Group is exposed to interest rate risk due to borrowings, factoring receivables and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, factoring receivables and finance lease receivables.

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

Interest rate sensitivity

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

- Profit for the period ended 31 December 2011 would decrease/ increase by TL199.598 (2010: TL575,473). This is mainly attributable to the Group's exposure to interest rates on its variable rate receivables and borrowings;

The tables below summarises average effective interest rates by major currencies for monetary financial instruments at 31 December 2011 and 31 December 2010:

	31 December 2011			31 December 2010		
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and due from banks						
- time deposits	5.61	1.00	8.88	2.88	-	8,33
Factoring receivables	11.00	11.13	20.66	11.02	-	17.08
Finance lease receivables	10.36	14.43	26.06	10.35	13.44	27.44
Liabilities						
Borrowings	4.55	-	13.89	4.51	-	9.76
Bonds issued	-	-	12.00	-	-	16.15

The table below summarises the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the repricing or contractual dates whichever is earlier.

31 December 2011	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and due from banks	3,888,632	16,947,873	-	1,337,742	22,174,247
Finance lease receivables	3,453,773	26,729,759	39,760,785	12,436,111	82,380,428
Factoring receivables	92,812,804	26,337,230	-	-	119,150,033
Investment securities available for sale	-	-	-	7,528	7,528
Other assets and prepaid expenses	-	-	-	9,068,087	9,068,087
Property and equipment	-	-	-	66,812	66,812
Intangible assets	-	-	-	44,564	44,564
Asset held for sale	-	-	-	8,310,294	8,310,294
Deferred tax asset	-	-	-	386,306	386,306
Total assets	**100,155,209**	**70,014,862**	**39,760,785**	**31,657,444**	**241,588,299**
Liabilities					
Borrowings and bonds issued	38,976,456	34,475,761	-	-	73,452,217
Derivative financial instruments	-	256,132	-	-	256,132
Accounts payable	-	-	-	5,351,019	5,351,019
Current tax liabilities	-	-	-	908,671	908,671
Employment benefit obligations	-	-	-	227,109	227,109
Other liabilities	-	-	-	668,504	668,504
Total liabilities	**38,976,456**	**34,731,893**	**-**	**7,155,303**	**80,863,652**
Net re-pricing gap	**61,178,753**	**35,282,969**	**39,760,785**	**24,502,141**	**160,724,647**
Derivative financial instruments					
Cash inflows	-	279,945	301,303	-	581,248
Cash outflows	-	419,830	419,066	-	838,896

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2010	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and due from banks	25,622,439	-	-	1,573,078	27,195,517
Finance lease receivables	2,729,075	28,163,414	59,595,621	17,123,691	107,611,801
Factoring receivables	78,902,018	27,647,334	-	-	106,549,352
Investment securities available for sale	-	-	-	7,528	7,528
Other assets and prepaid expenses	-	-	-	758,879	758,879
Property and equipment	-	-	-	105,093	105,093
Intangible assets	-	-	-	54,345	54,345
Asset held for sale	-	-	-	898,444	898,444
Deferred tax asset	-	-	-	4,474,908	4,474,908
Total assets	**107,253,532**	**55,810,748**	**59,595,621**	**24,995,966**	**247,655,867**
Liabilities					
Borrowings and bonds issued	25,464,706	89,718,775	-	-	115,183,481
Derivative financial instruments	-	526,618	-	-	526,618
Accounts payable	-	-	-	132,173	132,173
Current tax liabilities	-	-	-	213,050	213,050
Employment benefit obligations	-	-	-	156,659	156,659
Other liabilities	-	-	-	371,872	371,872
Total liabilities	**25,464,706**	**90,245,393**	**-**	**873,754**	**116,583,853**
Net re-pricing gap	**81,788,826**	**(34,434,645)**	**59,595,621**	**24,122,212**	**131,072,014**
Derivative financial instruments					
Cash inflows	-	1,448,197	-	-	1,448,197
Cash outflows	-	768,991	1,024,759	-	1,793,750

Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and insurance are employed as main methods.

Fair value of financial instruments

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

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

The fair values of certain financial assets carried at cost, including cash and due from banks and financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of factoring receivables and foreign currency options is also considered to approximate the carrying value due to their short-term nature.

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

The table below indicates the fair value of the financial assets which are measured at amortized cost in the balance sheet.

	Carrying amount		Fair value	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Finance lease receivables	82,380,428	107,611,801	87,277,835	114,476,672
Borrowings	73,452,217	113,453,092	74,445,144	115,749,671
Bonds issued	-	1,730,389	-	1,815,233

Fair value hierarchy

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

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

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

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

There are no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

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

31 December 2011

	Level 1	Level 2	Level 3
Fair value measurement of derivative financial instruments	-	256,132	-
Total liabilities	**-**	**256,132**	**-**

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2010

	Level 1	Level 2	Level 3
Fair value measurement of derivative financial instruments	-	526,618	-
Total liabilities	**-**	**526,618**	**-**

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of interim financial information requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

Fair value of derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values of the derivative transactions are calculated based on a valuation technique which includes the use of discounted cash flow models which use observable market data. Accordingly, the fair values of the derivative transactions are classified under "fair value hierarchy two" according to the revised IFRS 7. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Allowance for impairment of finance lease and factoring receivables

A credit risk provision for impairment of finance lease receivables and factoring receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables and factoring receivables are based on the aging of these receivable balances and the trend of collection performance. Regarding the portfolio provision, the Group uses historical probability of default and loss given default rates based on the statistical data which characterizes the current market conditions and quality of the loan portfolio of the Group.

Deferred income tax asset recognition

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 5 - CASH AND DUE FROM BANKS

At 31 December 2011 and 2010 cash and due from banks comprised of the following:

	2011			2010		
	Foreign Currency	TL	Total	Foreign Currency	TL	Total
Cash in hand	-	6,520	6,520	-	1,802	1,802
Due from banks:						
- demand deposits	682,295	648,927	1,331,222	513,308	1,057,968	1,571,276
- time deposits	6,774,762	14,061,743	20,836,505	12,008,120	13,614,319	25,622,439
	7,457,057	**14,717,191**	**22,174,247**	**12,521,428**	**14,674,089**	**27,195,517**

The Group has blocked deposits amounting TL16,953,873 against its borrowings as of 31 December 2011 (2010: TL24,926,200).

For the purposes of the cash flow statement, cash and cash equivalents amounting to TL5,220,374 (2010: TL2,269,317) comprised from cash and due from banks excluding accrued interest.

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	2011	2010
Gross finance lease receivables	82,610,258	104,894,647
Invoiced lease receivables	233,875	1,080,944
Unearned finance income	(12,899,816)	(15,487,481)
	69,944,317	**90,488,110**
Impaired lease receivables	18,160,046	21,056,764
Less: provision for impairment	(5,723,935)	(3,933,073)
Net finance lease receivables	**82,380,428**	**107,611,801**

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

	2011	2010
Gross finance lease receivables:		
Fixed rate	82,610,258	104,894,647
Floating rate	-	-
	82,610,258	**104,894,647**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

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

	Finance lease receivables	
Year ending	**Gross 2011**	**Net performing 2011**
31 December 2011	35,666,091	30,183,532
31 December 2012	35,068,376	32,245,807
31 December 2013	7,159,567	4,399,242
31 December 2014	2,447,033	1,116,079
31 December 2015 and after	2,503,066	1,999,657
	82,844,133	**69,944,317**

	Finance lease receivables	
Year ending	**Gross 2010**	**Net performing 2010**
31 December 2011	39,431,403	30,892,489
31 December 2012	36,918,327	32,067,472
31 December 2013	28,284,569	26,328,910
31 December 2014	1,173,193	1,084,815
31 December 2015 and after	168,099	114,424
	105,975,591	**90,488,110**

Finance lease receivables can be analyzed as follows:

Year ending	**2011**	**2010**
Neither past due nor impaired	69,710,442	89,407,166
Past due but not impaired	233,875	1,080,944
Impaired	18,160,046	21,056,764
Less: provision for impairment	(5,723,935)	(3,933,073)
Net finance lease receivables	**82,380,428**	**107,611,801**

The total provision for impairment for finance lease receivables at 31 December 2011 is TL5,723,935 (2010: TL3,933,073) of which TL3,127,425 (2010: TL3,093,000) represents the individually impaired loans and the remaining amount of TL2,596,510 (2010: TL840,073) represents the portfolio provision in the performing portfolio.

As at 31 December 2011 total collaterals amounting to TL15,898,621 for amounts not exceeding the risk (2010: TL3,093,000) is obtained for finance lease receivables. The portion of these collaterals amounting to TL17,406,000 (2010: TL16,689,316) is obtained for impaired finance lease receivables.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

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

	2011	
	Invoiced amount	**Remaining principal amount**
0-30 days	-	-
30-60 days	17,975	8,337,989
60-90 days	215,900	739,910
	233,875	**9,077,899**

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

	2010	
	Invoiced amount	**Remaining principal amount**
0-30 days	116,506	10,203,686
30-60 days	2,820	2,738
60-90 days	961,618	15,549,852
	1,080,944	**25,756,276**

As at 31 December 2011 the aging of impaired finance lease receivables are as follows:

	2011		
	Invoiced amount	**Remaining principal amount**	**Total**
90-150 days	-	-	-
151-240 days	-	-	-
241-360 days	54,347	98,023	152,370
1 year and over	1,538,302	16,469,374	18,007,676
	1,592,649	**16,567,397**	**18,160,046**

	2010		
	Invoiced amount	**Remaining principal amount**	**Total**
90-150 days	-	-	-
151-240 days	746,370	1,905,399	2,651,769
241-360 days	299,050	1,020,873	1,319,923
1 year and over	3,450,529	13,634,543	17,085,072
	4,495,949	**16,560,815**	**21,056,764**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

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

	2011	2010
Balance at 1 January	3,933,073	3,769,312
Impairment expense during the period	2,396,105	1,357,414
Recoveries of amounts previously provided for (Note 23)	(605,243)	(1,193,653)
	5,723,935	**3,933,073**

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

	2011	%	2010	%
Financial Institutions	57,305,300	67	63,242,002	59
Forestry products	10,735,674	13	12,514,716	12
Rubber products	9,658,883	12	10,041,814	9
Textile	2,078,526	3	11,766,488	11
Energy and natural sources	1,582,464	2	5,483,522	5
Leather and leather products	676,696	1	1,126,594	1
Food and beverage	90,356	-	188,810	1
Electicity, gas and water sources	-	-	896,791	1
Other	716,234	2	714,854	1
	82,844,133	**100**	**105,975,591**	**100**

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

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

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

As of 31 December 2011 and 2010 the Company obtained the following collaterals from its customers except for the assets subject to finance lease, against their outstanding exposures:

	2011	2010
Mortgages	15,882,463	31,888,328
Pledged securities	16,158	5,100,721
	15,898,621	**36,989,049**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

As at 31 December 2011 total collaterals amounting to TL15,898,621 for amounts not exceeding the risk (31 December 2010: TL36,989,049) is obtained for finance lease receivables. The portion of these collaterals amounting to TL17,406,000 (31 December 2010: TL16,689,316) is obtained for impaired finance lease receivables.

Finance lease receivables are further analyzed as a part of the balance sheet in the notes: related party transactions (Note 25) and financial risk management (Note 3).

NOTE 7 - FACTORING RECEIVABLES

	2011	2010
Domestic transactions	52,383,667	67,972,452
Export transactions	68,209,969	40,237,829
Less: unearned revenue	(1,340,474)	(973,731)
Gross factoring receivables	**119,253,162**	**107,236,550**
Impaired factoring receivables	6,899,606	6,656,059
Less: provision for impairment	(7,002,735)	(7,343,258)
Factoring receivables, net	**119,150,033**	**106,549,351**

Unearned revenue represents advance collections of factoring fees, recognised on pro-rata basis over the term of the collection of factoring receivables.

At 31 December 2011, there is no irrevocable export factoring receivables (2010: None). In addition, there is no irrevocable transactions recognised under off-balance sheet accounts at 31 December 2011.

Factoring receivables	2011	2010
Fixed rate	28,036,214	48,312,038
Floating rate	99,457,028	66,554,302
	127,493,242	**114,866,340**

Maturity analysis of the net factoring receivables is as follows:

	2011	2010
Up to 1 month	5,519,938	32,918,270
1 month to 3 month	87,292,866	47,313,877
3 month to 1 year	26,337,229	26,317,204
1 year and over	-	-
	119,150,033	**106,549,351**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 7 - FACTORING RECEIVABLES (Continued)

Factoring receivables can be analyzed as follows:

	2011	2010
Neither past due nor impaired	119,130,562	107,051,461
Past due but not impaired	122,600	185,089
Impaired	6,899,606	6,656,059
Gross	**126,152,768**	**113,892,609**
Less: provision for impairment	(7,002,735)	(7,343,258)
Net factoring receivables	**119,150,033**	**106,549,351**

Total provision for impairment for factoring receivables at 31 December 2011 is TL7,002,735 (2010: TL7,343,258) of which TL5.746.416 (2010: TL6,013,129) represents the individually impaired loans and the remaining amount of TL1,256,319 (2010: TL1,330,129) represents the portfolio provision in the performing portfolio.

Factoring receivables past due but not impaired are as follows:

	2011	2010
Past due up to 30 days	52,600	92,636
Past due 30-90 days	70,000	92,453
	122,600	**185,089**

Examples of exposures designated past due but not considered impaired include factoring receivables fully secured by cash collaterals, mortgages past due for technical reasons such as delays in documentation, but there is no concern over the creditworthiness of the counterparty.

Aging analysis of the impaired factoring receivables is as follows:

	2011	2010
3 month to 1 year	677,266	806,886
1 year and over	6,222,340	5,849,173
	6,899,606	**6,656,059**

Movement in the provision for impaired factoring receivables during the year is as follows:

	2011	2010
Balance at 1 January	**7,343,258**	**6,507,383**
Charge for the year	461,961	864,275
Reversal of specific provision	(73,810)	-
Recoveries of amounts previously provided (Note 22)	(728,674)	(28,400)
Balance at 31 December	**7,002,735**	**7,343,258**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 7 - FACTORING RECEIVABLES (Continued)

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. There are no renegotiated factoring receivables that would otherwise be past due or impaired at 31 December 2011 (2010: None).

As of 31 December 2011 and 2010 the Group obtained the following collaterals from its customers against their outstanding exposures:

	2011	2010
Cheques and notes received	32,073,227	68,151,405
Guarantee cheques and notes received	6,893,273	21,283,273
Mortgages	13,158,450	16,070,825
	52,124,950	**105,505,503**

As of 31 December 2011, the Group has the following mortgages related with the factoring receivables amounting to TL13,158,450 (2010: TL16,070,825).

Economic sector risk concentrations of gross factoring receivables (after adding back unearned revenue and impaired factoring receivables) are as follows:

	2011	%	2010	%
Electricity and water resources	91,295,688	72	47,056,087	41
Land and sea transportation	5,947,150	5	3,847,242	3
Textile	4,618,823	4	12,290,707	11
Services	3,851,106	3	4,031,841	4
Furniture industry	3,304,767	3	2,601,604	2
Food and beverage	3,187,712	3	3,229,800	3
Sport activities	3,031,567	2	17,582,787	15
Automotive	2,480,233	2	1,762,165	2
Petroleum and nuclear recourses	1,733,139	1	1,535,527	1
Industrial	1,486,985	1	2,803,632	2
Construction	931,620	1	8,112,145	7
Chemical products	786,933	1	1,280,402	1
Manufacturing	499,880	-	1,717,341	2
Other	4,337,639	2	7,015,060	6
	127,493,242	**100**	**114,866,340**	**100**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	2011	2010
Ongoing leasing transactions work in progress	4,515,044	-
Prepaid taxes and funds	2,847,641	392,907
Receivables from sales on credit	994,405	-
Prepaid expenses	200,902	246,539
Advances given	60,795	1,480
Insurance receivables	29,885	71,206
Other	419,415	46,747
	9,068,087	**758,879**

NOTE 9 - PROPERTY AND EQUIPMENT

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Buildings	18,829	-	-	18,829
Motor vehicles	344,455	14,000	(344,455)	14,000
Furniture and fixtures	752,247	19,610	-	771,857
Leasehold improvements	364,454	4,294	-	368,748
	1,479,985	**37,904**	**(344,455)**	**1,173,434**
Accumulated depreciation				
Buildings	(3,547)	(360)	-	(3,907)
Motor vehicles	(276,765)	(40,597)	316,662	(700)
Furniture and fixtures	(737,422)	(6,542)	-	(743,964)
Leasehold improvements	(357,158)	(893)	-	(358,051)
	(1,374,892)	**(48,392)**	**(316,662)**	**(1,106,622)**
Net book value	**105,093**			**66,812**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 9 - PROPERTY AND EQUIPMENT (Continued)

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Buildings	18,829	-	-	18,829
Motor vehicles	359,455	-	(15,000)	344,455
Furniture and fixtures	738,651	13,596	-	752,247
Leasehold improvements	356,842	7,612	-	364,454
	1,473,777	**21,208**	**(15,000)**	**1,479,985**
Accumulated depreciation				
Buildings	(3,170)	(377)	-	(3,547)
Motor vehicles	(218,001)	(64,264)	5,500	(276,765)
Furniture and fixtures	(728,240)	(9,182)	-	(737,422)
Leasehold improvements	(356,517)	(641)	-	(357,158)
	(1,305,928)	**(74,464)**	**5,500**	**(1,374,892)**
Net book value	**167,849**			**105,093**

NOTE 10 - INTANGIBLE ASSETS

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Software	1,111,287	8,943	(17,998)	1,102,232
Accumulated amortization				
Software	(1,056,942)	18,724	(17,998)	1,057,668
Net book value	**54,345**			**44,564**

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Software	1,056,165	55,122	-	1,111,287
Accumulated amortization				
Software	(1,041,729)	(15,213)	-	(1,056,942)
Net book value	**14,436**			**54,345**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 11 - ASSETS HELD FOR SALE

	2011	2010
Repossessed Collaterals - Land	8,310,294	898,444
	8,310,294	**898,444**

	1 January 2011	Additions	Disposals	Depreciation	31 December 2011
Land	864,047	-	(33,502)	-	830,545
Buildings	34,397	8,198,802	(2,399,121)	-	5,834,078
Motor vehicles	-	388,216	(388,216)	-	-
Furniture and fixtures	-	1,645,671	-	-	1,645,671
Net book value	**898,444**				**8,310,294**

	1 January 2010	Additions	Disposals	Depreciation	31 December 2010
Land	114,047	750,000	-	-	864,047
Buildings	33,000	8,700	-	(7,303)	34,397
Net book value	**147,047**	**758,700**	-	**(7,303)**	**898,444**

NOTE 12 - INVESTMENT SECURITIES AVAILABLE FOR SALE

	2011		2010	
	Share %	**TL**	**Share %**	**TL**
Çukurova Havacılık A.Ş.	0.03	7,528	0.03	7,528
		7,528		**7,528**

NOTE 13 - TRADING SECURITIES

	2011	2010
Common stock	-	-
	-	-

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 14 - BORROWINGS AND BONDS ISSUED

a) Bank Borrowings:

Borrowings at 31 December 2011 and 2010 are set out below according to their currencies:

	2011			2010		
	Effective Interest %	Original Currency	TL	Effective Interest %	Original Currency	TL
Domestic banks						
Fixed rates						
TL	13.89	44,321,794	44,321,794	9.76	68,656,607	68,656,607
US$	8.00	3,779,051	7,138,260	3.75	11,516,331	17,804,247
Floating rates						
US$	Libor+ 2.70%	11,642,225	21,992,163	Libor+2.70%	17,459,404	26,992,238
			73,452,217			**113,453,092**

The maturity analysis of the bank borrowings is as follows:

	2011	2010
0 - 1 year	62,805,773	86,468,365
1 - 2 years	10,646,444	8,994,909
2 - 3 years	-	17,989,818
	73,452,217	**113,453,092**

b) Bond Issued

	2011	2010
Short term bond issued	-	1,725,000
Long term bond issued	-	-
Accrued interest payable	-	5,389
Total bills issued	-	**1,730,389**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
31 December 2011			
Interest rate swap			
USD	21,992,163	-	256,132
Total Over the Counter ("OTC")	21,992,163	-	256,132

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
31 December 2010			
Interest rate swap			
USD	26,992,238	-	(526,618)
Total Over the Counter ("OTC")	**26,992,238**	**-**	**(526,618)**

Interest rate swap transaction of the Company is for the purpose of eliminating the cash flow risk of floating rate borrowings, with Libor rate over six months plus 2.31% and a maturity of 30 December 2013, as conditional fixed interest payment.

This derivative financial transaction provides an effective protection for the company and accounted for "Financial instruments at fair value through profit or loss".

Derivative financial instruments are further analyzed as a part of the consolidated interim balance sheet in the notes: commitments and contingent liabilities (Note 26) and financial risk management (Note 3).

NOTE 16 - ACCOUNTS PAYABLE

	2011	2010
Payables to suppliers	5,351,019	132,173
	5,351,019	**132,173**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 17 - OTHER LIABILITIES

	2011	2010
Other liabilities and accrued expenses		
Customer excess payments	164,870	132,944
Provision for pending legal cases	146,692	146,692
Miscellaneous invoice payables	124,042	75,753
Commissions payable	14,123	11,738
Other	218,777	4,744
	668,504	**371,871**

	2011	2010
Current tax liabilities		
Corporation and income taxes	756,418	-
Banking Insurance Transaction Tax (BITT)	87,974	73,558
Withholding taxes	37,673	98,557
Social security premiums	26,606	28,388
Personnel income tax	-	12,547
	908,671	**213,050**

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS

	2011	2010
Employment benefit obligations:		
Reserve for employment termination benefits	97,909	92,551
Reserve for unused vacation	129,200	64,108
	227,109	**156,659**

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of 2,623.23 (2010: TL2,517.01) for each year of service.

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

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

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

	2011	2010
Discount rate (%)	4.66	4.66
Turnover rate to estimate the probability of retirement (%)	16	16

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of TL2,805.04 (1 January 2010: TL2,623.23) which is effective from 1 January 2011 has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

	2011	2010
1 January	**92,551**	**45,810**
Paid during the period	(75,490)	(27,222)
Provision for the period (Note 23)	80,847	73,963
	97,909	**92,551**

NOTE 19 - TAXATION

	2011	2010
Deferred tax asset	400,642	4,477,255
Deferred tax liability	14,337	(2,347)
Deferred tax asset, net	**386,306**	**4,474,908**

The taxation on income for the periods ended 31 December 2011 and 2010 are summarized as follows:

	2011	2010
Current tax expense	(1,603,111)	-
Deferred tax income/expense	(4,088,602)	183,794
Taxation income/expense	**(5,691,713)**	**183,794**

Corporate Income Tax Law has been changed with the law No. 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006. According to this, corporate tax rate applicable for the year 2010 is 20% (31 December 2009: 20%). Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions that take place in tax laws (exemptions for participation revenues and investment incentives) and discounts (R&D discount) from accounting profit of the Group.

No additional taxes are paid unless profit is distributed (except 19.8% withholding tax paid over used investment incentives).

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

NOTE 19 - TAXATION (Continued)

Corporations are required to pay advance corporation tax quarterly at a rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the closure of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

Due to investment allowances and previous year's losses of the Group that are considered as deductions from taxable income, the Group did not pay any corporate tax in 2011 and 2010.

Exemption for investment allowance

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

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

b) Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law No. 193, could solely be offset against income related to the years 2006, 2007 and 2008 in accordance with the current legislation as of 31 December 2005 (including provisions related to tax rate).

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

However, it was no longer possible to benefit from the carry-forward investment allowance amount left unused as of 31 December 2008.

In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 19 - TAXATION (Continued)

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

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

Deferred taxes

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2011	2010	2011	2010
Investment allowance	-	18,546,426	-	3,709,285
Portfolio provision finance lease receivables	-	840,073	-	168,015
Specific provision for finance lease receivables	-	2,147,425	-	429,485
Provision for legal proceedings	146,692	146,692	29,338	29,338
Employment benefit obligations	97,909	92,551	19,582	18,510
Derivative financial instruments	256,132	526,618	51,226	105,324
Provision for personnel vacation	129,200	64,108	25,840	12,821
Difference between carrying value and tax base of bonds	32,805	22,385	6,561	4,477
Difference between carrying value and tax base of property and equipment	-	-	-	-
Deffered income	1,340,474	-	268,095	-
Deferred tax asset			**400,642**	**4,477,255**
Difference between carrying value and tax base of property and equipment	(26,933)	(11,738)	(5,387)	(2,347)
Difference between carrying value and tax base of bonds	(44,745)	-	(8,949)	-
Deferred tax liability			**(14,336)**	**(2,347)**
Deferred tax asset, net			**386,306**	**4,474,908**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 20 - SHARE CAPITAL

	2011		2010	
	Share (%)	**TL**	**Share (%)**	**TL**
Karadeniz Holding A.Ş.	100	49,999,994	100	49,999,994
Süheyla Karadeniz	-	2	-	2
Osman Murat Karadeniz	-	2	-	2
Orhan Remzi Karadeniz	-	1	-	1
Ayşegül Karadeniz	-	1	-	1
	100	**50,000,000**	**100**	**50,000,000**
Adjustment to share capital		6,440,321		6,440,321
Total paid-in share capital		**56,440,321**		**56,440,321**

NOTE 21 - RETAINED EARNINGS AND LEGAL RESERVES

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

At 31 December 2011 and 31 December 2010, reserves held by the Group in the statutory financial information which were adjusted for the effects of inflation in accordance with tax law are as follows:

	2011	**2010**
Legal reserves	5,672,340	5,672,340

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 22 - OTHER INCOME/ (EXPENSE), NET

	2011	2010
Collections from doubtful receivables (Note 6 and 7)	1,333,917	1,222,053
Fixed asset sale income	1,584,858	32,787
Transaction expenses charged to customers	142,467	283,652
Cancellation of legal provision	-	201,797
Investment sale income	-	-
Other	78,528	334,928
Other income	**3,139,770**	**2,075,217**
Payment for legal cases	-	(422,000)
Bank charges	(58,612)	(412,745)
Loss on sale of leased assets	(570,961)	(343,999)
Disallowable expenses	(71,156)	-
Provisions for legal cases	-	(88,524)
Other	(74,434)	(105,251)
Other expenses	**(775,163)**	**(1,372,519)**
Other income, net	**2,364,607**	**702,698**

NOTE 23 - OPERATING EXPENSES

	2011	2010
Personnel expenses	2,838,945	2,241,984
Advisory and legal service expenses	696,220	447,347
Office expenses	246,168	300,532
Taxation	349,919	541,338
Rent expenses	159,310	150,096
Motor vehicle expenses	137,692	220,023
Legal expenses	192,303	266,756
Depreciation and amortisation (Note 9, 10 and 11)	86,740	96,980
Employment termination benefit expense (Note 18)	75,775	73,963
Communication expenses	56,405	44,686
Other	257,662	148,425
	5,097,139	**4,532,130**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 24 - FEE AND COMMISSION INCOME/ (EXPENSE)

	2011	2010
Fee and commission income on:		
Factoring commission	406,924	720,922
Leasing commission	576,491	695,381
Asset transfer income	30,791	33,794
Insurance intermediary	69	7,959
Other	10,668	82,437
	1,024,943	**1,540,493**
Fee and commission expense on:		
Financial intermediation expense	456,887	-
Factoring commission	11,929	-
Correspondent commission expense	569	-
Portfolio management commission	-	15,221
Other	-	44,285
	469,385	**59,506**
Net fee and commission income	**555,558**	**1,480,987**

NOTE 25 - SEGMENT REPORTING

Since the majority of revenues by segment operations derive from interest, the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, thus the total interest income and expense for all reportable segments are presented on a net basis.

There were no changes in the reportable segments during the period.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Board.

The Group has chosen business segments as the Group's primary segment reporting format. The Group manages its business through two strategic business units: Finance lease and Factoring. Chief Operating Decision Maker manages segment performance based on IFRS consolidated figures.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the interim consolidated statement of financial position, but exclude items such as taxation.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 25 - SEGMENT REPORTING (Continued)

The segment information provided to the Group Executive Board for the reportable segments for the period ended 31 December 2011 and 31 December 2010 is as follows:

31 December 2011

	Leasing	Factoring	Eliminations	Total
Assets	144,045,083	193,490,075	(95,946,859)	241,588,299
Liabilities	33,375,204	74,123,342	(26,634,894)	80,863,652
Net profit for the period	20,295,559	65,960,016	(56,602,942)	29,652,633

	Leasing	Factoring	Eliminations	Total
Purchase of property and equipment	1,412	18,198	-	19,610
Depreciation and amortisation	(52,917)	(33,823)	-	(86,740)

31 December 2010

	Leasing	Factoring	Eliminations	Total
Assets	180,243,328	177,642,589	(110,230,051)	247,655,866
Liabilities	33,119,106	124,235,873	(40,771,126)	116,583,853
Net profit for the period	14,814,227	(1,316,883)	(37,881)	13,459,463

	Leasing	Factoring	Eliminations	Total
Purchase of property and equipment	18,592	57,738	-	76,330
Depreciation and amortisation	(59,349)	(37,631)	-	(96,980)

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 25 - SEGMENT REPORTING (Continued)

Income statement by segment as of 31 December 2011

	Leasing	Factoring	Eliminations	Total
Interest income from direct finance leases	9,768,500	-	-	9,768,500
Factoring interest income	-	15,946,356	-	15,946,356
Interest income on placements and transactions with banks	1,343,041	22,656	-	1,365,697
Interest income from held-to-maturity investment securities	3,272,948	-	(3,272,948)	-
Interest income from overdue charges on finance lease & factoring receivables	402,464	30,435	-	432,899
Interest income	**14,786,953**	**15,999,447**	**(3,272,948)**	**27,513,452**
Interest expense on borrowings	(2,018,157)	(11,379,762)	5,285,818	(8,112,101)
Interest expense	**(2,018,157)**	**(11,379,762)**	**5,285,818**	**(8,112,101)**
Net interest income	**12,768,796**	**4,619,685**	**2,012,870**	**19,401,351**
Fee and commission income	618,019	645,499	(238,575)	1,024,943
Fee and commission expense	(250,504)	(457,456)	238,575	(469,385)
Net fee and commission income	**367,515**	**188,043**	**-**	**555,558**
Foreign exchange gains and losses, including net gain or losses from dealing in foreign currency	12,603,225	7,969,155	-	20,572,380
Fair value (loss)/gain on derivative financial instruments	270,486	-	-	270,486
Gain from trading securities	2,022,376	-	(1,887,207)	135,169
Impairment loss on finance lease and factoring receivables	(2,396,105)	(461,961)	-	(2,858,066)
Other operating (expense)/income, net	1,795,699	568,908	-	2,364,607
Operating income	**27,431,992**	**12,883,830**	**125,663**	**40,441,485**
Operating expenses	(1,960,529)	(3,136,610)	-	(5,097,139)
Profit/(Loss) before income taxes	**25,471,463**	**9,747,220**	**125,663**	**35,344,339**
Taxation on income	(5,175,904)	(537,099)	21,290	(5,691,713)
Net profit/(loss) for the period	**20,295,559**	**9,210,121**	**146,953**	**29,652,633**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 25 - SEGMENT REPORTING (Continued)

Income statement by segment as of 31 December 2010

	Leasing	Factoring	Eliminations	Total
Interest income from direct finance leases	11,223,837	-	-	11,223,837
Factoring interest income	-	11,313,731	-	11,313,731
Interest income on placements and transactions with banks	767,936	35,287	-	803,223
Interest income from held-to-maturity investment securities	3,789,631	-	(3,789,631)	-
Interest income from overdue charges on finance lease & factoring receivables	387,428	47,140	-	434,568
Interest income	**16,168,832**	**11,396,158**	**(3,789,631)**	**23,775,359**
Interest expense on borrowings	(1,216,202)	(10,486,381)	6,151,743	(5,550,840)
Interest expense	**(1,216,202)**	**(10,486,381)**	**6,151,743**	**(5,550,840)**
Net interest income	**14,952,630**	**909,777**	**2,362,112**	**18,224,519**
Fee and commission income	819,571	1,040,146	(319,224)	1,540,493
Fee and commission expense	(370,466)	(8,264)	319,224	(59,506)
Net fee and commission income	**449,105**	**1,031,882**	**-**	**1,480,987**
Foreign exchange gains and losses, including net gain or losses from dealing in foreign currency	947,824	(286,654)	-	661,170
Fair value loss on derivative financial instruments	(1,122,821)	-	-	(1,122,821)
Gain from trading securities	2,479,027	13,371	(2,409,464)	82,934
Impairment loss on finance lease and factoring receivables	(1,357,414)	(864,274)	-	(2,221,688)
Other operating (expense)/income, net	389,977	312,721	-	702,698
Operating income	**16,738,328**	**1,116,823**	**(47,352)**	**17,807,799**
Operating expenses	(2,075,467)	(2,456,663)	-	(4,532,130)
Profit/(Loss) before income taxes	**14,662,861**	**(1,339,840)**	**(47,352)**	**13,275,669**
Taxation on income	151,366	22,957	(9,471)	183,794
Net profit/(loss) for the period	**14,814,227**	**(1,316,883)**	**(37,381)**	**13,459,463**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

a) Balances with related parties

	2011	2010
Factoring receivables		
Karkey Karadeniz Elektrik Üretim A.Ş.	90,668,216	46,491,134
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	3,298,883	2,129,631
İdil Enerji Sanayi ve Ticaret A.Ş.	-	564,953
Yek Tekstil Sanayi ve Mağazacılık A.Ş.	514,578	-
	94,481,676	**49,185,718**

Related party balances comprise 78% of total factoring receivables at 31 December 2011 (2010: 46%).

Net finance lease receivables

	2011	2010
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	48,659,214	55,708,520
Karmine Karadeniz Madencilik ve Dış Tic. A.Ş.	1,490,009	4,147,839
Karadeniz Holding A.Ş.	72,523	52,431
Yek Tekstil Sanayi ve Mağazacılık A.Ş.	66,698	100,721
Karkey Karadeniz Elektrik A.Ş.	-	868,428
Kares Karadeniz Enerji Servis ve Mak. Tic. A.Ş.	-	65,274
	50,288,444	**60,943,213**

Related party balances comprise 61% of total finance lease receivables at 31 December 2011 (2010: 57%).

Other assets- ongoing leasing transactions

	2011	2010
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	4,515,044	-
	4,515,044	**-**

Related party balances comprise 50% of the other assets at 31 December 2011.

Other payables

	2011	2010
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	138,400	123,620
Karadeniz Holding A.Ş.	5,311,277	41,897
Eti Yatırım A.Ş.	603	1,271
	5,450,280	**166,788**

Related party balances comprise 96% of total other payables at 31 December 2011 (2010: 45%).

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2011	2010
Bonds issued		
Eti Yatırım A.Ş.	-	1,003,124
DEBİ Enerji Elektrik Üretim Dağıtım A.Ş.	-	727,265
	-	**1,730,389**

Related party balances comprise 100% of bonds issued at 31 December 2011 and 2010.

b) Transactions with related parties

	2011	2010
Factoring interest income		
Karkey Karadeniz Elektrik Üretim A.Ş.	7,447,622	1,448,156
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	454,920	503,598
İdil Enerji Sanayi ve Ticaret A.Ş.	31,000	90,451
Yek Tekstil Sanayi ve Mağazacılık A.Ş.	10,384	-
Kartet Karadeniz Toptan Elektrik Ticaret A.Ş.	-	869,956
	7,943,926	**2,912,161**

Related party transactions comprise 50% of factoring interest income as of 31 December 2011 (2010: 26%).

Interest income from direct finance leases

Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	4,522,150	4,421,060
Karmine Karadeniz Madencilik ve Dış Tic. A.Ş.	1,076,332	828,063
Karkey Karadeniz Elektrik A.Ş.	28,739	174,463
Yek Tekstil Sanayi ve Mağazacılık A.Ş.	26,540	12,417
Karadeniz Holding A.Ş.	15,506	12,296
Kares Karadeniz Enerji Servis ve Mak,Tic, A.Ş.	5,162	28,793
	5,674,429	**5,477,093**

Related party transactions comprise 54% of interest income from direct finance leases as of 31 December 2011 (2010: 49%).

Factoring commission income

Karkey Karadeniz Elektrik Üretim A.Ş.	13,321	201,523
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	4,959	1,892
Kartet Karadeniz Toptan Elektrik Ticaret A.Ş.	-	148,049
Other	1,827	528
	20,107	**351,992**

Related party transactions comprise 5% of factoring commission income as of 31 December 2011 (2010: 46%).

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	2011	2010
Other income		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	393,169	26,712
Karkey Karadeniz Elektrik A.Ş.	44,343	15,182
Karmine Karadeniz Madencilik ve Dış Tic. A.Ş.	17,142	-
Other	22,043	1,302
	476,697	**43,196**

Related party transactions comprise 11% of other income as of 31 December 2011 (2010: 3%).

	2011	2010
Other expense		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	667,544	578,513
Eti Yatırım A.Ş.	496,349	217,083
Karadeniz Holding A.Ş.	67,121	39,602
	1,231,014	**835,198**

Related party transactions comprise 79% of other expense as of 31 December 2011 (2010: 33%).

Remuneration of top management

	2011	2010
Remuneration of top management	837,250	593,953

Total remuneration of top management consists of gross salary and bonus premium.

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	2011	2010
Guarantees received		
Mortgages	29,040,913	47,959,153
Pledged securities (Note 6)	16,158	5,100,721
	29,057,071	**53,059,874**

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

	2011	2010
Guarantees given		
Mortgages	171,612,080	297,180,330
Guarantees	41,083,000	26,241,410
Blocked deposits (Note 5)	16,953,873	24,926,200
Guarantee letters	176,022	187,302
	229,824,975	**348,535,242**

Derivative financial instruments are initially recognized in the consolidated interim balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Commitments to derivative transactions

	2011		2010	
	Interest rate	**US$**	**Interest rate**	**US$**
Interest rate swap purchases	5.01	21,992,163	5.01	26,902,238
Interest rate swap sales	-	-	-	-
Net Position		**21,992,163**		**26,902,238**

NOTE 28 - SUBSEQUENT EVENTS

The Law on Restructuring of Certain Receivables and on Amending Social Security and General Health Insurance Law and Certain Other Laws and Statutory Decrees, which was promulgated in Official Gazette (repeating) No. 27857, dated 25 February 2011, introduces some amendments in relation to restructuring of specified receivables, liquidation of disputed receivables, increase of recorded tax base and accounting adjustments, and the extension of period for the repatriation of capital. As of the date of preparation of these financial statements, the Company is evaluating this law in the scope of its operations.

During the temporary corporate income tax provision calculation the Company did not apply the 25% limit of investment incentive utilisation and deducted TL21,458,350 investment incentive from the calculated tax base.

Depending on the collections from the factoring receivables in the first quarter of 2012, the ratio of the factoring receivables from related parties within the total receivables fell from 78% to 33%.

In the second quarter of 2012, the portion of mortgages given to banks amounting TL91.992.140 was released and the balance decreased to TL79.619.940.

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