

YAPI KREDİ FİNANSAL KİRALAMA A.O.

FINANCIAL STATEMENTS

AT 31 DECEMBER 2006

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Yapı Kredi Finansal Kiralama A.O. ("the Company") which comprise the balance sheet as of 31 December 2006 and 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 notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

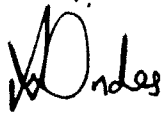
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter:

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

As explained in detail in Notes 2 and 19 to the financial statements, the Company has legally merged with Koç Finansal Kiralama A.Ş. ("Koç Lease") on 25 December 2006. Accordingly, all rights, receivables liabilities and obligations of Koç Lease were transferred to the Company as of the same date. This transaction has been accounted for using the pooling of interest method, where the financial statements of the Company prepared in accordance with International Financial Reporting Standards as of and for the year ended 31 December 2005 have been restated by combining the financial statements of the Company and Koç Lease as of the same date for comparison purposes in the accompanying financial statements.

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



Alper Önder, SMMM

Istanbul, 13 March 2007

YAPI KREDİ FİNANSAL KİRALAMA A.O.

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

CONTENTS	PAGE
BALANCE SHEET	1
INCOME STATEMENT	2
CASH FLOW STATEMENT.....	3
STATEMENT OF CHANGES IN EQUITY	4
NOTES TO THE FINANCIAL STATEMENTS	5-34
NOTE 1 ORGANISATION AND PRINCIPAL ACTIVITIES.....	5
NOTE 2 SIGNIFICANT ACCOUNTING POLICIES	5-10
NOTE 3 FINANCIAL RISK MANAGEMENT.....	11-16
NOTE 4 CASH AND CASH EQUIVALENTS.....	17
NOTE 5 INVESTMENT SECURITIES.....	17-18
NOTE 6 INVESTMENT IN DIRECT FINANCING LEASES.....	18-20
NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS.....	20
NOTE 8 OTHER ASSETS AND PREPAID EXPENSES.....	21
NOTE 9 PROPERTY AND EQUIPMENT	21-22
NOTE 10 BORROWINGS	22-23
NOTE 11 TAXATION	23-25
NOTE 12 OTHER LIABILITIES.....	26
NOTE 13 RESERVE FOR EMPLOYMENT TERMINATION BENEFITS.....	26
NOTE 14 SHARE CAPITAL	27
NOTE 15 RETAINED EARNINGS AND LEGAL RESERVES	28
NOTE 16 OPERATING EXPENSES.....	28
NOTE 17 RELATED PARTY BALANCES AND TRANSACTIONS	29-32
NOTE 18 COMMITMENTS AND CONTINGENT LIABILITIES	32-33
NOTE 19 LEGAL MERGER	34

YAPI KREDİ FİNANSAL KİRALAMA A.O.

BALANCE SHEET AT 31 DECEMBER

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

	Notes	31 December 2006	Restated (*) 31 December 2005
ASSETS			
Cash and cash equivalents	4	4,567,173	30,302,324
Investment securities:			
- available-for-sale	5	37,443	37,443
- held-to-maturity	5	-	20,478,813
Net investment in direct financing leases	6	1,582,422,153	962,643,544
Derivative financial instruments	7	354,193	7,652,890
Other assets and prepaid expenses	8	91,659,291	29,376,521
Property and equipment, net	9	651,325	811,622
Intangible assets, net		332,833	259,195
Total assets		1,680,024,411	1,051,562,352
LIABILITIES			
Borrowings	10	1,094,841,584	591,787,581
Accounts payable		54,522,731	51,104,771
Advances from customers		26,926,717	13,101,286
Derivative financial instruments	7	195,012	545,599
Other liabilities	12	26,749,509	30,214,540
Reserve for employment termination benefits	13	239,667	181,650
Total liabilities		1,203,475,220	686,935,427
SHAREHOLDERS' EQUITY			
Share capital	14	389,927,705	205,500,000
Adjustment to share capital	14	(31,017,468)	70,742,997
Total paid-in share capital	14	358,910,237	276,242,997
Share Premium		2,013	3,223
Retained earnings	15	117,636,941	88,380,705
Total equity		476,549,191	364,626,925
Total liabilities and equity		1,680,024,411	1,051,562,352
Commitments and contingent liabilities	18		

These financial statements as at and for the year ended 31 December 2006 have been approved for the issue by the Board of Directors on 13 March 2007.

(*) Please refer to Notes 2 and 19 for detailed explanation.

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	31 December 2006	Restated (*) 31 December 2005
Interest income from direct financing leases		165,614,604	113,999,104
Interest income on placements and transactions with banks		8,929,188	29,048,892
Interest income from investment securities		2,521,187	5,869,043
Total interest income		177,064,979	148,917,039
Interest expense on borrowings		(48,926,123)	(27,085,229)
Net interest income		128,138,856	121,831,810
Foreign exchange gains and losses, including net gain or losses from dealing in foreign currency		2,682,925	(3,164,332)
Net interest income after foreign exchange gains and losses		130,821,781	118,667,478
Fee and commission income / (expense), net		1,269,197	(1,964,944)
Impairment losses on lease receivables	6	(19,598,849)	(20,159,068)
Recoveries from impaired lease receivables	6	12,529,168	10,687,096
Other income / (expense), net		8,973,196	(18,175,341)
Operating profit		133,994,493	89,055,221
Operating expenses	16	(22,072,227)	(14,595,188)
Loss on net monetary position		-	(10,836,213)
Income before taxes		111,922,266	63,623,820
Taxation on income	11	-	(2,319,107)
Net income for the year		111,922,266	61,304,713
Earnings per share	2	0.535	0.293

(*) Please refer to Notes 2 and 19 for detailed explanation.

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	31 December 2006	Restated (*) 31 December 2005
Cash flows from operating activities			
Net income for the year		111,922,266	61,304,713
Adjustments for:			
Depreciation and amortisation		449,689	683,953
Remeasurement of derivative			
financial instruments at fair value	7	6,948,110	17,213,680
Reserve for employment termination benefits	13	118,378	(196,057)
Provision for tax and legal proceedings	12	(4,597,312)	11,565,933
Provision for impaired receivables	6	19,598,849	20,159,068
Interest income – net		(128,138,856)	(124,147,900)
Interest paid		(47,179,979)	(25,236,790)
Interest received		172,654,096	154,997,216
Accrued taxation net off deferred tax		-	2,380,839
Operating profit before changes in operating assets and liabilities		131,775,241	118,724,655
Changes in operating assets and liabilities			
Net (increase) / decrease in advances to vendors		(27,263,073)	(627,606)
Net (increase) / decrease in other assets and prepaid expenses		(10,285,786)	(7,054,664)
Reserve for employment termination benefits-paid		(60,361)	(37,806)
Net increase in other liabilities		18,375,672	(5,326,922)
Net cash provided from operating activities		112,541,693	105,677,657
Cash flows from investing activities			
Net increase in lease receivables		(632,641,147)	(124,147,339)
(Purchase) / redemption of investment securities and cash equivalents		25,691,624	20,664,224
(Purchase) / redemption of property and equipment - net of disposals		(363,030)	(228,221)
Decrease in equipment to be leased		(24,733,911)	(3,804,453)
Net cash used in investing activities		(632,046,464)	(107,524,789)
Cash flows from financing activities			
Proceeds / (redemption) from borrowings		501,307,859	57,390,303
Dividends paid		-	(66,792,517)
Net cash provided from / (used in) financing activities		501,307,859	(9,402,214)
Net (decrease) / increase in cash and cash equivalents		(18,196,912)	(11,249,346)
Cash and cash equivalents at the beginning of the year	4	22,764,085	34,013,431
Cash and cash equivalents at the end of the year	4	4,567,173	22,764,085

(*) Please refer to Notes 2 and 19 for detailed explanation.

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER**

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

	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Retained earnings	Total
Balance at 1 January 2005	205,500,000	70,742,997	276,242,997	3,223	93,868,509	370,114,729
Dividends paid	-	-	-	-	(66,792,517)	(66,792,517)
Net income for the year	-	-	-	-	61,304,713	61,304,713
Balance at 31 December 2005	205,500,000	70,742,997	276,242,997	3,223	88,380,705	364,626,925
Balance at 1 January 2006	205,500,000	70,742,997	276,242,997	3,223	88,380,705	364,626,925
Transfers	-	(101,760,465)	(101,760,465)	(1,210)	101,761,675	-
Net income for the year	-	-	-	-	111,922,266	111,922,266
Capital increase due to legal merger	184,427,705	-	184,427,705	-	(184,427,705)	-
Balance at 31 December 2006	389,927,705	(31,017,468)	358,910,237	2,013	117,636,941	476,549,191

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(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 in 1987 in Istanbul, Turkey, pursuant to the license obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. Certain shares of the Company are listed on the Istanbul Stock Exchange since 11 January 1994. The registered address of the Company is Barbaros Bulvarı Morbasan Sokak Koza İş Merkezi C Blok 34349 Balmumcu, Beşiktaş, İstanbul, Turkey.

The Company's major shareholder is Koç Finansal Hizmetler A.Ş. and the ultimate parent enterprises of the Company are Koç Group and Unicredito Italiano SPA ("UCI").

As at 31 December 2006 the Company has 152 employees (31 December 2005: 124).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of presentation of financial statements

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB"). The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira ("YTL") in accordance with Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalised on the balance sheet of the lessor whether the lease is operating or finance lease until 1 July 2003. In accordance with amendments in Turkish tax law dated 24 April 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after 1 July 2003 in their statutory financial statements.

The 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.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting 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 the YTL 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 Company 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 these financial statements.

Corresponding figures, as at and for the year ended 31 December 2005, were restated for the changes in the general purchasing power of the YTL as at 31 December 2005. The restatement was calculated using the conversion factors which derived from the Turkish nationwide Wholesale Price Index ("WPI") published by the Turkish Statistical Institute (TURKSTAT). The indices used to restate corresponding figures and the respective conversion factors are:

<u>Dates</u>	<u>Index</u>	<u>Conversion factors</u>	<u>Cumulative three-year inflation rates</u>
31 December 2005	8,627.5	1.000	35.6%
31 December 2004	8,403.8	1.027	69.7%
31 December 2003	7,382.1	1.169	181.1%

The main guidelines for the above mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the relevant (monthly) conversion factors.
- The effect of inflation on the net monetary liability position of the Company is included in the statement of income as gain on net monetary position.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities 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. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost. Available-for-sale investment securities 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 5).

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Interest earned whilst holding investment securities is reported as interest income.

All regular way purchases and sales of investment securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Company.

(d) Accounting for leases (where the Company is a lessor)

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognised on sale of leased assets is recorded as gain on liquidation of investments.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases.

Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realisable value.

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component and current economic climate in which the borrowers operate.

The provision made during the year is charged against the income for the year. Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 6).

(f) Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2006. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(g) Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power of YTL at 31 December 2005, less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Furniture and fixtures	5 years
Office equipment and motor vehicles	4 - 5 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.

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.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Expenditure to acquire software licenses is capitalised and amortised by using the straight-line method over their useful lives of 4 or 5 years.

(i) Financial liabilities

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

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event 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 (Note 12).

(k) Reserve for employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in these financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 13).

(l) Notice pay liability

In accordance with the social security legislation in Turkey, the Company 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 financial statements, as the directors do not expect the Company to make any significant terminations in the foreseeable future.

(m) Revenue recognition

Direct financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be 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 of unearned future lease income, are classified as the net investment in direct financing leases. Gross rentals due, but not received at the balance sheet date are classified as receivable lease payments outstanding.

(n) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. When lease receivables become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign currency transactions

Transactions denominated in foreign currencies are recorded in YTL 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.

(p) Related parties

For the purpose of these financial statements, the shareholders, of the Company, key management personnel and Board members, the Koç Group and the UCI Group Companies and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 17).

(r) 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.

(s) Comparatives

The Company has 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. As the legal merger has been realised between two companies controlled by the Koç Finansal Hizmetler A.Ş. as of 31 December 2005, this transaction has been accounted for pooling of interest method, where the financial statements of the Company prepared in accordance with IFRS as of and for the year ended 31 December 2005 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 19).

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

(t) Earnings per share

Earnings per share presented in the statement of income are determined by dividing consolidated 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.

(u) Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include cash and due from banks with original maturity periods of less than three months.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out by Treasury and Foreign Relations department under policies approved by the Board of Directors. Treasury and Foreign Relations department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

(b) Credit risk

Financial instruments contain an element of risk that the counterparty may be unable to meet the terms of the agreements. 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 summarizes the geographic distribution of the Company's assets and liabilities at 31 December 2006:

31 December 2006	Assets	%	Liabilities and equity	%
Turkey	1,665,828,480	99	602,372,966	36
European countries	11,703,127	1	891,831,656	53
Other	2,492,804	-	185,819,789	11
	1,680,024,411	100	1,680,024,411	100

(c) Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The risk arising from the depreciation of New Turkish Lira against foreign currencies is managed by investing in foreign currency assets.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2006 and 2005.

31 December 2006	Foreign Currency			Total	YTL	Total
	US\$	EUR	Other			
Assets						
Cash and cash equivalents	537,277	3,202,011	108,360	3,847,648	719,525	4,567,173
Investment securities - available-for-sale	-	-	-	-	37,443	37,443
Net investment in direct financing leases	299,549,459	760,289,114	10,384,839	1,070,223,412	512,198,741	1,582,422,153
Derivative financial instruments	29,286	59,702	265,205	354,193	-	354,193
Other assets and prepaid expenses	15,056,683	35,715,909	142,270	50,914,862	40,744,429	91,659,291
Property and equipment, net	-	-	-	-	651,325	651,325
Intangible assets, net	-	-	-	-	332,833	332,833
Total assets	315,172,705	799,266,736	10,900,674	1,125,340,115	554,684,296	1,680,024,411
Liabilities						
Borrowings	293,842,300	767,270,801	10,947,854	1,072,060,955	22,780,629	1,094,841,584
Accounts payable	8,890,066	38,485,465	1,724,591	49,100,122	5,422,609	54,522,731
Advances from customers	5,373,679	16,063,599	7,388	21,444,666	5,482,051	26,926,717
Derivative financial instruments	-	124,370	70,642	195,012	-	195,012
Other liabilities	-	-	-	-	26,749,509	26,749,509
Reserve for employment termination benefits	-	-	-	-	239,667	239,667
Total liabilities	308,106,045	821,944,235	12,750,475	1,142,800,755	60,674,465	1,203,475,220
Net balance sheet position	7,066,660	(22,677,499)	(1,849,801)	(17,460,640)	494,009,831	476,549,191
Off-balance sheet derivative instruments net notional position	(5,195,295)	20,280,787	962,562	16,048,054	(15,877,660)	170,394

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2005	Foreign Currency			Total	YTL	Total
	US\$	EUR	Other			
Assets						
Cash and cash equivalents	9,370,324	1,412,610	12,607	10,795,541	19,506,783	30,302,324
Investment securities						
- available-for-sale	-	-	-	-	37,443	37,443
- held-to-maturity	-	-	-	-	20,478,813	20,478,813
Net investment in direct financing leases	247,113,165	427,110,602	9,516,899	683,740,666	278,902,878	962,643,544
Derivative financial instruments	242,532	-	33,994	276,526	7,376,364	7,652,890
Other assets and prepaid expenses	3,289,809	9,151,882	184,891	12,626,582	16,749,939	29,376,521
Property and equipment, net	-	-	-	-	811,622	811,622
Intangible assets, net	-	-	-	-	259,195	259,195
Total assets	260,015,830	437,675,094	9,748,391	707,439,315	344,123,037	1,051,562,352
Liabilities						
Borrowings	246,178,628	327,595,916	18,013,037	591,787,581	-	591,787,581
Accounts payable	2,715,082	32,152,130	7,080,537	41,947,749	9,157,022	51,104,771
Advances from customers	2,483,749	6,956,745	351,660	9,792,154	3,309,132	13,101,286
Derivative financial instruments	32,764	-	-	32,764	512,835	545,599
Other liabilities	3,319,723	2,686,513	9,261	6,015,497	24,199,043	30,214,540
Reserve for employment termination benefits	-	-	-	-	181,650	181,650
Total liabilities	254,729,946	369,391,304	25,454,495	649,575,745	37,359,682	686,935,427
Net balance sheet position	5,285,884	68,283,790	(15,706,104)	57,863,570	306,763,355	364,626,925
Off-balance sheet derivative instruments net notional position	(1,323,909)	(67,136,118)	15,040,968	(53,419,059)	64,590,112	11,171,053

At 31 December 2006, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into YTL by using a foreign exchange rate of YTL1.4056=US\$1 and YTL1.8515=EUR1 (31 December 2005: YTL1.3418=US\$1 and YTL1.5875=EUR 1).

(d) 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. 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.

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2006	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and cash equivalents	4,567,173	-	-	-	4,567,173
Investment securities					
- available-for-sale	-	-	-	37,443	37,443
Net investment in direct financing leases	204,066,698	485,863,777	888,108,001	4,383,677	1,582,422,153
Derivative financial instruments	329,946	24,247	-	-	354,193
Other assets and prepaid expenses	72,085,352	5,214,051	3,917,432	10,442,456	91,659,291
Property and equipment, net	-	-	-	651,325	651,325
Intangible assets, net	-	-	-	332,833	332,833
Total assets	281,049,169	491,102,075	892,025,433	15,847,734	1,680,024,411
Liabilities					
Borrowings	51,770,678	672,637,845	370,433,061	-	1,094,841,584
Accounts payable	54,522,731	-	-	-	54,522,731
Advances from customers	-	-	-	26,926,717	26,926,717
Derivative financial instruments	195,012	-	-	-	195,012
Other liabilities	-	-	-	26,749,509	26,749,509
Reserve for employment termination benefits	-	-	-	239,667	239,667
Total liabilities	106,488,421	672,637,845	370,433,061	53,915,893	1,203,475,220
Net liquidity gap	174,560,748	(181,535,770)	521,592,372	(38,068,159)	476,549,191

31 December 2005	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and cash equivalents	20,719,300	9,583,024	-	-	30,302,324
Investment securities					
- available-for-sale	-	-	-	37,443	37,443
- held-to-maturity	-	20,478,813	-	-	20,478,813
Net investment in direct financing leases	153,190,448	336,538,000	472,915,096	-	962,643,544
Derivative financial instruments	5,299,626	2,353,264	-	-	7,652,890
Other assets and prepaid expense	4,484,905	894,674	199,906	23,797,036	29,376,521
Property and equipment, net	-	-	-	811,622	811,622
Intangible assets, net	-	-	-	259,195	259,195
Total assets	183,694,279	369,847,775	473,115,002	24,905,296	1,051,562,352
Liabilities					
Borrowings	84,621,578	296,536,384	210,629,619	-	591,787,581
Accounts payable	13,982,802	18,175,995	8,047,283	10,898,691	51,104,771
Advances from customers	-	-	-	13,101,286	13,101,286
Derivative financial instruments	234,589	301,566	9,444	-	545,599
Other liabilities	-	-	-	30,214,540	30,214,540
Reserve for employment termination benefits	-	-	-	181,650	181,650
Total liabilities	98,838,969	315,013,945	218,686,346	54,396,167	686,935,427
Net liquidity gap	84,855,310	54,833,830	254,428,656	(29,490,871)	364,626,925

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The table below summarises the average year-end interest rates by major currencies for monetary financial instruments:

Assets	31 December 2006			31 December 2005		
	US\$	EUR	YTL	US\$	EUR	YTL
Cash and cash equivalents	-	-	-	-	-	19.04
Investment securities						
- held-to-maturity	-	-	-	-	-	17.60
Investment in direct financing leases	8.82	6.84	19.18	8.58	7.73	18.63
Liabilities						
Borrowings	6.46	4.64	19.27	5.78	4.30	-

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

31 December 2006	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets					
Cash and cash equivalents	-	-	-	4,567,173	4,567,173
Investment securities					
- available-for-sale	-	-	-	37,443	37,443
Net investment in direct financing leases	204,066,698	485,863,777	888,108,001	4,383,677	1,582,422,153
Derivative financial instruments	329,946	24,247	-	-	354,193
Other assets and prepaid expenses	-	-	-	91,659,291	91,659,291
Property and equipment, net	-	-	-	651,325	651,325
Intangible assets, net	-	-	-	332,833	332,833
Total assets	204,396,644	485,888,024	888,108,001	101,631,742	1,680,024,411
Liabilities					
Borrowings	347,633,303	746,641,015	567,266	-	1,094,841,584
Accounts payable	54,522,731	-	-	-	54,522,731
Advances from customers	-	-	-	26,926,717	26,926,717
Derivative financial instruments	195,012	-	-	-	195,012
Other liabilities	-	-	-	26,749,509	26,749,509
Reserve for employment termination benefits	-	-	-	239,667	239,667
Total liabilities	402,351,046	746,641,015	567,266	53,915,893	1,203,475,220
Net re-pricing gap	(197,954,402)	(260,752,991)	887,540,735	47,715,849	476,549,191

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2005	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets					
Cash and cash equivalents	12,526,558	6,297,302	-	11,478,464	30,302,324
Investment securities					
- available-for-sale	-	-	-	37,443	37,443
- held-to-maturity	-	20,478,813	-	-	20,478,813
Net investment in direct financing leases	153,190,448	336,538,000	472,915,096	-	962,643,544
Derivative financial instruments	5,299,626	2,353,264	-	-	7,652,890
Other assets and prepaid expenses	-	-	-	29,376,521	29,376,521
Property and equipment, net	-	-	-	811,622	811,622
Intangible assets, net	-	-	-	259,195	259,195
Total assets	171,016,632	365,667,379	472,915,096	41,963,245	1,051,562,352
Liabilities					
Borrowings	391,353,890	191,447,113	8,986,578	-	591,787,581
Accounts payable	13,982,802	18,175,995	8,047,283	10,898,691	51,104,771
Advances from customers				13,101,286	13,101,286
Derivative financial instruments	234,589	301,566	9,444	-	545,599
Other liabilities	-	-	-	30,214,540	30,214,540
Reserve for employment termination benefits	-	-	-	181,650	181,650
Total liabilities	405,571,281	209,924,674	17,043,305	54,396,167	686,935,427
Net re-pricing gap	(234,554,649)	155,742,705	455,871,791	(12,432,922)	364,626,925

(f) 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:

Financial Assets

Balances denominated in foreign currencies are translated at year-end exchange rates.

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.

At 31 December 2006 the fair value of lease rental receivables along with the related allowances for uncollectibility is calculated by using market interest rates as YTL1,708,594,504.

Financial Liabilities

The fair value of funds borrowed is calculated by using market interest rates as YTL1,148,026,739. Other monetary liabilities are considered to approximate their respective carrying values.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2006			31 December 2005		
	Foreign currency	YTL	Total	Foreign currency	YTL	Total
Due from banks						
- demand deposits	3,847,648	719,525	4,567,173	10,795,541	682,824	11,478,365
- time deposits	-	-	-	-	18,823,959	18,823,959
Total cash and cash equivalents	3,847,648	719,525	4,567,173	10,795,541	19,506,783	30,302,324

For the purposes of cash flow statements, cash and cash equivalents comprise the following balances with less than 3 months maturity from the date of acquisition at 31 December 2006 and 2005:

	31 December 2006	31 December 2005
Due from banks	4,567,173	22,764,085
Total cash and cash equivalents	4,567,173	22,764,085

NOTE 5 - INVESTMENT SECURITIES

	31 December 2006	31 December 2005
Securities available-for-sale		
Unlisted equity securities	37,443	37,443

The unlisted equity securities at 31 December 2006 and 2005 are as follows:

Entity	Nature of business	31 December 2006		31 December 2005	
		(%)	YTL	(%)	YTL
Yapı Kredi Bank Moscow	Banking	<1	1,973,142	<1	1,973,142
Koçbank Azerbaycan J.S.B.	Banking	<1	14,334	<1	14,334
Koç Kültür Sanat ve Tanıtım A.Ş.	Organisation	4.90	10,327	4.90	10,327
Yapı Kredi Yatırım Menkul Değerler A.Ş.	Investment Management	<1	7,821	<1	7,821
Koç Faktoring Hizmetleri A.Ş.	Factoring	<1	4,961	<1	4,961
			2,010,585		2,010,585
Less: Provision for impairment of Yapı Kredi Bank Moscow			(1,973,142)		(1,973,142)
			37,443		37,443

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006**

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

NOTE 5 - INVESTMENT SECURITIES (Continued)

	31 December 2006	31 December 2005
Securities held-to-maturity		
- Government bonds and treasury bills	-	20,478,813

Government bonds are discount and coupon securities issued by the Government of the Republic of Turkey.

The comparison of the fair values of securities held-to-maturity with the carrying values is as follows:

	31 December 2006	31 December 2005
Carrying value of securities held-to-maturity	-	20,478,813
Fair value of securities held-to-maturity	-	20,923,590

NOTE 6 - NET INVESTMENT IN DIRECT FINANCING LEASES

	31 December 2006	31 December 2005
Gross investment in direct financing leases	1,930,903,654	1,179,214,332
Unearned finance income	(338,090,645)	(192,034,495)
Total performing investment in leases	1,592,813,009	987,179,837
Lease receivable accrual	16,142,524	9,406,213
Receivables from outstanding lease payments	39,457,478	24,978,671
Provision for impaired lease receivables	(65,990,858)	(58,921,177)
Net investment in direct financing leases	1,582,422,153	962,643,544

At 31 December 2006 and 2005 doubtful finance lease receivables amount to YTL60,244,963 and YTL84,504,908, respectively.

Gross lease rentals receivable and the net performing investment in direct financing leases as of 31 December 2006 and 2005 have the following collection schedules:

Year Ending	<u>Leasing Receivables</u>	
	Gross 31 December 2006	Net performing 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

Year Ending	<u>Leasing Receivables</u>	
	Gross 31 December 2005	Net performing 31 December 2005
31 December 2006	607,740,570	500,662,381
31 December 2007	325,252,573	274,721,700
31 December 2008	149,425,671	126,969,982
31 December 2009 and over	96,795,518	84,825,774
	1,179,214,332	987,179,837

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 6 - NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

Economic sector risk concentrations for the net performing investment in direct financing leases as of 31 December 2006 and 2005 are as follows:

	31 December 2006	%	31 December 2005	%
Construction	418,387,584	22	192,863,787	16
Textile	236,207,599	12	161,384,371	14
Printing	230,127,201	12	136,052,602	12
Machinery and metal industry	119,552,219	6	54,065,408	5
Transportation	105,472,677	5	63,353,493	5
Petroleum and chemistry	97,529,836	5	63,219,140	5
Steel and mining	97,288,236	5	79,442,969	7
Health	94,913,263	5	62,718,323	5
Food and beverage	78,886,432	4	30,846,802	3
Agriculture	73,491,289	4	47,385,660	4
Automotive	60,655,360	3	32,898,218	3
Financial institutions	45,823,098	2	30,642,560	3
Tourism	45,696,015	2	33,875,143	3
Wholesale and retail trade	29,780,541	2	17,304,948	1
Education	5,644,607	1	5,972,358	1
Other	191,447,697	10	167,188,550	13
	1,930,903,654	100	1,179,214,332	100

Movements in provision for impaired lease receivables for the years ended 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Balance at 1 January	58,921,177	53,496,527
Impairment expense during the year	19,598,849	20,159,068
Recoveries of amounts previously provided	(12,529,168)	(10,687,096)
Write-off	-	(2,084,103)
Monetary gain	-	(1,963,219)
	65,990,858	58,921,177

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 6 - NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

The Company has obtained the following securities from its customers against their outstanding exposures:

	31 December 2006	31 December 2005
Mortgages	290,376,977	213,107,617
Buyback guarantees	51,301,444	58,985,133
Pledged securities	20,738,828	20,095,272
Transfer of rights of receivables	12,884,194	20,318,546
Guarantee letters	12,795,560	23,477,163
Cheques received	9,160,134	6,441,698
Pledged machinery	7,540,955	4,322,225
Pledged automobiles	3,240,314	1,484,452
Blocked cash	2,380,431	24,011,524
Other pledged securities	13,472,876	18,156,940
	423,891,713	390,400,570

Investment in direct financing leases are further analysed as a part of the balance sheet in the notes: related party transactions (Note 17) and financial risk management (Note 3).

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values	
		Assets	(Liabilities)
31 December 2006			
Foreign exchange derivatives			
Currency forwards	77,383,805	354,193	(195,012)
Total Over the Counter ("OTC")	77,383,805	354,193	(195,012)
31 December 2005			
Foreign exchange derivatives			
Currency forwards	322,579,727	7,652,890	(545,599)
Total OTC	322,579,727	7,652,890	(545,599)

Derivative financial instruments are further analysed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 18) and financial risk management (Note 3).

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 8 - OTHER ASSETS AND PREPAID EXPENSES

	31 December 2006	31 December 2005
Advances to vendors	39,304,172	12,041,099
Equipments to be leased	30,107,441	5,373,530
Prepaid expenses	11,805,222	6,800,283
Deferred VAT	7,810,198	2,875,623
Asset held for resale	2,044,936	2,266,085
Other	587,322	19,901
	91,659,291	29,376,521

Equipments to be leased consist of assets purchased for the financial lease agreements signed in the current period, which will be transferred to lessees in the subsequent period.

NOTE 9 - PROPERTY AND EQUIPMENT

	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
At 1 January 2005				
Cost	3,961,634	604,193	1,564,494	6,130,321
Accumulated depreciation	(3,459,598)	(477,017)	(947,155)	(4,883,770)
Net book amount	502,036	127,176	617,339	1,246,551
Period ending 31 December 2005				
Opening net book amount	502,036	127,176	617,339	1,246,551
Additions	73,228	484	5,242	78,954
Disposals	(1,255)	(3,312)	-	(4,567)
Depreciation	(206,427)	(80,522)	(222,367)	(509,316)
Closing net book amount	367,582	43,826	400,214	811,622
At 31 December 2005				
Cost	4,033,607	601,365	1,569,736	6,204,708
Accumulated depreciation	(3,666,025)	(557,539)	(1,169,522)	(5,393,086)
Net book amount	367,582	43,826	400,214	811,622

YAPI KREDİ FİNANSAL KİRALAMA A.O.**NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006**

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

NOTE 9 - PROPERTY AND EQUIPMENT (Continued)

	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
Period ending 31 December 2006				
Opening net book amount	367,582	43,826	400,214	811,622
Additions	117,938	-	334,375	452,313
Disposals	-	(7,748)	(269,289)	(277,037)
Depreciation	(174,079)	(13,359)	(148,135)	(335,573)
Closing net book amount	311,441	22,719	317,165	651,325

At 31 December 2006

Cost	4,151,545	593,616	1,634,822	6,379,983
Accumulated depreciation	(3,840,104)	(570,897)	(1,317,657)	(5,728,658)
Net book amount	311,441	22,719	317,165	651,325

NOTE 10 - BORROWINGS

	31 December 2006		31 December 2005	
	Original currency	YTL	Original currency	YTL
Domestic banks:				
Fixed rate borrowings:				
-YTL	22,792,190	22,792,190	-	-
-US\$	-	-	6,430,109	8,627,921
Floating rate borrowings:				
-US\$	2,223,421	3,125,241	2,137,400	2,867,963
		25,917,431		11,495,884

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 10 - BORROWINGS (Continued)

	31 December 2006		31 December 2005	
	Original currency	YTL	Original currency	YTL
Foreign banks:				
Fixed rate borrowings:				
-EUR	12,635,473	23,394,578	67,728,834	107,343,759
-US\$	16,603,132	23,337,362	36,886,883	49,495,491
-CHF	2,628,708	3,023,802	4,019,276	4,094,838
Floating rate borrowings:				
-EUR	401,762,915	743,864,036	138,741,514	220,252,155
-US\$	190,224,595	267,379,691	138,014,054	185,187,258
-GBP	2,874,491	7,924,684	6,019,721	13,918,196
		1,068,924,153		580,291,697
Total borrowings		1,094,841,584		591,787,581

NOTE 11 - TAXATION

	31 December 2006	31 December 2005
Current tax charge	-	-
Deferred tax benefit	-	-
Total tax asset	-	-

Corporate Tax Law has been altered by Law No: 5520 on 13 June 2006. Although the new Corporate Tax Law No: 5520, has become effective on 21 June 2006, many of its articles have become effective retrospectively starting from 1 January 2006. Accordingly, the corporation tax rate of the fiscal year 2006 is 20% (30% if the entity elects to use investment incentive exception) (2005: 30%). 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, 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 the investment incentive allowance utilised within the scope of the 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.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 11 - TAXATION (Continued)

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 Procedure 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, the 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 YTL. In accordance with the aforementioned law's provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) 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 fiscal year 2006.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing 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 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in Corporate Tax Law concerning corporations. Those related to the Company are as follows:

Exemption for investment allowance

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.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 11 - TAXATION (Continued)

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognised 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 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 31 December 2006 and 31 December 2005.

At 31 December 2006 the total amount of investment allowances and carry forward losses which are expected to be deducted from future taxable income is approximately YTL724,854,299 and YTL75,640,518, respectively.

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 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Deductible temporary differences:		
Provision for impaired receivables	59,530,804	53,872,277
Difference between carrying value and tax base of financial leases	23,489,815	124,739,590
Expense accruals	1,795,164	402
Difference between carrying value and tax base of property and equipment and intangible assets	1,463,801	1,731,849
Provision for personnel bonus	1,473,850	780,000
Provision for personnel vacation	569,423	186,478
Provision for legal proceedings	456,000	604,878
Provision for litigation related to Fund for Resource Use Support	367,551	1,241,118
Unearned commission income	296,665	1,030,680
Provision for employment termination benefits	239,667	181,650
Revaluation of derivative financial instruments	195,012	545,599
Valuation difference on investment securities	-	444,777
Valuation difference on time deposits	-	123,118
Valuation difference on borrowings	-	91,718
	89,877,752	185,574,134
Taxable temporary differences:		
Income accrual on lease receivables	(2,409,523)	(9,406,213)
Revaluation of derivative financial instruments	(354,193)	(7,652,890)
Valuation difference on borrowings	(99,096)	-
	(2,862,812)	(17,059,103)
Net temporary differences	87,014,940	168,515,031

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 12 - OTHER LIABILITIES

	31 December 2006	31 December 2005
Provision for tax lawsuit (Note 18)	20,383,283	24,000,000
Provision for personnel performance bonus	1,473,850	780,000
Deposits and guarantees received	1,127,878	1,610,145
Provision for legal proceedings (Note 18)	823,551	1,804,146
Withholding taxes and duties payable	576,347	368,536
Expense accruals	1,788,637	1,546,041
Others	575,963	105,672
	26,749,509	30,214,540

NOTE 13 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2006	31 December 2005
Reserve for employment termination benefits	239,667	181,650

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of YTL1,857.44 (31 December 2005: YTL1,727.15) for each year of service.

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

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

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2006 and 2005:

	31 December 2006	31 December 2005
Discount rate (%)	5,71	5,49
Turnover rate to estimate the probability of retirement (%)	9,5	10,2

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 YTL 1,960.69 (1 January 2006: YTL1,770.61) which is effective from 1 January 2007 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	31 December 2006	31 December 2005
1 January	181,650	415,513
Paid during the year	(60,361)	(37,806)
Increase during the year	118,378	(187,681)
Monetary loss	-	(8,376)
	239,667	181,650

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 14 - SHARE CAPITAL

At 31 December 2006 the Company's authorised share capital consists of 389,927,705 shares with a par value of YTL1 each. (31 December 2005: 205,500,000 shares with a par value of YTL1 each).

Adjustment to share capital represents the restatement effect of cash contributions to share capital in year-end equivalent purchasing power.

At 31 December 2006 and 2005, the share capital is as follows:

	31 December 2006		31 December 2005	
	Shares (%)	YTL	Shares (%)	YTL
Koç Finansal Hizmetler A.Ş.	73.10	285,048,428	49.86	102,465,000
Yapı ve Kredi Bankası A.Ş.	25.67	100,088,678	32.92	67,650,932
Beko Ticaret A.Ş.	0.74	2,878,971	0.50	1,034,890
Publicly held	0.42	1,621,854	16.57	34,059,600
Other	0.07	289,774	0.14	289,578
	100.00	389,927,705	100.00	205,500,000
Adjustment to share capital		(31,017,468)		70,742,997
		358,910,237		276,242,997

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 rights, receivables, liabilities and obligations of Koç Lease were transferred to the Company.

The equity of the merging companies has been determined in accordance with the reports prepared by experts. According to the expert report as of 12 October 2006, 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 Lease amounting to YTL103,500,000, the remaining amount of capital increase of YTL184,427,705 has been adjusted as merger reserve through the retained earnings of the Company (Note 19). Accordingly the exchange ratio has been determined as 2.7819 for the shareholders of Koç Lease.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 15 - RETAINED EARNINGS AND LEGAL RESERVES

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

Public companies distribute dividends according to CMB regulations as follows:

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 share or as a combination of a certain percentage of cash and bonus shares.

At 31 December 2006 and 31 December 2005 reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law is as follows:

	31 December 2005	31 December 2005
Legal reserves	24,071,054	27,883,491

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

In 2006 the Company netted off accumulated losses amounting to YTL114,751,525 against 2005 profit amounting to YTL5,706,920, legal and extraordinary reserves amounting to YTL5,706,920 and adjustment to share capital amounting to YTL105,118,112.

NOTE 16 - OPERATING EXPENSES

	31 December 2006	31 December 2005
Staff costs	10,858,300	8,484,540
Legal merger expenses (Note19)	3,967,645	-
Audit and consultancy expenses	695,880	354,753
Rent expenses	581,828	482,877
Taxes and duties other than on income	545,051	506,667
Communication expenses	492,134	463,667
Travel expenses	456,939	530,154
Depreciation and amortisation expense	449,689	685,532
Advertisement expenses	386,265	775,081
Other	3,638,496	2,311,917
Total	22,072,227	14,595,188

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 17 - RELATED PARTY BALANCES AND TRANSACTIONS

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:

	31 December 2006	31 December 2005
Assets:		
Due from banks:		
- demand deposits		
Yapı ve Kredi Bankası A.Ş.	1,041,790	8,492,262
Koçbank Nederland N.V.	10,653	21,330
Yapı Kredi Bank Deutschland A.G.	3,154	3,142
Yapı Kredi Bank Nederland N.V.	1,179	-
- time deposits		
Yapı ve Kredi Bankası A.Ş.	-	15,538,238
Yapı Kredi Bank Nederland N.V.	-	3,286,308
	1,056,776	27,341,280

	31 December 2006	31 December 2005
Net investment in direct financing leases:		
Yapı ve Kredi Bankası A.Ş.	27,745,039	16,514,541
Vehbi Koç Vakfı Amerikan Hastanesi	18,789,243	22,606,461
Setur Servis Turistik A.Ş.	1,937,255	2,278,967
Koç Sistem Bilgi ve İletişim	1,253,001	627,634
Koç Üniversitesi	1,010,823	407,407
Koç Allianz Sigorta A.Ş.	556,707	661,133
Düzy Tüketim Malları Pazarlama A.Ş.	497,091	1,443,572
Türk Demirdöküm Fabrikaları A.Ş.	270,401	172,973
Palmira Turizm Ticaret A.Ş.	239,603	512,167
Yapı Kredi Emeklilik A.Ş.	231,555	25,988
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	215,926	696,946
Yapı Kredi Sigorta A.Ş.	163,877	1,185
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	136,959	96,706
Birleşik Oksijen Sanayi A.Ş.	68,249	121,655
Other	163,456	1,697,399
Total	53,279,185	47,864,734

YAPI KREDİ FİNANSAL KİRALAMA A.O.**NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006**

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

NOTE 17 - RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	31 December 2006	31 December 2005
Liabilities		
Borrowings:		
Unicredito Italiano SPA	64,896,606	-
Yapı ve Kredi Bankası A.Ş.	780,427	41,257,351
Koç Holding A.Ş.	-	41,257,782
Yapı Kredi Netherland N.V.	-	4,696,872
	65,677,033	87,212,005
Advances received:		
Yapı ve Kredi Bankası A.Ş.	458,262	-
Yapı Kredi Sigorta A.Ş.	144,145	-
	602,407	-
Contingent liabilities		
Guarantee letters:		
Yapı ve Kredi Bankası A.Ş.	8,089,628	58,867,407
Derivative financial instruments		
	Contract/notional amount	Fair values
31 December 2006		Assets (Liabilities)
Foreign exchange derivatives		
Currency forwards		
Yapı ve Kredi Bankası A.Ş.	20,169,072	29,286 (79,311)
Koçbank Netherlands N.V.	31,615,410	- (115,701)
	51,784,482	29,286 (195,012)
	Contract/notional amount	Fair values
31 December 2005		Assets (Liabilities)
Foreign exchange derivatives		
Currency forwards		
Yapı ve Kredi Bankası A.Ş.	124,269,525	6,181,469 (203,049)
	124,269,525	6,181,469 (203,049)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 17 - RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

b) Transactions with related parties:

<u>Income</u>	31 December 2006	31 December 2005
Interest income from direct financing leases:		
Vehbi Koç Vakfı Amerikan Hastanesi	3,500,154	3,273,089
Yapı ve Kredi Bankası A.Ş.	1,926,425	1,806,995
Setur Servis Turistik A.Ş.	340,743	343,429
Düzye Tüketim Malları Pazarlama A.Ş.	292,872	-
Koç Sistem Bilgi ve İletişim	101,467	-
Türk Demirdöküm Fabrikaları A.Ş.	80,870	19,050
Koç Üniversitesi	70,962	34,275
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	58,665	87,508
Koç Allianz Sigorta A.Ş.	56,476	78,654
Palmira Turizm Ticaret A.Ş.	42,531	-
Yapı Kredi Emeklilik A.Ş.	21,919	25,168
Birleşik Oksijen San. A.Ş.	20,783	-
Koç Allianz Hayat Sigorta A.Ş.	10,333	37,485
Ark İnşaat Sanayi ve Ticaret A.Ş.	10,283	-
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	8,882	15,684
Others	25,052	567,059
	6,568,417	6,288,396

	31 December 2006	31 December 2005
Interest income on bank deposits:		
Yapı ve Kredi Bankası A.Ş.	2,404,969	2,458,276
Yapı Kredi Bank Nederland N.V.	39,041	1,936,778
Yapı Kredi Bank Deutschland A.G.	-	641,155
Koçbank Netherlands N.V.	-	829
	2,444,010	5,037,038

Commission income:

Yapı Kredi Sigorta A.Ş.	463,734	331,529
-------------------------	---------	---------

Commission expenses:

Yapı ve Kredi Bankası A.Ş.	281,988	-
----------------------------	---------	---

Service expenses:

Beko Ticaret A.Ş.	332,185	-
-------------------	---------	---

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 17 - RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Expenses

	31 December 2006	31 December 2005
Interest expense on borrowings:		
Yapı ve Kredi Bankası A.Ş.	6,086,021	3,258,703
Koç Holding A.Ş.	1,133,860	2,030,775
Yapı Kredi Bank Nederland N.V.	388,665	257,242
Koç Bank Nederland N.V.	36,587	18,108
	7,645,133	5,564,828
Rent Expenses:		
Yapı Kredi Sigorta A.Ş.	108,082	191,937
Yapı ve Kredi Bankası A.Ş.	102,159	-
	210,241	191,937

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2006 and 2005.

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 favor 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 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 on 31 December 2006. 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 (Note 12).

Moreover, the Company has provided for a total provision of YTL823,551 against certain open legal cases as of 31 December 2006 (2005: YTL1,804,146) (Note 12).

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments under derivative instruments:

	<u>31 December 2006</u>		<u>31 December 2005</u>	
	<u>Original currency</u>	<u>YTL</u>	<u>Original currency</u>	<u>YTL</u>
Forward currency purchases				
	YTL	-	91,736,612	91,736,612
	GBP	2,844,919	6,058,103	14,006,941
	EUR	15,286,013	-	-
	USD	1,603,859	42,214,411	56,643,297
	JPY	32,000,000	121,000,000	1,379,400
	CHF	-	2,800,000	2,852,640
		38,777,100	166,618,890	
Forward currency sales				
	USD	5,300,000	43,201,078	57,967,206
	EUR	4,332,307	42,290,468	67,136,118
	YTL	15,877,660	27,146,500	27,146,500
	CHF	4,400,000	3,139,300	3,198,013
	JPY	186,215,000	-	-
		38,606,705	155,447,837	
Total contract amount		77,383,805	322,066,727	

Other commitments:

The Company has given guarantee letters to government organisations, customs authorities and banks amounting to YTL27,455,186 (31 December 2005: YTL77,133,404).

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 19 - LEGAL MERGER

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 that 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 2006. Moreover, the financial statements prepared in accordance with IFRS as of and for the year ended 31 December 2005 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 amounting to YTL184,427,705 has been adjusted as merger reserve from the retained earnings of the Company (Note 14).

Transaction costs related to the merger have been recognised in the income statement (Note 16).

.....