

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
AT 31 DECEMBER 2007
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying financial statements of Yapı Kredi Finansal Kiralama A.O. ("the Company") which comprise the balance sheet as at 31 December 2007 and the 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

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 judgement, 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

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Yapı Kredi Finansal Kiralama A.O. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional Paragraph For Convenience Translation into English

5. The accounting principles described in Note 2 (defined as 'CMB Accounting Standards') to the accompanying 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 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

İstanbul, 27 February 2008

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

**YAPI KREDİ FİNANSAL KİRALAMA A.O.
FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

BALANCE SHEET AT 31 DECEMBER 2007

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

	Notes	(Audited) 31 December 2007	(Audited) 31 December 2006
ASSETS			
Current assets		1.044.659.024	784.926.332
Cash and cash equivalents	4	14.286.384	4.567.173
Marketable securities (net)	5	-	-
Trade receivables (net)	7	-	-
Finance lease receivables (net)	8	942.419.559	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 asset	14	-	-
Other current assets	15	87.953.081	86.045.007
Non-current assets		1.415.671.058	895.075.590
Trade receivables (net)	7	-	-
Finance lease receivables (net)	8	1.408.971.280	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 and equipment (net)	19	589.024	642.768
Intangible assets (net)	20	227.707	331.300
Deferred tax asset	14	-	-
Other non-current assets	15	5.846.575	5.957.049
TOTAL ASSETS		2.460.330.082	1.680.001.922

These financial statements at 31 December 2007 have been approved for the issue by the Board of Directors on 27 February 2008.

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

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

BALANCE SHEET AT 31 DECEMBER 2007

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

	Notes	(Audited) 31 December 2007	(Audited) 31 December 2006
LIABILITIES			
Current liabilities		1.169.972.872	832.803.092
Financial liabilities (net)	6	33.667.231	22.780.566
Short-term portion of long-term financial liabilities (net)	6	1.047.451.668	701.627.957
Finance leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	48.876.221	54.522.731
Due to related parties (net)	9	-	-
Advances received	21	17.763.038	28.053.944
Construction progress billings (net)	13	-	-
Provisions	23	1.702.856	1.788.637
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	20.511.858	24.029.257
Non-current liabilities		737.409.993	370.672.728
Financial liabilities (net)	6	737.130.822	370.433.061
Finance leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	279.171	239.667
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	-	-
MINORITY INTEREST	24	-	-
EQUITY		552.947.217	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)		131.875.660	111.942.076
Retained earnings	28	35.048.695	(15.893.381)
TOTAL EQUITY AND LIABILITIES		2.460.330.082	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)**

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

	Notes	(Audited) 31 December 2007	(Audited) 31 December 2006
OPERATING REVENUES		263.172.541	168.889.932
Interest income from finance leases (net)	36	263.172.541	168.889.932
GROSS OPERATING PROFIT		263.172.541	168.889.932
Operating expenses (-)	37	(19.487.152)	(22.061.685)
NET OPERATING PROFIT		243.685.389	146.828.247
Other income and profits	38	36.664.055	21.300.734
Other expenses and losses (-)	38	(48.378.889)	(19.924.017)
Financial expenses (-)	39	(100.094.895)	(36.262.888)
OPERATING PROFIT		131.875.660	111.942.076
Monetary gain/ (loss)	40	-	-
INCOME BEFORE TAX		131.875.660	111.942.076
Taxes on income	41	-	-
NET INCOME FOR THE YEAR		131.875.660	111.942.076
EARNINGS PER SHARE (YTL 1)	42	0,338	0,287

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

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

	Share capital	Inflation adjustment to equity	Share premium	Profit reserves	Net income for the year	Retained earnings	Total
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	-
Transfers	-	-	-	2.736.857	(67.139.400)	64.402.543	-
Net income for the year	-	-	-	-	111.942.076	-	111.942.076
Capital increase due to legal merger (*)	184.427.705	-	-	-	-	(184.427.705)	-
31 December 2006	389.927.705	(34.599.733)	2.013	25.147.422	111.942.076	(15.893.381)	476.526.102
1 January 2007	389.927.705	(34.599.733)	2.013	25.147.422	111.942.076	(15.893.381)	476.526.102
Dividend paid	-	-	-	-	(55.454.545)	-	(55.454.545)
Transfers	-	-	-	5.545.455	(5.545.455)	-	-
Transfer to retained earnings	-	-	-	-	(50.942.076)	50.942.076	-
Net income for the year	-	-	-	-	131.875.660	-	131.875.660
31 December 2007	389.927.705	(34.599.733)	2.013	30.692.877	131.875.660	35.048.695	552.947.217

(*) Please refer to Note 32 for detailed explanation.

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

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

	Notes	(Audited) 31 December 2007	(Audited) 31 December 2006
Cash flows from operating activities:			
Net income for the year		131.875.660	111.942.076
Adjustments for:			
Depreciation and amortisation	19, 20, 37	354.423	446.956
Provision for employment termination benefits	23	39.504	118.378
Provision for doubtful receivables	8	45.913.175	19.598.849
Sales profit on property and equipment	38	(1.086.443)	(996.293)
Interest income/(expense) accruals (net)		(4.849.722)	2.664.739
Cash flows from operating activities before changes in operating assets and liabilities		172.246.597	133.774.705
Changes in working capital:			
Changes in finance leasing receivables		(822.667.881)	(646.113.769)
Changes in advances received		(10.290.906)	13.825.431
Changes in trade payables		(5.646.510)	3.417.960
Changes in other liabilities		(3.603.180)	(3.464.426)
Changes in other current assets		(1.908.074)	(51.651.704)
Changes in other non-current assets		110.474	(3.690.495)
Employment termination benefits paid		-	(60.361)
Net cash used in operating activities		(671.759.480)	(553.962.659)
Net cash from investing activities			
Net cash provided by changing current assets and securities		-	30.342.479
Purchase of property and equipment	19	(197.803)	(453.121)
Purchase of intangible assets	20	(14.109)	(187.753)
Net cash provided by sale of property and equipment and intangible assets		1.101.269	1.263.995
Net cash provided by investing activities		889.357	30.965.600
Cash generated from bank borrowings		736.018.562	504.800.147
Dividends paid		(55.454.545)	-
Cash flows from financing activities		680.564.017	504.800.147
Change in cash and cash equivalents		9.693.894	(18.196.912)
Cash and cash equivalents at the beginning of the year		4.567.173	22.764.085
Cash and cash equivalents at the end of the year	4	14.261.067	4.567.173

The accompanying notes form an integral part of these financial statements

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 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 numbered 3226. Certain shares of the Company have been listed on the Istanbul Stock Exchange since 11 January 1994.

The Company’s major shareholder is Yapı ve Kredi Bankası A.Ş.

As at 31 December 2007 the Company has 171 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.

The Board of Directors have been approved for publishing financial statements of the Company on 27 February 2008.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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 (“YTL”) 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)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

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

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.

Consolidation principles

The Company has no consolidated financial assets.

Comparatives and corrections to the financial statements of previous periods

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

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.

Updates and changes in International Financial Reporting Standards

Standards, amendment and interpretations effective in 2007:

- IFRS 7, ‘Financial instruments: Disclosures’, this standard introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company’s financial instruments.

Standards, amendments and interpretations effective in 2007 but not relevant to the Company’s operations:

- IFRS 4, ‘Insurance contracts’,
- IFRIC 7, ‘Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies’,
- IFRIC 8, ‘Scope of IFRS 2’,
- IFRIC 9, ‘Re-assessment of embedded derivatives’,
- IFRIC 10, ‘Interim financial reporting and impairment’,

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

- IFRIC 11, “IFRS”- Repurchase of own shares (effective from 1 March 2007 or reporting periods afterwards)
- IAS 23 (Amendment), ‘Borrowing costs’ (effective from 1 January 2009 or reporting periods afterwards),
- IFRS 8, ‘Operating segments ‘ (effective from 1 January 2009 or reporting periods afterwards),
- IFRIC 12, ‘Service concession arrangements’ (effective from 1 January 2008 or reporting periods afterwards),
- IFRIC 13, ‘Customer loyalty programmes’ (effective from 1 July 2008 or reporting periods afterwards),
- IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’ (effective from 1 January 2008 or reporting periods afterwards),

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

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

Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described in Note 2 (defined as ‘CMB Accounting Standards’) to these financial statements differ from 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, these financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

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).

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, Koç Holding group, and Bank Austria Creditanstalt (BA-CA) 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).

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.

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 provision also covers bases where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date.

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 fair value plus transaction costs. 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).

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.

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.

Property and equipment

All property and equipment is carried at cost, restated equivalent to purchasing power at 31 December 2004, 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.

Intangible assets

Intangible assets comprise computer software costs and are carried at cost restated equivalent to purchasing power at 31 December 2004 intangible assets are amortised on a straight-line basis over 3-5 years.

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently they are measured at amortised cost using the effective yield method.

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 31 December 2007 and 31 December 2006.

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).

Corporate taxes

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

Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and assets

Contingent liabilities which do not have high possibility of outflow of resources are not recognised in financial statements but disclosed in notes. Contingent assets which have high possibility of economic inflow are disclosed in notes.

Share capital and dividends

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

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.

Recognition of income and expense

Income and expenses are recognised on an accrual basis.

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts are initially recognised in the balance sheet at fair value plus transaction costs 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 fair value 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.

Financial instruments and financial risk management

Credit risk

Credit risk is the risk that the counterparty may be unable to meet the terms of the agreements.

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 31 December 2007 and 2006:

31 December 2007	Assets	%	Liabilities	%
Turkey	2.429.284.015	99	95.210.832	5
European countries	21.349.957	1	1.351.818.436	71
Other	9.696.110	-	460.353.597	24
	2.460.330.082	100	1.907.382.865	100

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

31 December 2006	Assets	%	Liabilities	%
Turkey	1.665.805.991	99	602.350.477	36
European Countries	11.703.127	1	891.831.656	53
Other	2.492.804	-	185.819.789	11
	1.680.001.922	100	1.680.001.922	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.

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;

- Yapı ve Kredi Bankası A.Ş. (“YKB”) 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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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. Also the Company’s unearned and unpaid interests related to its assets and liabilities have been included to table below.

	31 December 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	10.035.479	-	-	-	4.261.067	14.296.546
Finance lease receivables (net)	351.722.911	814.273.994	1.570.490.236	74.693.452	36.794.265	2.847.974.858
Financial assets (net)	-	-	-	-	36.472	36.472
Property and equipment (net)	-	-	-	-	589.024	589.024
Intangible assets (net)	-	-	-	-	227.707	227.707
Other receivables and current/non-current assets	79.826.624	8.126.456	4.131.319	-	1.715.257	93.799.656
Total assets	441.585.014	822.400.450	1.574.621.555	74.693.452	43.623.792	2.956.924.263
Borrowings (net)	123.576.872	1.034.194.096	829.653.442	-	-	1.987.424.410
Trade payables (net)	46.943.033	1.933.188	-	-	-	48.876.221
Advances received	-	-	-	-	17.763.038	17.763.038
Other liabilities (net)	72.111	9.522.889	-	-	10.916.858	20.511.858
Provisions	-	-	-	-	1.982.027	1.982.027
Total liabilities	170.592.016	1.045.650.173	829.653.442	-	30.661.923	2.076.557.554
Net liquidity gap	270.992.998	(223.249.723)	744.968.113	74.693.452	12.961.869	880.366.709
Derivative Financial Instruments						
Inflows	38.255.397	-	50.457.284	-	-	88.712.681
Outflows	(38.286.421)	-	(57.373.235)	-	-	(95.659.656)

	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
Finance lease receivables (net)	228.126.206	589.803.260	1.057.333.360	20.765.110	24.485.003	1.920.512.939
Financial assets (net)	-	-	-	-	36.472	36.472
Property 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	304.907.493	595.236.570	1.061.250.792	20.765.110	35.932.743	2.018.092.708
Borrowings (net)	55.286.306	709.005.183	399.017.955	11.222.803	-	1.174.532.247
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	109.809.037	709.200.195	399.017.955	11.222.803	53.916.493	1.283.166.483
Net liquidity gap	195.098.456	(113.963.625)	662.232.837	9.542.307	(17.983.750)	734.926.225
Derivative Financial Instruments						
Inflows	36.522.715	2.254.385	-	-	-	38.777.100
Outflows	(36.409.927)	(2.196.778)	-	-	-	(38.606.705)

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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 net position 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 31 December 2007 and 2006 are stated in Note 29.

Table below, shows sensitivity to 10% change of Company’s at US\$, Euro and other currencies. The amounts in the table below indicate the effects of US\$, Euro and other currencies’ appreciation against YTL by 10% in the income statement. While performing this analysis, all variables, especially interest rates, assumed to be remained constant.

	Profit/(Loss) <u>31 December 2007</u>	Profit/(Loss) <u>31 December 2006</u>
US\$	452.407	187.137
EURO	(59.629)	(238.453)

In the case of appreciation of YTL against other currencies by 10%, totals shown above would have equally opposite effect on the income statement.

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 31 December 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 YTL34.713.809 decrease in the net present value of interest sensitive assets and liabilities. The difference must be within the limit of 10% of the core Tier 1 Capital. According to the Interest Rate Stress Testing at 31 December 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 YTL63.101.813 decrease in the net present value of interest sensitive assets and liabilities.

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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.

	31 December 2007					
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Cash and cash equivalents	10.025.317	-	-	-	4.261.067	14.286.384
Finance lease receivables (net)	497.047.288	614.748.113	1.181.537.961	21.263.212	36.794.265	2.351.390.839
Financial assets (net)	-	-	-	-	36.472	36.472
Property and equipment (net)	-	-	-	-	589.024	589.024
Intangible assets (net)	-	-	-	-	227.707	227.707
Other receivables and current/non current assets	37.977	1.191.023	-	-	92.570.656	93.799.656
Total assets	507.110.582	615.939.136	1.181.537.961	21.263.212	134.479.191	2.460.330.082
Borrowings (net)	441.537.352	1.376.712.369	-	-	-	1.818.249.721
Trade payables (net)	-	-	-	-	48.876.221	48.876.221
Advances received	-	-	-	-	17.763.038	17.763.038
Other liabilities (net)	72.111	9.522.889	-	-	10.916.858	20.511.858
Provisions	-	-	-	-	1.982.027	1.982.027
Total liabilities	441.609.463	1.386.235.258	-	-	79.538.144	1.907.382.865
Net repricing gap	65.501.119	(770.296.122)	1.181.537.961	21.263.212	54.941.047	552.947.217
Derivative Financial Instruments						
Inflows	38.255.397	-	50.457.284	-	-	88.712.681
Outflows	(38.286.421)	-	(57.373.235)	-	-	(95.659.656)
	31 December 2006					
	Demand and up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Cash and cash equivalents	-	-	-	-	4.567.173	4.567.173
Finance lease receivables (net)	204.066.698	485.863.777	851.288.115	16.718.560	24.485.003	1.582.422.153
Financial assets (net)	-	-	-	-	36.472	36.472
Property 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	851.288.115	16.718.560	121.710.579	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)	850.720.849	16.718.560	67.794.086	476.526.102
Derivative Financial Instruments						
Inflows	36.522.715	2.254.385	-	-	-	38.777.100
Outflows	(36.409.927)	(2.196.778)	-	-	-	(38.606.705)

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>31 December 2007</u>			<u>31 December 2006</u>		
	<u>US\$ (%)</u>	<u>EUR (%)</u>	<u>YTL (%)</u>	<u>US\$ (%)</u>	<u>EUR (%)</u>	<u>YTL (%)</u>
Assets						
Leasing receivables	9,35	9,39	23,52	8,82	6,84	19,18
Liabilities						
Borrowings	6,15	5,68	16,25	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.

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

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

The table below indicates the fair value of the financial assets which are stated at their carrying amounts:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>31 December 2007</u>	<u>31 December 2006</u>	<u>31 December 2007</u>	<u>31 December 2006</u>
Finance lease receivables	2.351.390.839	1.582.422.153	2.478.948.685	1.708.594.504
Borrowings	1.818.249.721	1.094.841.584	1.845.827.533	1.148.026.739

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Subsequent events

Certain subsequent events that provides with additional information regarding the position of the Company as at balance sheet date are recognised in the financial statements. The significant events that do not require an adjustment are disclosed in financial statement footnotes.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Due from banks		
-demand deposits	4.261.067	4.567.173
-time deposits	10.025.317	-
	14.286.384	4.567.173

For the purposes of cash flow statements, cash and cash equivalents amount to YTL14.261.067 and as at 31 December 2007 (31 December 2006: YTL4.567.173).

At 31 December 2007, the maturity of the time deposits of the Company is up to one year and YTL time deposits' effective interest rate is 18,50%. As of 31 December 2007, there is no blockage on bank deposits.

NOTE 5 - MARKETABLE SECURITIES

None (31 December 2007: None).

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NOTE 6 - FINANCIAL LIABILITIES

	31 December 2007			31 December 2006		
	Effective Interest rate	Original currency	YTL	Effective Interest rate	Original currency	YTL
Domestic banks:						
Fixed rate borrowings:						
- YTL	16,25%	33.667.231	33.667.231	19,27%	22.792.190	22.792.190
Floating rate borrowings:						
- US\$	8,89%	1.850.590	2.155.382	9,31%	2.223.421	3.125.241
			35.822.613			25.917.431
Foreign banks:						
Fixed rate borrowings:						
-US\$	5,77%	101.291.708	117.974.452	6,43%	16.603.132	23.337.362
-CHF	2,41%	310.021	318.485	2,64%	2.628.708	3.023.802
-EUR	-	-	-	4,42%	12.635.473	23.394.578
Floating rate borrowings:						
-EUR	5,68%	670.676.370	1.146.990.728	4,64%	401.762.915	743.864.036
-US\$	6,17%	444.014.289	517.143.443	6,46%	190.224.595	267.379.691
-GBP	-	-	-	5,88%	2.874.491	7.924.684
			1.782.427.108			1.068.924.153
Total borrowings			1.818.249.721			1.094.841.584

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The Company has no trade receivables (31 December 2007: None).

Trade payables are related with the purchases made from domestic and foreign suppliers with respect to finance lease agreements. As at 31 December 2007 the maturity of the trade payables amounting to YTL48.876.221 are less than 1 year (31 December 2006: YTL 54.522.731).

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NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
Gross investment in direct financing leases	2.835.275.745	1.930.903.654
Unearned finance income	(496.584.019)	(338.090.645)
Total performing investment in leases	2.338.691.726	1.592.813.009
Lease receivable interest income accrual	23.928.544	16.142.524
Receivables from outstanding lease payments	64.244.932	39.457.478
Provision for impaired lease receivables	(75.474.363)	(65.990.858)
Net investment in direct financing leases	2.351.390.839	1.582.422.153

As of 31 December 2007, lease receivables according to interest types are as follow:

	31 December 2007
Fixed rate	2.548.890.007
Floating rate	286.385.738
	2.835.275.745

The aging of the financial lease receivables is as follows:

Period Ending	<u>Finance Lease receivables</u>	
	Gross	Net
	31 December 2007	31 December 2007
31 December 2008	1.165.996.905	909.808.802
31 December 2009	792.282.465	650.603.750
31 December 2010	469.094.484	401.927.662
31 December 2011	235.328.816	206.834.948
31 December 2012 and over	172.573.075	169.516.564
	2.835.275.745	2.338.691.726

Year ending	<u>Finance Lease receivables</u>	
	Gross	Net
	31 December 2006	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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NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES (Continued)

Finance lease receivables can be analysed as follows:

	31 December 2007
Neither past due nor impaired	2.300.016.495
Past due but not impaired	42.692.157
Impaired	84.156.550
	2.426.865.202
(Less) Allowances for impairment	(75.474.363)
Net finance lease receivables	2.351.390.839

The total impairment provision for finance lease receivables at 31 December 2007 is YTL75.474.363 of which YTL47.362.281 represents the individually impaired loans and the remaining amount of YTL28.112.082 represents the provision for the possibility of the impairment in the performing portfolio.

As at 31 December 2007, YTL29.756.758 of the total collaterals (2006: YTL21.687.470) are related with the impaired finance lease receivables amounting to YTL84.156.550 (2006: YTL67.830.002).

The aging of past due but not impaired financial lease receivables at 31 December 2007 is as follows:

	31 December 2007	
	Invoiced Amount	Principal Amount
0-30 days	10.917.073	137.182.254
30-60 days	10.003.116	75.961.940
60 days and over	21.771.968	84.671.507
	42.692.157	297.815.701

Past due but not impaired finance lease receivables amounting to YTL 88.618.704 is being followed up in watch lists (YTL23.736.114 invoiced and YTL64.882.500 remaining principal).

As at 31 December 2007 the ageing of invoiced finance lease receivables and their principal amounts are as follows:

	31 Aralık 2007	
	Invoiced Amount	Principal Amount
0 - 1 month	12.529.841	151.448.564
1 - 3 month	18.308.876	118.892.802
3 - 12 month	21.864.564	56.275.154
1 year and over	11.541.651	33.803.040
	64.244.932	360.419.560

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NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES (Continued)

Movements in provision for doubtful lease receivables are as follows:

	31 December 2007	31 December 2006
Balance at 1 January	65.990.858	58.921.177
Impairment expense during the period (Note 38)	45.913.175	19.598.849
Recoveries of amounts previously provided for (including foreign currency differences)(Note 38)	(32.498.139)	(12.529.168)
Written-off	(3.931.531)	-
	75.474.363	65.990.858

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

	31 December 2007	31 December 2006
Mortgages	227.774.978	290.376.977
Buyback guarantees	46.308.899	51.301.444
Pledged securities	18.265.112	20.738.828
Transfer of rights of receivables	15.952.178	12.884.194
Pledged machinery	12.555.918	7.540.955
Pledged automobiles	10.174.470	3.240.314
Cheques received	9.121.895	9.160.134
Guarantee letters	9.083.279	12.795.560
Blocked cash	1.230.129	2.380.431
Protocols	313.764	398.888
Other pledged securities	14.213.401	13.073.988
	364.994.023	423.891.713

As at 31 December 2007, finance lease receivables amounting to YTL23.547.361 are restructured.

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

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NOTE 8 - FINANCE LEASE RECEIVABLES AND PAYABLES (Continued)

Economic sector risk concentrations for the gross performing investment in finance leases as of 31 December 2007 and 2006 are as follows:

	31 December 2007	%	31 December 2006	%
Construction	709.399.612	25	418.387.584	22
Textile	384.445.635	13	236.207.599	12
Printing	231.288.005	8	230.127.201	12
Transportation	227.194.481	8	105.472.677	5
Machinery and equipment	191.441.069	7	119.552.219	6
Petroleum and chemistry	137.197.918	5	97.529.836	5
Agriculture	136.506.579	5	73.491.289	4
Food and beverage	127.686.828	5	78.886.432	4
Steel and mining	111.927.875	4	97.288.236	5
Health	105.592.291	4	94.913.263	5
Tourism	72.773.771	3	45.696.015	2
Automotive	68.619.467	2	60.655.360	3
Financial institutions	40.109.408	1	45.823.098	2
Wholesale and retail trade	34.906.517	1	29.780.541	2
Education	4.734.306	-	5.644.607	1
Other	251.451.983	9	191.447.697	10
	2.835.275.745	100	1.930.903.654	100

As at 31 December 2007 the Company has no finance leasing payables (31 December 2006: None).

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

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

<u>Balance sheet items</u>	31 December 2007	31 December 2006
Due from banks (Cash and cash equivalents)		
Demand deposit		
Yapı ve Kredi Bankası A.Ş.	2.369.306	1.041.790
Yapı Kredi Bank Nederland N.V.	9.897	11.832
Yapı Kredi Bank Deutschland A.G.	-	3.154
	2.379.203	1.056.776

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

	31 December 2007	31 December 2006
Finance Lease receivables:		
Yapı ve Kredi Bankası A.Ş.	24.305.125	27.745.039
Vehbi Koç Vakfı Amerikan Hastanesi	16.545.000	18.789.243
Setur Servis Turistik A.Ş.	2.065.169	1.937.255
Koç Sistem Bilgi ve İletişim	1.277.777	1.253.001
Koç Allianz Sigorta A.Ş.	1.075.738	556.707
Koç Üniversitesi	463.251	1.010.823
Yapı Kredi Sigorta A.Ş.	320.258	163.877
Vehbi Koç Vakfı Koç Özel İlköğretim Okulu ve Lisesi	309.094	451.778
Koç Allianz Hayat Sigorta A.Ş.	290.341	13.238
Yapı Kredi Emeklilik A.Ş.	181.695	231.555
Palmira Turizm Ticaret A.Ş.	136.260	239.603
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	124.531	136.959
Birleşik Oksijen San. A.Ş.	961	68.249
Tamı Pazarlama ve İletişim Hizmetleri A.Ş.	-	215.926
Düzey Tüketim Malları Pazarlama A.Ş.	-	497.091
Türk Demirdöküm Fabrikaları A.Ş.	-	270.401
Diğer	394.057	150.218
	47.489.257	53.730.963
Borrowings:		
Unicredito Italiano S.p.A.	370.248.957	64.896.606
Bulbank Ltd. Sofia	34.530.706	-
Yapı ve Kredi Bankası A.Ş.	6.136.747	780.427
	410.916.410	65.677.033
Trade payables:		
Yapı ve Kredi Bankası A.Ş.	353.655	-
	353.655	-
Advances received:		
Yapı ve Kredi Bankası A.Ş.	705.904	458.262
Yapı Kredi Sigorta A.Ş.	156	144.145
Yapı Kredi Yatırım Menkul Değerler A.Ş.	115	-
	706.175	602.407

Due from banks, finance 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
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YAPI KREDİ FİNANSAL KİRALAMA A.O.

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31 DECEMBER 2007

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

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

Off-balance sheet items

	31 December 2007	31 December 2006
Guarantee letters received:		
Yapı ve Kredi Bankası A.Ş.	3.216.430	8.089.628
Derivative financial instruments:		
Foreign currency forward transactions		
Yapı Kredi Netherlands N.V.	32.254.940	15.737.750
Yapı ve Kredi Bankası A.Ş.	6.375.641	10.071.578
	38.630.581	25.809.328

Income statement items

	31 December 2007	31 December 2006
Interest income from direct finance leases:		
Vehbi Koç Vakfı Amerikan Hastanesi	2.951.577	3.500.154
Yapı ve Kredi Bankası A.Ş.	1.863.015	1.926.425
Setur Servis Turistik A.Ş.	445.085	340.743
Koç Sistem Bilgi ve İletişim	133.618	101.467
Koç Allianz Sigorta A.Ş.	83.203	56.476
Koç Üniversitesi	81.995	70.962
Türk Demirdöküm Fabrikaları A.Ş.	69.965	80.870
Yapı Kredi Emeklilik A.Ş.	37.107	21.919
Düzye Tüketim Malları Pazarlama A.Ş.	38.957	292.872
Vehbi Koç Vakfı Koç Özel İlköğretim Okulu ve Lisesi	36.008	4.896
Palmira Turizm Ticaret A.Ş.	22.411	42.531
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	12.263	8.882
Koç Allianz Hayat Sigorta A.Ş.	11.858	10.333
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	10.534	58.665
Birleşik Oksijen San. A.Ş.	6.994	20.783
Diğer	82.884	35.335
	5.887.474	6.573.313
Interest income on bank deposits:		
Yapı Kredi Bankası Bahrain Branch	2.891	-
Yapı ve Kredi Bankası A.Ş.	-	2.404.969
Yapı Kredi Bank Nederland N.V.	-	39.041
	2.891	2.444.010

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL
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(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

	31 December 2007	31 December 2006
Interest expenses of bank borrowings:		
Unicredito Italiano S.p.A.	10.901.536	-
Yapı ve Kredi Bankası A.Ş.	5.849.635	6.086.021
Bulbank Ltd. Sofia	2.076.494	-
Yapı Kredi Bank Nederland N.V	-	425.252
Koç Holding A.Ş.	-	1.133.860
	18.827.665	7.645.133
Rent expenses:		
Yapı ve Kredi Bankası A.Ş.	704.171	102.159
Yapı Kredi Sigorta A.Ş.	-	108.082
	704.171	210.241
Commission income:		
Yapı Kredi Sigorta A.Ş.	1.236.885	463.734
Koç Allianz Sigorta A.Ş.	1.172.367	1.424.764
	2.409.252	1.888.498
Commission expenses:		
Yapı ve Kredi Bankası A.Ş.	25.738	281.988
Service expenses:		
Zer Merkezi Hizmetler A.Ş.	506.903	332.185
Yapı ve Kredi Bankası A.Ş.	354.889	-
Otokoç A.Ş.	313.205	115.535
Opet Petrolcülük A.Ş.	216.693	104.509
Setur Servis Turistik A.Ş.	113.375	42.347
	1.505.065	594.576
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	372.082	180.277
	372.082	180.277

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

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

	31 December 2007	31 December 2006
Other liabilities		
Expense accruals of derivative financial instruments	9.595.185	195.012
Provision for tax lawsuit (Note 31)	6.483.380	20.383.283
Provision for personnel performance bonus	1.692.000	1.473.850
Provision for other legal proceedings (Note 31)	1.562.206	823.551
Provision for personnel vacation	629.376	569.423
Withholding taxes and duties payable	416.115	576.347
Deposits and guarantees received	18.300	651
Other	115.296	7.140
	20.511.858	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 31 December 2007 and 2006. At 31 December 2007 the total amount of investment allowances which are expected to be deducted from future taxable income amounts to YTL761.119.186 (31 December 2006: 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 31 December 2007 and 2006 are as follows:

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deductible temporary differences:	31 December 2007	31 December 2006
Provision for impaired receivables	65.141.880	59.530.804
Valuation of derivative financial instruments	9.595.185	195.012
Expense accruals	1.817.687	1.795.164
Provision for personnel bonus	1.692.000	1.473.850
Provision for legal proceedings	1.165.694	456.000
Difference between carrying value and tax base of property, equipment and intangible assets	1.118.229	1.479.210
Provision for personnel vacation	629.376	569.423
Provision for litigation related to fund for resource use support	396.512	367.550
Provision for employment termination benefits	279.171	239.667
Unearned commission income	-	296.665
Difference between carrying value and tax base of financial leases	-	23.489.816
Others	6.508	-
	81.842.242	89.893.161
Taxable temporary differences:		
Difference between carrying value and tax base of finance leases	(27.641.422)	-
Valuation of derivative financial instruments	(1.229.248)	(354.193)
Income accrual on lease receivables	(298.339)	(2.409.523)
Valuation difference on borrowings	(238.248)	(99.096)
	(29.407.257)	(2.862.812)
Net temporary differences	52.434.985	87.030.349

NOTE 15 - OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES

	31 December 2007	31 December 2006
Other current assets		
Advances to vendors	35.125.676	39.298.000
Assets to be leased	27.185.734	30.107.441
VAT deductible	13.988.965	7.810.198
Prepaid expenses	10.276.744	7.887.790
Forward income accruals	1.229.248	354.193
Others	146.714	587.385
	87.953.081	86.045.007
Other non-current assets		
Prepaid expenses	4.131.319	3.917.432
Assets held for resale	1.715.256	2.039.617
	5.846.575	5.957.049

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NOTE 16 - FINANCIAL ASSETS

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

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

Company	31 December 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 AND EQUIPMENT

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Motor vehicles	323.563	-	(295.037)	28.526
Furniture and fixtures	2.254.142	-	(1.060.541)	1.193.601
Leasehold improvements	335.413	78.616	-	414.029
Office equipment	1.712.343	119.187	(726.718)	1.104.812
	4.625.461	197.803	(2.082.296)	2.740.968
Accumulated depreciation				
Motor vehicles	(301.403)	(8.533)	286.592	(23.344)
Furniture and fixtures	(2.143.059)	(51.293)	1.055.448	(1.138.904)
Leasehold improvements	(22.450)	(78.106)	-	(100.556)
Office equipment	(1.515.781)	(98.789)	725.430	(889.140)
	(3.982.693)	(236.721)	2.067.470	(2.151.944)
Net book value	642.768			589.024

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

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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	31 December 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)	(117.702)	651	(2.461.035)
	(2.343.984)			(2.461.035)
Net book value	331.300			227.707
	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

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NOTE 21 - ADVANCES RECEIVED

Advances received are related with the amounts received from customers regarding the finance lease agreements. Advances received with respect to new financial leasing agreements at 31 December 2007 amount to YTL17.763.038 (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

	31 December 2007	31 December 2006
Short-term provisions		
Expense accruals	1.702.856	1.788.637
	1.702.856	1.788.637
Long-term provisions		
Provision for employment termination benefits	279.171	239.667
	279.171	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 31 December 2007.

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.

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

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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 YTL2.087,92 at 1 January 2008 will be taken into consideration in calculating the reserve for employment termination benefit (1 January 2007: YTL1.960,69).

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

	31 December 2007	31 December 2006
1 January	239.667	181.650
Paid during the period	(131.872)	(60.361)
Increase in employment termination benefits during the period	171.376	118.378
	279.171	239.667

NOTE 24 - MINORITY INTEREST

None (31 December 2006: None).

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

	31 December 2007		31 December 2006	
	Amount	Share (%)	Amount	Share (%)
Yapı ve Kredi Bankası A.Ş.	385.426.574	98,85	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	0,41	1.621.854	0,42
Koç Finansal Hizmetler A.Ş.	-	-	285.048.428	73,10
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 Koç Finansal Hizmetler A.Ş., the main shareholder of the Company, on 18 July 2007, it was decided to transfer shares of Yapı Kredi Finansal Kiralama A.O. with a nominal value of YTL285,048,428 to Yapı ve Kredi Bankası A.Ş. in accordance with share exchange agreement (31 December 2006: None).

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)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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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 amounts to 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 31 December 2007 and 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:

	31 December 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.

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

In 2007, the Company paid dividend amounting to YTL55.454.545 with respect to 2006 profit. 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 31 December 2007 and 2006 are as follows:

31 December 2007	US\$	EUR	Other	YTL	Total
Assets					
Cash and cash equivalents	1.615.881	1.642.532	88.330	10.939.641	14.286.384
Finance lease receivables (net)	570.671.407	1.121.058.992	6.667.955	652.992.485	2.351.390.839
Financial assets (net)	-	-	-	36.472	36.472
Property and equipment (net)	-	-	-	589.024	589.024
Intangible assets (net)	-	-	-	227.707	227.707
Other receivables and current/non-current assets	25.462.016	31.811.104	42.723	36.483.813	93.799.656
Total assets	597.749.304	1.154.512.628	6.799.008	701.269.142	2.460.330.082
Liabilities					
Borrowings (net)	637.273.277	1.146.990.728	318.485	33.667.231	1.818.249.721
Trade payables (net)	5.509.819	31.771.152	2.291.759	9.303.491	48.876.221
Advances received	5.302.115	8.235.509	24.151	4.201.263	17.763.038
Other liabilities (net)	-	-	8.173	20.503.685	20.511.858
Provisions	-	-	-	1.982.027	1.982.027
Total liabilities	648.085.211	1.186.997.389	2.642.568	69.657.697	1.907.382.865
Net foreign currency position	(50.335.907)	(32.484.761)	4.156.440	631.611.445	552.947.217
Derivative financial instruments	54.859.980	31.888.468	(4.379.495)	(89.315.928)	(6.946.975)

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(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
Finance lease 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 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 31 December 2007 and 31 December 2006;

	31 December 2007	31 December 2006
EUR	1,7102	1,8515
US\$	1,1647	1,4056

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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 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 a penalty of YTL10.267.498 on 13 July 2005. The Company paid this fine on 11 November 2005. Besides, the Local Court insisted on the Decision which was in favor of the Company and the decision was appealed by the Court of Appeal on 28 November 2006. Due to this reason the case will be resolved by the Board of Tax Lawsuits of Council of State. 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 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. The Company brought a lawsuit to Tax Office against the payment notice and the lawsuit was concluded against of the Company on 26 June 2007. The Company paid the fine amounting to YTL15.491.803 on 7 September 2007 for the tax payment notice for the year 2001. The lawsuit is still being reviewed by the Council of State.

The Company has also recorded another provision of YTL6.483.380 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 (2006: YTL20.383.283).

Moreover, the Company has provided for a total provision of YTL1.562.206 against certain open legal cases as of 31 December 2007 (2006: YTL823.551).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL
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31 DECEMBER 2007

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

Commitments under derivative instruments:

	31 December 2007		31 December 2006	
	Original currency	YTL	Original currency	YTL
Forward currency purchases				
EUR	18.646.046	31.888.468	15.286.013	28.302.054
US\$	4.953.101	5.768.877	1.603.859	2.254.385
JPY	94.682.000	973.236	32.000.000	377.504
GBP	-	-	2.844.919	7.843.157
		38.630.581		38.777.100
Swap purchases				
ABD\$	43.000.000	50.082.100	-	-
		88.712.681		38.777.100
Forward currency sales				
YTL	32.340.928	32.340.928	15.877.660	15.877.660
CHF	4.380.000	4.499.574	4.400.000	5.061.320
US\$	850.860	990.997	5.300.000	7.449.680
JPY	83.000.000	853.157	186.215.000	2.196.778
EUR	-	-	4.332.307	8.021.267
		38.684.656		38.606.705
Swap sales				
YTL	56.975.000	56.975.000	-	-
		95.659.656		38.606.705

Letters of guarantee given:

The Company has given letters of guarantee to courts, banks and customs amounting to YTL21.387.864 (31 December 2006: YTL27.455.186).

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 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 Finansal Kiralama A.Ş. (“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

None (31 December 2006: None).

NOTE 35 - DISCONTINUED OPERATIONS

None (31 December 2006: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2007

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

NOTE 36 - OPERATING REVENUES

Service income

	31 December 2007	31 December 2006
Interest income from direct financing leases (net)	263.172.541	168.889.932

NOTE 37 - OPERATING EXPENSES

	31 December 2007	31 December 2006
Staff costs	13.024.453	10.858.300
Audit and consultancy expenses	1.099.344	695.880
Rent expenses	811.399	581.828
Taxes, duties and charges	745.203	545.051
Transportation and vehicle expenses	607.276	417.849
Communication expenses	557.104	492.134
Marketing and advertisement expenses	375.029	386.265
Depreciation and amortisation expenses (Note 19, 20)	354.423	446.956
Insurance expenses	100.910	177.792
Administration expenses	71.672	72.985
Merger expenses	-	3.967.645
Other	1.740.339	3.419.000
	19.487.152	22.061.685

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	31 December 2007	31 December 2006
Other income		
Recoveries from prior periods provisions for lease receivables (Note 8)	32.498.139	12.529.168
Insurance agency income	2.951.169	2.739.261
Tangible assets sales income (*)	1.086.443	996.293
Decrease in legal reserves	-	3.616.717
Withdrawal in legal reserves	-	980.595
Other	128.304	438.700
	36.664.055	21.300.734
Other expenses		
Provision for impaired lease receivables (Note 8)	45.913.175	19.598.849
Tax-Case provision expenses	1.591.900	-
Provision for legal cases	738.656	-
Other	135.158	325.168
	48.378.889	19.924.017

(*) These are comprised of sales proceeds of the assets related with the impaired finance lease receivables and transfer amounts of the leased assets.

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

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NOTE 39 - FINANCIAL EXPENSES

	31 December 2007	31 December 2006
Interest expense on borrowings	(88.838.561)	(48.926.123)
Interest (expense)/income from derivative financial instruments	(7.655.094)	6.419.857
Interest income from marketable securities	-	2.521.187
Foreign exchange gains and losses, net	(1.865.400)	2.682.924
Deposits interest income	28.380	2.509.331
Other financial expenses	(1.764.220)	(1.470.064)
	(100.094.895)	(36.262.888)

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 published in Official Gazette No.26205 on 21 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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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, in accordance with the legislation 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. Income and corporate taxpayers can deduct these investment allowance amounts (including the provisions related to tax rates) only for their profits related to the years 2006, 2007 and 2008.

No tax amount has been reflected in the income statement as of 31 December 2007 (31 December 2006: None)

NOTE 42 - EARNINGS PER SHARE

	31 December 2007	31 December 2006
Net income for the period	131.875.660	111.942.076
Number of outstanding shares with a nominal value of 1 YTL	389.927.705	389.927.705
Earnings per share (YTL)	0,338	0,287

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NOTE 43 - CASH FLOW STATEMENT

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

NOTE 44 - DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIVE

Article 1, Clause 2 of the Council of Ministers Decision No: 2007/13033 issued in the Official Gazette dated 30 December 2007, includes the statement of "The Value Added Tax ("VAT") rates to be applied in finance lease transactions are the rates applicable to the assets which are subject to finance lease". Accordingly, the VAT rates in relation to assets subject to finance lease transactions will not be reduced starting from 30 December 2007. The new VAT rates to be applied in finance lease transactions are effective as of the dates declaration of the Council of Ministers' decision in the Official Gazette (31 December 2006: None).

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