

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN
1 JANUARY 2007 AND 30 JUNE 2007
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007**

To the Board of Directors of Yapı Kredi Finansal Kiralama A.O.

Introduction

We have reviewed the accompanying interim balance sheet of Yapı Kredi Finansal Kiralama A.O. ("the Company") as of 30 June 2007 and the related interim statement of income, statement of changes in equity, the statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the financial reporting standards issued by the Capital Market Board ("CMB"). Our responsibility is to issue a report on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the review standards issued by the Capital Market Board in Communiqué No X-22 and section 34. A review on the interim financial statements is limited primarily to inquiries concerning company personnel responsible for financial reporting process, analytical procedures applied to financial data and other review techniques and thus provides less assurance than audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Yapı Kredi Finansal Kiralama A.O. as of 30 June 2007, and of its financial performance and its cash flows for the six-month period then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English:

The accounting principles described in Note 2 (defined as ‘CMB Accounting Standards’) to the accompanying interim financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Alper Önder, SMMM
Partner

Istanbul, 31 July 2007

YAPI KREDİ FİNANSAL KİRALAMA A.O.

FINANCIAL STATEMENTS AT 30 JUNE 2007

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

BALANCE SHEET AT 30 JUNE 2007 AND 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	(Reviewed) 30 June 2007	(Audited) 31 December 2006
ASSETS			
Current assets		993.715.293	784.926.332
Cash and cash equivalents	4	5.783.127	4.567.173
Investment securities (net)	5	-	-
Trade receivables (net)	7	-	-
Leasing receivables (net)	8	822.840.900	694.314.152
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	-	-
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	165.091.266	86.045.007
Non-current assets		1.174.195.484	895.075.590
Trade receivables (net)	7	-	-
Leasing receivables (net)	8	1.167.877.344	888.108.001
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	36.472	36.472
Goodwill / negative goodwill (net)	17	-	-
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	586.131	642.768
Intangible assets (net)	20	284.881	331.300
Deferred tax assets	14	-	-
Other non-current assets	15	5.410.656	5.957.049
TOTAL ASSETS		2.167.910.777	1.680.001.922

These financial statements as at and for the period ended at 30 June 2007 have been approved for the issue by the Board of Directors on 31 July 2007.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

BALANCE SHEET AT 30 JUNE 2007 AND 31 DECEMBER 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	(Reviewed) 30 June 2007	(Audited) 31 December 2006
LIABILITIES			
Current liabilities		1.090.999.367	832.803.092
Short-term bank borrowings (net)	6	78.100.443	22.780.566
Short-term portion of long-term bank borrowings (net)	6	902.128.728	701.627.957
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	50.028.746	54.522.731
Due to related parties (net)	9	-	-
Advances received	21	30.629.429	28.053.944
Construction progress billings (net)	13	-	-
Provisions	23	2.071.705	1.788.637
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	28.040.316	24.029.257
Non-current liabilities		593.518.633	370.672.728
Long-term bank borrowings (net)	6	589.751.738	370.433.061
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	3.494.290	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	272.605	239.667
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	-	-
MINORITY INTEREST	24	-	-
EQUITY		483.392.777	476.526.102
Share capital	25	389.927.705	389.927.705
Treasury shares		-	-
Capital reserves		(34.597.720)	(34.597.720)
Share premium		2.013	2.013
Share cancellation gains		-	-
Financial assets revaluation fund		-	-
Financial assets fair value reserve		-	-
Inflation adjustment to equity	25	(34.599.733)	(34.599.733)
Profit reserves		30.692.877	25.147.422
Legal reserves		30.692.877	25.147.422
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserve		-	-
Current year profit/(loss)		62.321.220	111.942.076
Retained earnings	28	35.048.695	(15.893.381)
TOTAL EQUITY AND LIABILITIES		2.167.910.777	1.680.001.922
Commitments and contingent liabilities	31	-	-

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**INCOME STATEMENT FOR THE PERIODS
ENDED 30 JUNE 2007 AND 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	(Reviewed) 2007		(Restated) (*) (Reviewed) 2006	
		1 January- 30 June	1 April- 30 June	1 January- 30 June	1 January- 30 June
OPERATING REVENUES		118.314.290	62.343.240	71.870.789	37.487.084
Interest income from direct financing leases	36	118.314.290	62.343.240	71.870.789	37.487.084
GROSS OPERATING PROFIT					
Operating expenses (-)	37	(9.994.549)	(4.750.701)	(8.459.157)	(4.418.712)
NET OPERATING PROFIT		108.319.741	57.592.539	63.411.632	33.068.372
Other income and profits	38	13.891.376	7.004.670	9.777.000	6.836.263
Other expenses and losses (-)	38	(19.737.318)	(10.041.583)	(4.798.778)	(2.958.611)
Financial expenses (-)	39	(40.152.579)	(23.863.621)	(13.358.402)	(9.322.706)
OPERATING PROFIT		62.321.220	30.692.005	55.031.452	27.623.318
Monetary gain/ (loss)	40	-	-	-	-
INCOME BEFORE TAX		62.321.220	30.692.005	55.031.452	27.623.318
Taxes on income	41	-	-	-	-
NET INCOME FOR THE PERIOD		62.321.220	30.692.005	55.031.452	27.623.318
EARNINGS PER SHARE (1 YTL)	42	0,1598		0,1411	

(*) Please refer to Notes 2 and 32 for detailed explanations.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS BETWEEN 1 JANUARY-30 JUNE 2007 AND 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Share capital	Inflation adjustment to equity	Share premium	Financial assets fair value reserve	Profit reserves	Net income for the period	Retained earnings	Equity
1 January 2006	205.500.000	70.518.379	2.013	-	28.117.485	71.065.893	(10.619.744)	364.584.026
Transfer to retained earnings	-	(105.118.112)	-	-	(5.706.920)	(3.926.493)	114.751.525	-
Financial assets fair value reserve	-	-	-	86.557	-	-	-	86.557
Transfers	-	-	-	-	2.736.857	(67.139.400)	64.402.543	-
Net income for the period	-	-	-	-	-	55.031.452	-	55.031.452
30 June 2006	205.500.000	(34.599.733)	2.013	86.557	25.147.422	55.031.452	168.534.324	419.702.035
1 January 2007	389.927.705	(34.599.733)	2.013	-	25.147.422	111.942.076	(15.893.381)	476.526.102
Dividend payment	-	-	-	-	-	(55.454.545)	-	(55.454.545)
Transfer to profit reserves	-	-	-	-	5.545.455	(5.545.455)	-	-
Transfer to retained earnings	-	-	-	-	-	(50.942.076)	50.942.076	-
Net income for the period	-	-	-	-	-	62.321.220	-	62.321.220
30 June 2007	389.927.705	(34.599.733)	2.013	-	30.692.877	62.321.220	35.048.695	483.392.777

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CASH FLOW STATEMENT FOR THE PERIODS ENDED 30 JUNE 2007 AND 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	(Reviewed) 30 June 2007	(Restated)(*) (Reviewed) 30 June 2006
Cash flows from operating activities:			
Net income for the period		62.321.220	55.031.452
Adjustments for:			
Depreciation and amortisation	19, 20, 37	188.339	257.127
Provision for employment termination benefits	23	131.250	96.491
Provision for doubtful receivables	8	19.629.050	4.419.862
Sales profit of property and equipment	38	(971.512)	(354.298)
Interest income/(expense) accruals (net)		(6.128.631)	(4.343.645)
Cash flows from operating activities before changes in operating assets and liabilities		75.169.716	55.106.989
Changes in working capital:			
Changes in leasing receivables		(431.691.765)	(317.099.308)
Changes in advances taken		2.575.485	(19.578.195)
Changes in trade payables		(999.695)	6.901.346
Changes in other liabilities		4.195.816	2.890.503
Changes in other current assets		(79.046.259)	(22.464.555)
Changes in other non-current assets		546.393	36.232
Net cash provided by operating activities		(429.250.309)	(294.206.988)
Net cash from operating activities		(429.250.309)	(294.206.988)
Purchase of property and equipment	19	(86.000)	(74.085)
Purchase of intangible assets	20	(14.109)	(68.995)
Net cash provided by sale of property and equipment and intangible assets		986.338	354.298
Change in financial assets		-	86.557
Net cash used in investing activities		886.229	297.775
Cash generated from bank borrowings		485.034.579	287.942.398
Dividends paid		(55.454.545)	-
Cash flows from financing activities:		429.580.034	287.942.398
Change in cash and cash equivalents		1.215.954	(5.966.815)
Cash and cash equivalents at the beginning of the period		4.567.173	22.764.085
Cash and cash equivalents at the end of the period		5.783.127	16.797.270

(*) Please refer to Notes 2 and 32 for detailed explanations.

The accompanying notes form an integral part of these financial statements

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Yapı Kredi Finansal Kiralama A.O. (“the Company”) was established on 19 February 1987 in Istanbul, Turkey, pursuant to the license obtained from the Undersecretariat of Treasury for the purpose of performing financial leasing activities in Turkey and abroad as permitted by Law number 3226. Certain shares of the Company have been listed on the Istanbul Stock Exchange since 11 January 1994.

The Company’s major shareholder is Koç Finansal Hizmetler A.Ş.

As at 30 June 2007 the Company has 161 employees (31 December 2006: 152). The Company operates predominantly in one geographical region, Turkey, and in one industry segment, financial leasing.

The address of the registered office is Barbaros Bulvarı Morbasan Sokak Koza İş Merkezi C Blok 34349 Balmumcu-Beşiktaş-İstanbul/Türkiye.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

(a) Basis of presentation of financial statements

The Company’s financial statements are prepared in accordance with accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards “IFRS” issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform with the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by the IASB in its financial statements for the accounting periods starting 1 January 2005. The comparative financial statements of the Company are expressed in the purchasing power of YTL at 31 December 2004.

These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

Financial statements, except for financial assets and liabilities expressed at fair values, have been prepared in New Turkish lira under the historical cost convention.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(b) Accounting for the effects of hyperinflation

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

(c) Consolidation principles

The Company has no consolidated financial assets.

(d) Comparatives and corrections to the financial statements of previous periods

The Company legally merged with Koç Finansal Kiralama A.Ş. (“Koç Lease”) on 25 December 2006, where all rights, receivables, liabilities and obligations of Koç Lease were transferred to the Company. The financial statements of the Company prepared in accordance with CMB accounting standards as of and for the period ended 30 June 2006 have been restated by combining the financial statements of the Company and Koç Lease as of the same date for comparison purposes in these financial statements (Note 32).

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

(e) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to 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.

(f) Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described in Note 2.a. (defined as ‘CMB Accounting Standards’) to the accompanying interim financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Cash and cash equivalents

Cash and cash equivalents are valued at their cost value and include cash and amounts due from banks, and highly liquid investments with maturity periods of less than three months (Note 4).

(b) Related parties

For the purposes of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the UCI and Koç Holding group are considered and referred to as related parties. Transactions with related parties are made in accordance with general commercial terms and they are priced predominantly at market rates (Note 9).

(c) Leases

(i) As lessor

Lease income is recognised over the term of the lease using the net investment method, which reflects a periodic constant rate of return. The income which is not accrued yet is booked as unearned finance income.

(ii) As lessee

Operational leases are recognised on an accrual basis according to their agreements.

(d) Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases and accounts receivables is established based on a credit review of the receivables portfolio. If there is objective evidence that the Company will not be able to collect all amounts due, these receivables are considered as impaired. The amount of the provision is the difference between the carrying amount and the 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 calculation is based on the evaluation of specific significant receivables and also the evaluation of a group of receivables with similar characteristics and risk of default.

The carrying amount of the receivables is calculated through subtracting the impaired portion. Investments in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of lease and accounts receivables for the year.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets for investment purposes

The financial assets for investment purposes are classified and accounted as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase.

Available-for-sale securities are initially recognised at cost. 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 shareholders’ equity, unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement. The unlisted securities are valued at their cost (Note 16).

(f) Interest income and expense

Interest income and expenses are recognised in the income statement in the period to which they relate on an accrual basis.

(g) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

(h) Property and equipment

All property and equipment is carried at historical cost less depreciation. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method over its estimated useful life as follows:

Furniture and fixtures	5-6 years
Office equipment and motor vehicles	4-15 years
Leasehold improvements	shorter of rental period or useful life

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on the disposal of premises and equipment are determined in reference to their carrying amounts and are taken into account in determining operating profit.

(i) Intangible assets

Intangible assets comprise computer software costs and are amortised on a straight-line basis over 3-5 years.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

The main temporary differences comprise the differences between the tax value and carrying value of leasing receivables, property and equipment, provision for impairment of receivables and the IAS 39 effect of the borrowings (Note 14).

Deferred tax assets or liabilities are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised (Note 14).

The Company does not expect to pay any corporation tax until 31 December 2008 due to its accumulated investment allowances related with capital expenditures which are deductible from taxable income. Therefore, the Company's principal tax rate on temporary differences is calculated as nil as at 30 June 2007 and 31 December 2006.

(k) Employment termination benefits

Employment termination benefits are recognised as the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 23).

(l) Corporate taxes

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognised in operating expenses.

(m) Provisions

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

(n) Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in the period in which they are declared.

(o) Finance lease income

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases. The excess of aggregate contract lease rentals, over the original cost of 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Recognition of income and expense

Income and expenses are recognised on an accrual basis.

(r) Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair value. The income and losses recognition of derivative transactions change on the bases on which they are classified. Income and losses of the derivatives which are designated to effectively hedge cash flow risk are recognised in the equity. The Company’s derivative transactions, even though providing effective economic hedges under the Company’s risk management position, do not qualify for hedge accounting and are therefore initially recognised at cost and subsequently valued at fair value and the fair value gains and losses are recognised in income statement. Fair values of forward foreign exchange contracts are determined based on the market rates or discounted cash flows.

(s) Financial instruments and financial risk management

Credit risk

The Company is exposed to credit risk due to financial lease transactions. This risk is managed by limiting the aggregate risk to any individual counterparty and financial institution. The Company’s exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

The table below summarises the geographic distribution of the Company’s assets and liabilities at 30 June 2007:

30 June 2007	Assets	%	Liabilities	%
Turkey	2.128.169.924	98	97.107.420	6
European countries	26.834.803	1	1.268.836.719	75
Other	12.906.050	1	318.573.861	19
	2.167.910.777	100	1.684.518.000	100

Market risk

Market risk is the risk that the Company’s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages liquidity risk, foreign exchange risk and interest rate risk by considering market risk.

The Investment Policy is subject to the approval of the Board of Directors, which also approves any proposed amendment to it. It will be the Company’s responsibility to assure regular compliance with these principles and limits.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The core business of the Company is to serve clients’ financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk. The Treasury mainly focuses on the structure of the Company’s assets and liabilities while analysing these risks. The Treasury’s mission is to provide funds to the Company, to manage the structural excess of liquidity to match the foreign currency exposure and interest rate risk of the Company; in addition it tries to achieve the projected revenues of the Treasury budget, while minimising the volatility of the results. The Treasury also aims to satisfy the Regulator’s requirements.

For the market risk management some general guidelines apply;

- Koç Finansal Hizmetler A.Ş. (“KFS”) Risk Management and the Company’s Board of Directors are informed of and they approve any major change in the risk portfolio or any important decision regarding market risk before any action is taken.
- All market risks are managed by the Company’s Treasury,
- Planning and Control is independent from the Treasury and reports directly to general manager and Asset Liability Committee,
- Interest rate and foreign exchange risk is managed by the Treasury and it is the Treasury’s responsibility to keep these within the limits,
- Derivative trading is allowed only for hedging purposes,
- Investments in government bonds are allowed if in Turkish domestic debt. Other government bonds are subject to the approval of the Board of Directors.

Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Treasury has daily control over liquidity risk. To hedge against this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. Moreover, the ability to fund the existing and prospective debt requirements and cover withdrawals at unexpected levels of demand is managed by maintaining the availability of adequate funding lines from shareholders and high quality investors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The table below analyses the assets and liabilities of the Company in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

	30 June 2007					Total
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity	
Cash and cash equivalents	-	-	-	-	5.783.127	5.783.127
Leasing receivables (net)	235.761.844	562.442.439	1.136.872.491	31.004.852	24.636.618	1.990.718.244
Financial assets (net)	-	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	-	586.131	586.131
Intangible assets (net)	-	-	-	-	284.881	284.881
Other receivables and current/non-current assets	160.110.414	4.980.858	3.371.033	-	2.039.617	170.501.922
Total assets	395.872.258	567.423.297	1.140.243.524	31.004.852	33.366.846	2.167.910.777
Borrowings (net)	308.912.911	671.316.260	589.751.738	-	-	1.569.980.909
Trade payables (net)	46.007.491	4.021.255	3.494.290	-	-	53.523.036
Advances received	-	-	-	-	30.629.429	30.629.429
Other liabilities (net)	1.390	3.519.843	877.200	-	23.641.883	28.040.316
Provisions	-	-	-	-	2.344.310	2.344.310
Total liabilities	354.921.792	678.857.358	594.123.228	-	56.615.622	1.684.518.000
Net liquidity gap	40.950.466	(111.434.061)	546.120.296	31.004.852	(23.248.776)	483.392.777

	31 December 2006					Total
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity	
Cash and cash equivalents	-	-	-	-	4.567.173	4.567.173
Leasing receivables (net)	204.066.698	485.863.777	871.002.272	17.105.729	4.383.677	1.582.422.153
Financial assets (net)	-	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	-	642.768	642.768
Intangible assets (net)	-	-	-	-	331.300	331.300
Other receivables and current/non-current assets	72.214.114	5.433.310	3.917.432	-	10.437.200	92.002.056
Total assets	276.280.812	491.297.087	874.919.704	17.105.729	20.398.590	1.680.001.922
Borrowings (net)	51.770.678	672.637.845	359.672.493	10.760.568	-	1.094.841.584
Trade payables (net)	54.522.731	-	-	-	-	54.522.731
Advances received	-	-	-	-	28.053.944	28.053.944
Other liabilities (net)	-	195.012	-	-	23.834.245	24.029.257
Provisions	-	-	-	-	2.028.304	2.028.304
Total liabilities	106.293.409	672.832.857	359.672.493	10.760.568	53.916.493	1.203.475.820
Net liquidity gap	169.987.403	(181.535.770)	515.247.211	6.345.161	(33.517.903)	476.526.102

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency risk

Foreign currency risk is a result of the Company’s assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. The Treasury monitors daily the foreign currency position of the Company. Monthly reporting of the foreign currency position, in detailed tables by maturity and currency, is the responsibility of Planning and Control. A maximum limit of (+/-)US\$3.000.000 for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies. The foreign currency positions of the Company as of 30 June 2007 and 31 December 2006 are stated in Note 29.

Interest rate risk

The management of interest rate risk is the exposure of movements in market interest rates which lead to price fluctuations in financial instruments of the Company. It is the Treasury that follows up the Company’s interest sensitive assets, liabilities and off-balance sheet items. In addition Planning and Control reports the interest rate risk by distributing interest rate risk into time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios. According to the Economic Value Sensitivity Analysis as at 30 June 2007, in the scenario of a 5% shift in the YTL interest rate and a 1% shift in the foreign currency interest rate with all other variables being constant, there will be a YTL30.423.651 decrease in the net present value of interest sensitive assets and liabilities. The difference must be within the limit of 10% of the core Tier1 Capital. According to the Interest Rate Stress Testing at 30 June 2007, in the scenario of a 10% shift in the YTL interest rate and a 2% shift in foreign currency interest rate with all other variables being constant, there will be a YTL61.199.072 decrease in the net present value of interest sensitive assets and liabilities.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The tables below show an analysis of the Company's assets and liabilities at the balance sheet date according to the time remaining to their next interest rate change date and the maturity dates in the agreements.

	30 June 2007					Total
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Cash and cash equivalents	-	-	-	-	5.783.127	5.783.127
Leasing receivables (net)	401.518.501	536.320.074	1.018.122.261	10.120.790	24.636.618	1.990.718.244
Financial assets (net)	-	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	-	586.131	586.131
Intangible assets (net)	-	-	-	-	284.881	284.881
Other receivables and current/non current assets	202.389	423.580	-	-	169.875.953	170.501.922
Total assets	401.720.890	536.743.654	1.018.122.261	10.120.790	201.203.182	2.167.910.777
Borrowings (net)	558.230.169	967.769.419	43.981.321	-	-	1.569.980.909
Trade payables (net)	-	-	-	-	53.523.036	53.523.036
Advances received	-	-	-	-	30.629.429	30.629.429
Other liabilities (net)	1.390	3.519.843	877.200	-	23.641.883	28.040.316
Provisions	-	-	-	-	2.344.310	2.344.310
Total liabilities	558.231.559	971.289.262	44.858.521	-	110.138.658	1.684.518.000
Net repricing gap	(156.510.669)	(434.545.608)	973.263.740	10.120.790	91.064.524	483.392.777

	31 December 2006					Total
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Cash and cash equivalents	-	-	-	-	4.567.173	4.567.173
Leasing receivables (net)	204.066.698	485.863.777	871.002.272	17.105.729	4.383.677	1.582.422.153
Financial assets (net)	-	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	-	642.768	642.768
Intangible assets (net)	-	-	-	-	331.300	331.300
Other receivables and current/non-current assets	329.946	24.247	-	-	91.647.863	92.002.056
Total assets	204.396.644	485.888.024	871.002.272	17.105.729	101.609.253	1.680.001.922
Borrowings (net)	347.633.303	746.641.015	567.266	-	-	1.094.841.584
Trade payables (net)	54.522.731	-	-	-	-	54.522.731
Advances received	-	-	-	-	28.053.944	28.053.944
Other liabilities (net)	195.012	-	-	-	23.834.245	24.029.257
Provisions	-	-	-	-	2.028.304	2.028.304
Total liabilities	402.351.046	746.641.015	567.266	-	53.916.493	1.203.475.820
Net repricing gap	(197.954.402)	(260.752.991)	870.435.006	17.105.729	47.692.760	476.526.102

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Average interest rates at 30 June 2007 and 31 December 2006 are as follows:

	30 June 2007			31 December 2006		
	US\$ (%)	EUR (%)	YTL (%)	US\$ (%)	EUR (%)	YTL (%)
Assets						
Leasing receivables	9,37	8,03	22,57	8,82	6,84	19,18
Liabilities						
Borrowings	6,55	5,18	18,26	6,46	4,64	19,27

Fair value of financial instruments

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

Balances denominated in foreign currencies are translated at year-end exchange rates. They are considered to approximate their respective carrying values.

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

The fair value of financial lease receivables of YTL1.990.718.244 (31 December 2006: YTL1.582.422.153) along with related allowances for uncollectibility has been calculated using market interest rates as YTL2.277.925.103 (31 December 2006: YTL1.708.594.504).

Monetary liabilities

The fair value of funds borrowed of YTL1.569.980.909 (31 December 2006: YTL1.094.841.584) has been calculated using market interest rates as YTL1.543.779.020 (31 December 2006: YTL1.148.026.739). Other monetary liabilities are considered to approximate their respective carrying values.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Earnings per share

Earnings per share presented in the statement of income are determined by dividing net income attributable to that class of shares by the weighted average number of such shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period (Note 42).

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2007	31 December 2006
Due from banks		
-demand deposits	5.783.127	4.567.173
-time deposits	-	-
	5.783.127	4.567.173

For the purposes of cash flow statements, cash and cash equivalents amount to YTL5.783.127 and YTL16.797.270 as at 30 June 2007 and 2006, respectively.

NOTE 5 - INVESTMENT SECURITIES

None (31 December 2006: None).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 6 - BORROWINGS

	30 June 2007		31 December 2006	
	Original currency	YTL	Original currency	YTL
Domestic banks:				
Fixed rate borrowings:				
- YTL	18.015.934	18.015.934	22.792.190	22.792.190
Floating rate borrowings:				
- US\$	2.219.030	2.894.946	2.223.421	3.125.241
		20.910.880		25.917.431
Foreign banks:				
Fixed rate borrowings:				
-US\$	103.543.706	135.083.119	16.603.132	23.337.362
-YTL	60.084.509	60.084.509	-	-
-EUR	463.268	814.656	12.635.473	23.394.578
-CHF	628.907	666.579	2.628.708	3.023.802
Floating rate borrowings:				
-EUR	545.568.168	959.381.623	401.762.915	743.864.036
-US\$	301.272.070	393.039.543	190.224.595	267.379.691
-GBP	-	-	2.874.491	7.924.684
		1.549.070.029		1.068.924.153
Total borrowings		1.569.980.909		1.094.841.584

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The Company has no trade receivables (31 December 2006: None).

	30 June 2007	31 December 2006
Trade payables		
Short-term trade payables	50.028.746	54.522.731
Long-term trade payables	3.494.290	-
	53.523.036	54.522.731

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

	30 June 2007	31 December 2006
Gross investment in direct financing leases	2.423.784.577	1.930.903.654
Unearned finance income	(423.073.955)	(338.090.645)
Total performing investment in leases	2.000.710.622	1.592.813.009
Lease receivable interest income accrual	19.909.148	16.142.524
Receivables from outstanding lease payments	43.957.599	39.457.478
Provision for impaired lease receivables	(73.859.125)	(65.990.858)
Net investment in direct financing leases	1.990.718.244	1.582.422.153

At 30 June 2007 and 31 December 2006, doubtful finance lease receivables amount to YTL67.830.002 and YTL60.244.963, respectively. The collaterals received against the doubtful financial lease receivables amount to YTL21.687.470 as at 30 June 2007.

The aging of the financial lease receivables is as follows:

Period Ending	<u>Leasing receivables</u>	
	Gross 30 June 2007	Net 30 June 2007
30 June 2008	1.033.636.899	818.186.442
30 June 2009	686.021.443	564.057.967
30 June 2010	403.304.442	348.236.260
30 June 2011	185.843.427	163.965.120
30 June 2012 and over	114.978.366	106.264.833
	2.423.784.577	2.000.710.622

Year ending	<u>Leasing receivables</u>	
	Gross 31 December 2006	Net 31 December 2006
31 December 2007	880.106.407	704.705.008
31 December 2008	534.707.965	451.551.988
31 December 2009	306.223.931	262.784.414
31 December 2010 and over	209.865.351	173.771.599
	1.930.903.654	1.592.813.009

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 8 - LEASING RECEIVABLES AND PAYABLES (Continued)

The aging of overdue financial lease receivables at 30 June 2007 is as follows:

	30 June 2007
0 - 3 months	19.022.230
3 - 6 months	6.213.622
6 - 12 months	5.307.634
1 year and over	13.414.113
	43.957.599

Movements in provision for doubtful lease receivables are as follows:

	30 June 2007	31 December 2006
Balance at 1 January	65.990.858	58.921.177
Impairment expense during the period (Note 38)	19.629.050	19.598.849
Recoveries of amounts previously provided for (including foreign currency differences)(Note 38)	(11.760.783)	(12.529.168)
	73.859.125	65.990.858

As of 30 June 2007 and 31 December 2006, the Company has obtained the following collaterals from its customers, except for the assets subject to financial lease, against their outstanding exposures:

	30 June 2007	31 December 2006
Mortgages	236.121.352	290.376.977
Buyback guarantees	53.205.750	51.301.444
Pledged securities	21.946.814	20.738.828
Transfer of rights of receivables	16.510.267	12.884.194
Cheques received	9.594.716	9.160.134
Guarantee letters	8.990.120	12.795.560
Pledged automobiles	8.677.662	3.240.314
Pledged machinery	8.000.754	7.540.955
Blocked cash	1.279.535	2.380.431
Protocols	487.284	398.888
Other pledged securities	12.530.636	13.073.988
	377.344.890	423.891.713

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 8 - LEASING RECEIVABLES AND PAYABLES (Continued)

Economic sector risk concentrations for the net performing investment in direct financing leases as of 30 June 2007 and 31 December 2006 are as follows:

	30 June 2007	%	31 December 2006	%
Construction	612.280.771	25	418.387.584	22
Textile	326.646.719	13	236.207.599	12
Printing	238.129.743	10	230.127.201	12
Machinery and equipment	150.582.681	6	119.552.219	6
Transportation	137.935.928	6	105.472.677	5
Petroleum and chemistry	120.631.785	5	97.529.836	5
Agriculture	112.023.339	5	73.491.289	4
Health	105.447.554	4	94.913.263	5
Steel and mining	100.087.348	4	97.288.236	5
Food and beverage	93.767.968	4	78.886.432	4
Automotive	70.948.428	3	60.655.360	3
Tourism	59.520.729	3	45.696.015	2
Financial institutions	32.784.236	1	45.823.098	2
Wholesale and retail trade	29.890.111	1	29.780.541	2
Education	4.589.942	1	5.644.607	1
Other	228.517.295	9	191.447.697	10
	2.423.784.577	100	1.930.903.654	100

The Company has no leasing payables as of 30 June 2007 (31 December 2006: None).

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Balance sheet items	30 June 2007	31 December 2006
Due from banks (Cash and cash equivalents)		
Demand deposit		
Yapı ve Kredi Bankası A.Ş.	1.536.713	1.041.790
Koçbank Netherlands N.V.	10.284	10.653
Yapı Kredi Bank Nederland N.V.	475	1.179
Yapı Kredi Bank Deutschland A.G.	-	3.154
	1.547.472	1.056.776

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	30 June 2007	31 December 2006
Leasing receivables:		
Vehbi Koç Vakfı Amerikan Hastanesi	21.285.867	18.789.243
Yapı ve Kredi Bankası A.Ş.	17.751.921	27.745.039
Setur Servis Turistik A.Ş.	2.781.025	1.937.255
Koç Sistem Bilgi ve İletişim	1.654.982	1.253.001
Koç Allianz Sigorta A.Ş.	806.416	556.707
Koç Üniversitesi	623.087	1.010.823
Yapı Kredi Sigorta A.Ş.	246.194	163.877
Türk Demirdöküm Fabrikaları A.Ş.	229.900	270.401
Palmira Turizm Ticaret A.Ş.	187.350	239.603
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	122.779	136.959
Yapı Kredi Emeklilik A.Ş.	113.569	231.555
Düzey Tüketim Malları Pazarlama A.Ş.	81.151	497.091
Koç Allianz Hayat Sigorta A.Ş.	69.573	13.238
Birleşik Oksijen San. A.Ş.	33.648	68.249
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	29.250	215.926
Other	161.625	150.218
	46.178.337	53.279.185
Advances given:		
Yapı Kredi Sigorta A.Ş.	168.693	-
	168.693	-
Borrowings:		
Unicredito Italiano S.p.A.	266.032.612	64.896.606
Yapı ve Kredi Bankası A.Ş.	500.000	780.427
	266.532.612	65.677.033
Advances received:		
Yapı ve Kredi Bankası A.Ş.	648.588	458.262
Yapı Kredi Emeklilik A.Ş.	216.783	-
Yapı Kredi Sigorta A.Ş.	143	144.145
	865.514	602.407

Due from banks, financial lease receivables, advances given, borrowings and advances received are not classified under transactions and balances with related parties in order to maintain the integrity of the financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Off-balance sheet items

	30 June 2007	31 December 2006
Guarantee letters:		
Yapı ve Kredi Bankası A.Ş.	2.325.239	8.089.628
Derivative financial instruments:		
Foreign currency forward transactions		
Koçbank Netherlands N.V.	-	15.737.750
Yapı ve Kredi Bankası A.Ş.	4.596.106	10.071.578
	4.596.106	25.809.328

Income statement items

	30 June 2007	30 June 2006
Interest income from direct financing leases:		
Vehbi Koç Vakfı Amerikan Hastanesi	3.619.386	1.966.399
Yapı ve Kredi Bankası A.Ş.	1.112.868	1.063.569
Setur Servis Turistik A.Ş.	218.778	183.311
Koç Sistem Bilgi ve İletişim	71.428	57.772
Türk Demirdöküm Fabrikaları A.Ş.	48.525	37.604
Koç Üniversitesi	46.605	22.756
Düzey Tüketim Malları Pazarlama A.Ş.	38.023	161.460
Koç Allianz Sigorta A.Ş.	37.561	26.255
Yapı Kredi Emeklilik A.Ş.	15.043	7.270
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	8.901	33.267
Birleşik Oksijen San. A.Ş.	6.511	11.750
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	6.397	5.239
Koç Allianz Hayat Sigorta A.Ş.	4.646	7.889
Other	100.906	28.926
	5.335.578	3.613.467
Interest income on bank deposits:		
Yapı ve Kredi Bankası A.Ş.	-	1.758.075
Yapı Kredi Bank Nederland N.V.	-	39.041
Yapı Kredi Bank Bahrain	2.891	-
	2.891	1.797.116

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	30 June 2007	30 June 2006
Interest expenses of bank borrowings:		
Unicredito Italiano SpA.	3.737.437	-
Yapı ve Kredi Bankası A.Ş.	1.774.680	1.387.756
Yapı Kredi Bank Nederland N.V	-	163.207
Koç Holding	-	130.001
Koçbank Netherlands N.V.	-	36.587
	5.512.117	1.717.551
Rent expenses:		
Yapı ve Kredi Bankası A.Ş.	370.764	-
Yapı Kredi Sigorta A.Ş.	-	96.371
	370.764	96.371
Commission income:		
Yapı Kredi Sigorta A.Ş.	513.462	206.153
Commission expenses:		
Yapı ve Kredi Bankası A.Ş.	18.388	206.587
Service expenses:		
Zer Merkezi Hizmetler A.Ş.	228.210	107.448
Opet Petrolcülük A.Ş.	102.138	51.806
Otokoç A.Ş.	150.494	40.661
Setur Servis Turistik A.Ş.	52.192	26.136
Yapı ve Kredi Bankası A.Ş.	1.234	-
	534.268	226.051
Dividend income:		
Yapı Kredi Faktoring A.Ş.	1.131	-
Yapı Kredi Yatırım Menkul Değerler A.Ş.	211	-
	1.342	-
Payments made to members of the Board and key management personnel:		
Payments made to members of the Board and key management personnel	180.277	
	180.277	

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

The Company has no other receivables at 30 June 2007 (31 December 2006: None).

	30 June 2007	31 December 2006
Other liabilities		
Provision for tax lawsuit (Note 31)	20.383.283	20.383.283
Expense accruals of derivative financial instruments, net	4.398.434	195.012
Provision for personnel vacation	851.975	569.423
Provision for other legal proceedings (Note 31)	840.465	823.551
Provision for personnel performance bonus	846.000	1.473.850
Withholding taxes and duties payable	572.744	576.347
Deposits and guarantees received	146.954	651
Other	461	7.140
	28.040.316	24.029.257

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2006: None).

NOTE 12 - INVENTORIES

None (31 December 2006: None).

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (31 December 2006: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes:

The Company does not expect to pay any corporation tax until 31 December 2008 due to its accumulated investment allowances related with capital expenditures which are deductible from taxable income. Therefore, the Company's principal tax rate on temporary differences is calculated as nil as at 30 June 2007 and 31 December 2006.

At 30 June 2007 the total amount of carry forward losses and investment allowances which are expected to be deducted from future taxable income amounts to approximately YTL91.863.996 and YTL725.821.401, respectively (31 December 2006: YTL75.640.518 and YTL724.854.299).

The breakdown of deductible and taxable temporary differences for which neither deferred tax asset nor deferred tax liability has been provided for due to the enacted tax rate of nil at 30 June 2007 and 31 December 2006 are as follows:

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deductible temporary differences:	30 June 2007	31 December 2006
Provision for impaired receivables	66.805.621	59.530.804
Valuation of derivative financial instruments	4.398.434	195.012
Expense accruals	2.071.705	1.795.164
Difference between carrying value and tax base of property, equipment and intangible assets	1.327.589	1.479.210
Provision for personnel vacation	851.975	569.423
Provision for personnel bonus	846.000	1.473.850
Provision for legal proceedings	456.000	456.000
Provision for litigation related to Fund for Resource Use Support	384.465	367.550
Provision for employment termination benefits	272.605	239.667
Unearned commission income	66.976	296.665
Difference between carrying value and tax base of financial leases	-	23.489.816
Others	6.507	-
	77.487.877	89.893.161
Taxable temporary differences:		
Difference between carrying value and tax base of financial leases	(7.824.851)	-
Income accrual on lease receivables	(1.410.159)	(2.409.523)
Valuation of derivative financial instruments	(625.969)	(354.193)
Valuation difference on borrowings	(162.907)	(99.096)
	(10.023.886)	(2.862.812)
Net temporary differences	67.463.991	87.030.349

NOTE 15 - OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES

	30 June 2007	31 December 2006
Other current assets		
Advances to vendors	92.708.150	39.298.000
Assets to be leased	52.213.470	30.107.441
VAT deductible	12.081.849	7.810.198
Prepaid expenses	7.307.708	7.887.790
Forward income accruals	625.969	354.193
Others	154.120	587.385
	165.091.266	86.045.007
Other non-current assets		
Assets held for resale	2.039.617	2.039.617
Prepaid expenses	3.371.039	3.917.432
	5.410.656	5.957.049

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 16 - FINANCIAL ASSETS

	30 June 2007	31 December 2006
Securities available-for-sale	36.472	36.472

Securities available-for-sale at 30 June 2007 and 31 December 2006 are as follows:

Company	30 June 2007		31 December 2006	
	Amount	Share(%)	Amount	Share(%)
Yapı Kredi Bank Moscow	1.928.489	<1	1.921.981	<1
Yapı Kredi Bank Azerbaycan J.S.B.	13.963	<1	13.963	<1
Koç Kültür Sanat ve Tanıtım A.Ş.	10.058	4,9	10.058	4,9
Yapı Kredi Yatırım Menkul Değerler A.Ş.	7.618	<1	7.618	<1
Yapı Kredi Faktoring Hizmetleri A.Ş.	4.833	<1	4.833	<1
	1.964.961		1.958.453	
Provision for impairment	(1.928.489)		(1.921.981)	
	36.472		36.472	

NOTE 17 - GOODWILL / NEGATIVE GOODWILL

None (31 December 2006: None).

NOTE 18 - INVESTMENT PROPERTY

None (31 December 2006: None).

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2007	Additions	Disposals	30 June 2007
<u>Cost</u>				
Motor vehicles	323.563	-	(191.629)	131.934
Furniture and fixtures	2.254.142	-	(1.060.541)	1.193.601
Leasehold improvements	335.413	52.990	-	388.403
Office equipment	1.712.343	33.010	(726.718)	1.018.635
	4.625.461	86.000	(1.978.888)	2.732.573
<u>Accumulated depreciation</u>				
Motor vehicles	(301.403)	(5.715)	183.184	(123.934)
Furniture and fixtures	(2.143.059)	(27.237)	1.055.448	(1.114.848)
Leasehold improvements	(22.450)	(38.838)	-	(61.288)
Office equipment	(1.515.781)	(56.021)	725.430	(846.372)
	(3.982.693)	(127.811)	1.964.062	(2.146.442)
Net book value	642.768			586.131

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2006	Additions	Disposals	31 December 2006
<u>Cost</u>				
Motor vehicles	556.877	-	(233.314)	323.563
Furniture and fixtures	2.226.148	27.994	-	2.254.142
Leasehold improvements	1.529.156	335.184	(1.528.927)	335.413
Office equipment	1.633.622	89.943	(11.222)	1.712.343
	5.945.803	453.121	(1.773.463)	4.625.461
<u>Accumulated depreciation</u>				
Motor vehicles	(514.156)	(19.868)	232.621	(301.403)
Furniture and fixtures	(2.084.837)	(58.222)	-	(2.143.059)
Leasehold improvements	(1.139.213)	(144.858)	1.261.621	(22.450)
Office equipment	(1.415.677)	(111.624)	11.520	(1.515.781)
	(5.153.883)	(334.572)	1.505.762	(3.982.693)
Net book value	791.920			642.768

NOTE 20 - INTANGIBLE ASSETS

	1 January 2007	Additions	Disposals	30 June 2007
<u>Cost</u>				
Rights	2.675.284	14.109	(651)	2.688.742
	2.675.284			2.688.742
<u>Accumulated amortisation</u>				
Rights	(2.343.984)	(60.528)	651	(2.403.861)
	(2.343.984)			(2.403.861)
Net book value	331.300			284.881
	1 January 2006	Additions	Disposals	31 December 2006
<u>Cost</u>				
Rights	2.487.531	187.753	-	2.675.284
	2.487.531	187.753	-	2.675.284
<u>Accumulated amortisation</u>				
Rights	(2.231.600)	(112.384)	-	(2.343.984)
	(2.231.600)	(112.384)	-	(2.343.984)
Net book value	255.931			331.300

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 21 - ADVANCES RECEIVED

Advances received are related with the amounts received from customers regarding the financial leasing agreements. Advances received in respect to new financial leasing agreements at 30 June 2007 amount to YTL30.629.429 (31 December 2006: YTL28.053.944).

NOTE 22 - RETIREMENT PLANS

There is no liability for retirement plans other than those disclosed in provisions (Note 23).

NOTE 23 - PROVISIONS

	30 June 2007	31 December 2006
Short-term provisions		
Expense accruals	2.071.705	1.788.637
	2.071.705	1.788.637
Long-term provisions		
Provision for employment termination benefits	272.605	239.667
	272.605	239.667

The provision for employment termination benefits is provided for as explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and for whom employment relations with the Company have been terminated or who has completed 25 employment years (20 for women) and who achieves the retirement age (58 for women and 60 for men), is called up for military service or who dies. Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior retirement.

The amount payable consists of one month’s salary limited to a maximum of YTL2.030,19 (31 December 2006: YTL1.857,44) for each period of service at 30 June 2006.

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

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

IAS 19 requires actuarial valuation methods to be developed to estimate the Company’s obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability.

	30 June 2007	31 December 2006
Discount rate (%)	5,71%	5,71%
Turnover rate to estimate the probability of retirement (%)	9,2%	9,5%

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 23 - PROVISIONS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the liability is revised two times a year, the amount of YTL2.030,19 at 1 July 2007 will be taken into consideration in calculating the reserve for employment termination benefit (1 July 2006: YTL1.815,28).

Movements in the provision for employment termination benefits during the year are as follows:

	30 June 2007	31 December 2006
1 January	239.667	181.650
Paid during the period	(98.312)	(60.361)
Increase in employment termination benefits during the period	131.250	118.378
	272.605	239.667

NOTE 24 - MINORITY INTEREST

None (31 December 2006: None).

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

At 30 June 2007 and 31 December 2006, shareholders of the Company and their share capital with historical amounts are as follows:

	30 June 2007		31 December 2006	
	Amount	Share (%)	Amount	Share (%)
Koç Finansal Hizmetler A.Ş.	285.048.428	73,10	285.048.428	73,10
Yapı ve Kredi Bankası A.Ş.	100.378.146	25,74	100.088.678	25,67
Zer Merkezi Hizmetler A.Ş.	2.878.971	0,74	2.878.971	0,74
Publicly held	1.621.854	0,42	1.621.854	0,42
Others	306	0,00	289.774	0,07
	389.927.705	100,00	389.927.705	100,00
Adjustment to share capital	(34.599.733)		(34.599.733)	
Total share capital	355.327.972		355.327.972	

Share capital of the Company consists of 389.927.705 authorised shares with a nominal value of YTL1 each.

In the Extraordinary General Assembly of the Company on 21 December 2006, it was decided to legally merge Koç Finansal Kiralama A.Ş. with the Company where all rights, receivables, liabilities and obligations of Koç Finansal Kiralama A.Ş. were transferred to the Company (Note 32).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL (Continued)

The equity of the merging companies has been determined by an expert report prepared in accordance with the Turkish Commercial Code. According to the expert report dated 12 October 2006, numbered 2006/915; the Company’s historical share capital has been increased by YTL287.927.705 to YTL389.927.705. After deducting the effect of the share capital of Koç Finansal Kiralama A.Ş. amounting to YTL103.500.000, the remaining capital increase amount of YTL184.427.705 has been adjusted as a merger reserve through the retained earnings of the Company. Accordingly the exchange ratio has been determined as 2,7819 for the shareholders of Koç Finansal Kiralama A.Ş.

The Company’s registered capital is YTL389.927.705 (31 December 2006: YTL389.927.705).

NOTE 26 - 27 - 28 - CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

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

At 30 June 2007 and 31 December 2006, reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law are as follows:

	30 June 2007	31 December 2006
Legal reserves	29.616.509	24.071.054

Public companies distribute dividends according to CMB regulations as follows:

In accordance with the Communiqué No:XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with the CMB’s profit distribution regulations, are considered to be deductive when computing the distributable profit. The amounts presented as accumulated deficit shall be netted-off first from net income and retained earnings, if possible, and then the remaining amount of deficit shall be netted-off from extraordinary reserves, legal reserves and inflation adjustment to shareholders’ equity.

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 20% of their distributable profit arising from the activity, which is calculated based on the financial statements prepared in accordance with accounting principles described in Note 2. Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

In 2006 the Company netted off accumulated losses amounting to YTL114.751.525, against 2005 profit amounting to YTL3.926.493, legal and extraordinary reserves amounting to YTL5.706.920 and adjustment to share capital amounting to YTL105.118.112.

NOTE 29 - FOREIGN CURRENCY POSITION

The table below summarises the foreign currency position risk of the Company. Assets and liabilities denominated in foreign currency held by the Company at 30 June 2007 and 31 December 2006 are as follows:

30 June 2007	US\$	EUR	Other	YTL	Total
Assets					
Cash and cash equivalents	1.615.273	3.657.752	19.779	490.323	5.783.127
Leasing receivables (net)	432.568.388	934.940.240	8.446.206	614.763.410	1.990.718.244
Financial assets (net)	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	586.131	586.131
Intangible assets (net)	-	-	-	284.881	284.881
Other receivables and current/non-current assets	43.534.290	73.130.477	554	53.836.601	170.501.922
Total assets	477.717.951	1.011.728.469	8.466.539	669.997.818	2.167.910.777
Liabilities					
Borrowings (net)	531.017.608	960.196.279	666.579	78.100.443	1.569.980.909
Trade payables (net)	8.374.489	37.331.584	2.062.681	5.754.282	53.523.036
Advances received	7.861.628	14.915.588	102.819	7.749.394	30.629.429
Other liabilities (net)	33.932	-	-	28.006.384	28.040.316
Provisions	-	-	-	2.344.310	2.344.310
Total liabilities	547.287.657	1.012.443.451	2.832.079	121.954.813	1.684.518.000
Net foreign currency position	(69.569.706)	(714.982)	5.634.460	548.043.005	483.392.777
Derivative financial instruments	71.517.954	778.013	(6.809.004)	(70.741.551)	(5.254.589)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

31 December 2006	US\$	EUR	Other	YTL	Total
Assets					
Cash and cash equivalents	537.277	3.202.011	108.360	719.525	4.567.173
Leasing receivables (net)	299.549.459	760.289.114	10.384.839	512.198.741	1.582.422.153
Financial assets (net)	-	-	-	36.472	36.472
Property, plant and equipment (net)	-	-	-	642.768	642.768
Intangible assets (net)	-	-	-	331.300	331.300
Other receivables and current/non current assets	15.085.969	35.775.611	407.476	40.733.000	92.002.056
Total assets	315.172.705	799.266.736	10.900.675	554.661.806	1.680.001.922
Liabilities					
Borrowings (net)	293.842.294	767.258.614	10.948.486	22.792.190	1.094.841.584
Trade payables (net)	8.890.066	38.485.465	1.724.591	5.422.609	54.522.731
Advances received	5.373.679	16.063.599	7.388	6.609.278	28.053.944
Other liabilities (net)	-	124.370	70.642	23.834.245	24.029.257
Provisions	-	-	-	2.028.304	2.028.304
Total liabilities	308.106.039	821.932.048	12.751.107	60.686.626	1.203.475.820
Net foreign currency position	7.066.666	(22.665.312)	(1.850.432)	493.975.180	476.526.102
Derivative financial instruments	(5.195.295)	20.280.787	962.562	(15.877.660)	170.394

The following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 30 June 2007 and 31 December 2006;

	30 June 2007	31 December 2006
EUR	1,7585	1,8515
US\$	1,3046	1,4056

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 30 - GOVERNMENT GRANTS

None (31 December 2006: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Legal proceedings:

On 22 March 2004 a tax payment notice was received from the Tax Administration relating to the tax investigation of the statutory records of the Company for the year ended 31 December 2000. As a result, the Company initiated legal proceedings against the tax authorities on 20 April 2004. The court concluded the lawsuit on 22 December 2004 in favour of the Company. However, the Tax Administration applied to the Court of Appeal and according to the decision of the Court of Appeal, the Company was fined YTL10.267.492,71 on 13 July 2005. The Company paid this fine on 11 November 2005 and applied for an amendment of the verdict of the Court of Appeal. The final outcome is still not certain as at the issue date of these financial statements.

In addition, on 6 November 2006 another tax payment notice amounting to YTL14.413.325 was received from the Tax Administration relating to the tax investigation of the statutory records of the Company for the year ended 31 December 2001. Following the receipt of the tax payment notice from the Tax Administration, the Company called for a settlement proposal. The settlement negotiations have not started yet, however the Company has recorded a provision amounting to YTL14.413.325 for the tax payment notice for the year 2001. The Company has also recorded another provision of YTL5.969.958 against possible tax risks in the form of tax duties and penalties that may arise due to a similar tax investigation to the above, to be carried out by the Tax Administration for the year 2002. (Total provision amounts to YTL20.383.283 as of 30 June 2007 and 31 December 2006).

Moreover, the Company has provided for a total provision of YTL840.565 against certain open legal cases as of 30 June 2007 (2006: YTL823.551).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

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NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments under derivative instruments:

	30 June 2007		31 December 2006	
	<u>Original currency</u>	<u>YTL</u>	<u>Original currency</u>	<u>YTL</u>
Forward currency purchases				
US\$	13.278.772	17.323.486	1.603.859	2.254.385
YTL	27.553.049	27.553.049	-	-
EUR	15.342.430	26.979.663	15.286.013	28.302.054
JPY	58.182.000	613.995	32.000.000	377.504
GBP	-	-	2.844.919	7.843.157
		72.470.193		38.777.100
Swap purchases				
ABD\$	43.000.000	56.097.800	-	-
Forward currency sales				
YTL	41.319.600	41.319.600	15.877.660	15.877.660
EUR	14.900.000	26.201.650	4.332.307	8.021.267
CHF	5.510.000	5.840.049	4.400.000	5.061.320
US\$	1.458.940	1.903.333	5.300.000	7.449.680
JPY	150.000.000	1.582.950	186.215.000	2.196.778
		76.847.582		38.606.705
Swap sales				
YTL	56.975.000	56.975.000	-	-

Letters of guarantee given:

The Company has given letters of guarantee to courts, banks and customs amounting to YTL22.342.459 (31 December 2006: YTL27.455.186).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 32 - BUSINESS COMBINATIONS

None.

(31 December 2006: In the Extraordinary General Assembly of the Company on 21 December 2006, it was decided to legally merge Koç Lease with the Company where all the rights, receivables, liabilities and obligations of Koç Lease were transferred to the Company.

The Istanbul Trade Registry Office announced the Extraordinary General Assembly Decision dated 21 December 2006 and the registration of the legal merger contract on 25 December 2006 in the Trade Registry Gazette dated 28 December 2006 No.6714.

As the legal merger has been realised between two companies both controlled by Koç Finansal Hizmetler A.Ş., this transaction has been accounted for using the pooling of interest method. Accordingly, the transferred assets and liabilities of Koç Lease have been carried forward at their carrying amounts as of the transfer date. The income statement items of Koç Lease are included in the income statement for the entire year of merger. Moreover, the financial statements of the previous period have been restated by combining the financial statements of the Company and Koç Lease as of the same date for comparison purposes in these financial statements.

The Company has increased its share capital to YTL389.927.705 in order to comply with the legal requirements, where a portion of this increase has been adjusted as merger reserve from the retained earnings of the Company. Transaction costs related to the merger have been recognised in the income statement).

NOTE 33 - SEGMENT INFORMATION

None (31 December 2006: None).

NOTE 34 - SUBSEQUENT EVENTS

Koç Finansal Hizmetler A.Ş., the main shareholder of the Company, has approved the draft share swap agreement in respect of the transfer of the Company’s nominal shares amounting to YTL285.048.428 to Yapı ve Kredi Bankası A.Ş., in the Extraordinary General Assembly meeting held on 18 July 2007.

(31 December 2006: None).

NOTE 35 - DISCONTINUED OPERATIONS

None (31 December 2006: None).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDING 30 JUNE 2007**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 36 - OPERATING REVENUES

Service income

	2007		2006	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
Interest income from direct financing leases (net)	118.314.290	62.343.240	71.870.789	37.487.084

NOTE 37 - OPERATING EXPENSES

	2007		2006	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
Staff costs	6.797.661	3.329.492	5.116.714	2.720.636
Rent expenses	423.074	208.931	233.305	122.926
Donations	313.925	157.025	586.340	291.550
Marketing and advertisement expenses	295.966	57.600	401.903	201.190
Transportation and vehicle expenses	292.284	160.885	268.763	161.515
Taxes, duties and charges	290.613	64.472	185.736	45.277
Communication expenses	268.388	130.841	232.870	131.774
Audit and consultancy expenses	267.882	161.763	165.417	66.025
Depreciation and amortisation expenses (Note 19,20)	188.339	92.336	257.127	130.910
Insurance expenses	48.029	25.520	80.517	27.363
Administration expenses	36.315	18.274	150.077	108.506
Other	772.073	343.562	780.388	411.040
	9.994.549	4.750.701	8.459.157	4.418.712

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	2007		2006	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
Other income				
Recoveries from prior periods provisions for lease receivables	11.760.783	5.954.901	5.073.929	2.752.970
Insurance agency income	1.134.576	585.625	1.026.887	572.131
Tangible assets sales income	971.512	459.731	354.298	265.171
Decrease in legal reserves	-	-	2.950.304	2.950.304
Other	24.505	4.413	371.582	295.687
	13.891.376	7.004.670	9.777.000	6.836.263
Other expenses				
Provision for impaired lease receivables	19.629.050	9.933.315	4.419.862	2.843.967
Other	108.268	108.268	378.916	114.644
	19.737.318	10.041.583	4.798.778	2.958.611

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 39 - FINANCIAL EXPENSES

	2007		2006	
	1 January-30 June	1 April-30 June	1 January-30 June	1 April-30 June
Interest expense on borrowings	(35.818.183)	(20.380.166)	(18.934.186)	(11.670.299)
Interest expense from derivative financial instruments	(2.441.539)	(1.995.053)	2.065.710	1.421.314
Interest income from marketable securities	-	-	1.758.566	902.248
Deposits interest income	2.891	2.891	2.065.302	958.025
Foreign exchange gains and losses, net	(1.132.488)	(1.146.255)	279.415	(617.728)
Other financial expenses	(763.260)	(345.038)	(593.209)	(316.266)
	(40.152.579)	(23.863.621)	(13.358.402)	(9.322.706)

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

None (31 December 2006: None).

NOTE 41 - TAXES ON INCOME

Corporate Tax Law was altered by Law No.5520 on 13 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate of the fiscal year 2007 is 20% (2006: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on an investment incentive allowance utilised within the scope of Income Tax Law transitional article 61).

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

Corporations are required to pay advance corporation tax quarterly at the 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 accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, the cumulative inflation rate (SIS-WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2007.

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(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 41 - TAXES ON INCOME (Continued)

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

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time 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 five years. Tax losses cannot be carried back to offset profits from previous periods.

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30 March 2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 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.

b) In the scope of the abolished 19th article of Income Tax Law No: 193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economic and technical integrity.

No tax amount has been reflected in the income statement as of 30 June 2007.

NOTE 42 - EARNINGS PER SHARE

	30 June 2007	30 June 2006
Net income for the period	62.321.220	55.031.452
Number of outstanding shares with a nominal value of 1 YTL	389.927.705	389.927.705
Earnings per share (YTL)	0,1598	0,1411

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.f.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2007

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 43 - CASH FLOW STATEMENT

The statement of cash flows is presented with the financial statements on page 5.

NOTE 44 - OTHER EVENTS

None (31 December 2006: None).

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