

# **Yapı Kredi Finansal Kiralama A.O.**

**Interim financial statements for the period  
1 January – 30 June 2011 together with  
independent auditors' review report**

**(Convenience translation into English of financial statements for the  
period 1 January – 30 June 2011 and independent auditors' review  
report originally issued in Turkish)**

**(Convenience translation into English of independent auditors' review report originally prepared and issued in Turkish)**

**Independent auditors' review report**

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

1. We have reviewed the accompanying balance sheet of Yapı Kredi Finansal Kiralama A.O. ("the Company") as at 30 June 2011 and the related statements of income, income and expense items accounted under equity, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility, as independent auditors, is to issue a report on these financial statements based on our review.
2. We conducted our review in accordance with the regulation on the accounting standards and the independent audit principles issued by the Banking Regulation and Supervision Agency ("BRSA"). Those principles require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries concerning the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of Yapı Kredi Finansal Kiralama A.O. as at 30 June 2011 and the results of its operations and its cash flows for the period then ended in accordance with the accounting principles and financial reporting standards set out by regulations, interpretations and circulars published by the BRSA on accounting and financial reporting principles (See Note 2).

Additional paragraph for convenience translation into English:

4. The accounting principles described in Note 2.1.1 to the accompanying interim financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and with respect to the effects of loan loss provisioning methodology as required by IAS 39 (Financial instruments : Recognition and Measurement) and deferred taxation. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Şeyda Oltulu, SMMM  
Partner

2 August 2011  
İstanbul, Turkey

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

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## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## BALANCE SHEET AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Note	Reviewed 30 June 2011			Audited 31 December 2010		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES</b>		-	-	-	-	-	-
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	<b>3</b>	<b>3.933</b>	<b>65</b>	<b>3.998</b>	<b>6.321</b>	<b>1</b>	<b>6.322</b>
2.1 Trading Financial Assets		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.3 Trading Derivative Financial Assets		3.933	65	3.998	6.321	1	6.322
<b>III. BANKS</b>	<b>4</b>	<b>103.751</b>	<b>53.309</b>	<b>157.060</b>	<b>1.622</b>	<b>4.215</b>	<b>5.837</b>
<b>RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>5</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>88</b>	<b>-</b>	<b>88</b>
<b>VI. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
6.1 Discounted Factoring Receivables		-	-	-	-	-	-
6.1.1 Domestic		-	-	-	-	-	-
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		-	-	-	-	-	-
6.2 Other Factoring Receivables		-	-	-	-	-	-
6.2.1 Domestic		-	-	-	-	-	-
6.2.2 Foreign		-	-	-	-	-	-
<b>VII. FINANCE LOANS</b>		-	-	-	-	-	-
7.1 Consumer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Commercial Installment Loans		-	-	-	-	-	-
<b>VIII. LEASE RECEIVABLES</b>	<b>9</b>	<b>397.141</b>	<b>1.968.022</b>	<b>2.365.163</b>	<b>302.417</b>	<b>1.645.092</b>	<b>1.947.509</b>
8.1 Receivables from Leasing Transactions		391.493	1.878.378	2.269.871	298.412	1.584.385	1.882.797
8.1.1 Financial Lease Receivables		486.558	2.188.821	2.675.379	375.907	1.849.072	2.224.979
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Other		-	-	-	-	-	-
8.1.4 Unearned Income (-)		95.065	310.443	405.508	77.495	264.687	342.182
8.2 Assets to Be Leased		3.357	33.097	36.454	2.218	10.642	12.860
8.3 Advances Given for Leasing Transactions		2.291	56.547	58.838	1.787	50.065	51.852
<b>IX. DOUBTFUL RECEIVABLES</b>	<b>9</b>	<b>80.598</b>	<b>17.778</b>	<b>98.376</b>	<b>86.034</b>	<b>35.068</b>	<b>121.102</b>
9.1 Doubtful Factoring Receivables		-	-	-	-	-	-
9.2 Doubtful Finance Loans		-	-	-	-	-	-
9.3 Doubtful Lease Receivables		230.774	34.927	265.701	254.056	59.726	313.782
9.4 Specific Provisions (-)		150.176	17.149	167.325	168.022	24.658	192.680
<b>X. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		-	-	-	-	-	-
10.1 Fair Value Hedge		-	-	-	-	-	-
10.2 Cash Flow Hedge		-	-	-	-	-	-
10.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XI. HELD-TO-MATURITY SECURITIES (Net)</b>		-	-	-	-	-	-
<b>XII. SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIII. INVESTMENTS IN ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XIV. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XV. PROPERTY AND EQUIPMENT (Net)</b>	<b>10</b>	<b>792</b>	<b>-</b>	<b>792</b>	<b>788</b>	<b>-</b>	<b>788</b>
<b>XVI. INTANGIBLE ASSETS (Net)</b>	<b>11</b>	<b>1.598</b>	<b>-</b>	<b>1.598</b>	<b>1.296</b>	<b>-</b>	<b>1.296</b>
16.1 Goodwill		-	-	-	-	-	-
16.2 Other		1.598	-	1.598	1.296	-	1.296
<b>XVII. DEFERRED TAX ASSET</b>	<b>20</b>	<b>98.107</b>	<b>-</b>	<b>98.107</b>	<b>86.424</b>	<b>-</b>	<b>86.424</b>
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>2.825</b>	<b>-</b>	<b>2.825</b>	<b>3.039</b>	<b>-</b>	<b>3.039</b>
18.1 Held for sale		2.825	-	2.825	3.039	-	3.039
18.2 Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>15</b>	<b>26.045</b>	<b>37</b>	<b>26.082</b>	<b>28.925</b>	<b>-</b>	<b>28.925</b>
<b>TOTAL ASSETS</b>		<b>714.890</b>	<b>2.039.211</b>	<b>2.754.101</b>	<b>516.954</b>	<b>1.684.376</b>	<b>2.201.330</b>

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

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## BALANCE SHEET AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Note	Reviewed 30 June 2011			Audited 31 December 2010		
		TL	FC	Total	TL	FC	Total
I. TRADING DERIVATIVE FINANCIAL LIABILITIES	6	4.048	180	4.228	1.360	1	1.361
II. BORROWINGS	7	8.697	1.741.047	1.749.744	2.176	1.340.330	1.342.506
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASE PAYABLES		-	-	-	1	-	1
4.1 Financial Lease Payables		-	-	-	1	-	1
4.2 Operational Lease Payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Lease Expenses ( - )		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES	8	5.111	103.764	108.875	4.050	60.296	64.346
VII. OTHER LIABILITIES	17	36.532	21.060	57.592	4.022	24.458	28.480
VIII. HEDGING DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
8.1 Fair Value Hedge		-	-	-	-	-	-
8.2 Cash Flow Hedge		-	-	-	-	-	-
8.3 Foreign Net Investment Hedge		-	-	-	-	-	-
IX. TAX LIABILITY	20	3.513	-	3.513	6.608	-	6.608
X. PROVISIONS		23.423	1.977	25.400	20.660	2.162	22.822
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserves for Employee Rights	14	1.674	-	1.674	1.366	-	1.366
10.3 Other Provisions	12	21.749	1.977	23.726	19.294	2.162	21.456
XI. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XII. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
12.1 Held for Sale Purpose		-	-	-	-	-	-
12.2 Related to Discontinued Operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS		-	-	-	-	-	-
XIV. SHAREHOLDERS' EQUITY		804.749	-	804.749	735.206	-	735.206
14.1 Paid-in Capital	16	389.928	-	389.928	389.928	-	389.928
14.2 Capital Reserves		(34.598)	-	(34.598)	(34.598)	-	(34.598)
14.2.1 Share Premium		2	-	2	2	-	2
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		-	-	-	-	-	-
14.2.4 Tangible and Intangible Assets Revaluation Reserve		-	-	-	-	-	-
14.2.5 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-	-	-
14.2.6 Hedging Reserves (Effective portion)		-	-	-	-	-	-
14.2.7 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
14.2.8 Other capital reserves	16	(34.600)	-	(34.600)	(34.600)	-	(34.600)
14.3 Profit Reserves		290.385	-	290.385	198.620	-	198.620
14.3.1 Legal Reserves		65.668	-	65.668	61.080	-	61.080
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		224.717	-	224.717	137.540	-	137.540
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Income or (Loss)		159.034	-	159.034	181.256	-	181.256
14.4.1 Prior Years' Income or (Loss)		89.491	-	89.491	89.491	-	89.491
14.4.2 Current Period Income or (Loss)		69.543	-	69.543	91.765	-	91.765
<b>TOTAL LIABILITIES</b>		<b>886.073</b>	<b>1.868.028</b>	<b>2.754.101</b>	<b>774.083</b>	<b>1.427.247</b>	<b>2.201.330</b>

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

**YAPI KREDİ FİNANSAL KİRALAMA A.O.****OFF-BALANCE SHEET ITEMS AS AT 30 JUNE 2011**

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

OFF BALANCE SHEET COMMITMENTS	Note	Reviewed 30 June 2011			Audited 31 December 2010		
		TL	FC	Total	TL	FC	Total
<b>I</b>							
RECURSE FACTORING TRANSACTIONS		-	-	-	-	-	-
<b>II</b>							
NON-RECURSE FACTORING TRANSACTIONS		-	-	-	-	-	-
<b>III</b>							
GUARANTEES RECEIVED	9	804.443	396.891	1.201.334	793.415	385.828	1.179.243
<b>IV</b>							
GUARANTEES GIVEN	13	11.980	1.867	13.847	14.480	1.770	16.250
<b>V</b>							
COMMITMENTS		-	-	-	-	-	-
5.1							
Irrevocable Commitments		-	-	-	-	-	-
5.2							
Revocable Commitments		-	-	-	-	-	-
5.2.1							
Lease Commitments		-	-	-	-	-	-
5.2.1.1							
Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2							
Operational Lease Commitments		-	-	-	-	-	-
5.2.2							
Other Revocable Commitments		-	-	-	-	-	-
<b>VI</b>							
DERIVATIVE FINANCIAL INSTRUMENTS	13	176.815	606.202	783.017	257.074	256.245	513.319
6.1							
Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1							
Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2							
Transactions for Cash Flow Hedge		-	-	-	-	-	-
Transactions for Foreign Net Investment		-	-	-	-	-	-
6.1.3							
Hedge		-	-	-	-	-	-
6.2							
Trading Transactions		176.815	606.202	783.017	257.074	256.245	513.319
6.2.1							
Forward Buy/Sell Transactions		176.815	606.202	783.017	257.074	256.245	513.319
6.2.2							
Swap Buy/Sell Transactions		-	-	-	-	-	-
6.2.3							
Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4							
Futures Buy/Sell Transactions		-	-	-	-	-	-
6.5.5							
Other		-	-	-	-	-	-
<b>VII</b>							
ITEMS HELD IN CUSTODY		835.455	2.028.465	2.863.920	559.356	1.355.677	1.915.033
<b>VIII</b>							
TOTAL OFF BALANCE SHEET COMMITMENTS		1.828.693	3.033.425	4.862.118	1.624.325	1.999.520	3.623.845

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

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## STATEMENT OF INCOME FOR THE PERIOD 1 JANUARY – 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	Note	Reviewed 1 January - 30 June 2011	1 April - 30 June 2011	Reviewed 1 January - 30 June 2010	1 April - 30 June 2010
<b>INCOME AND EXPENSE ITEMS</b>					
I.		105.224	53.915	99.811	47.246
I.1		-	-	-	-
I.1.1		-	-	-	-
I.1.1.1		-	-	-	-
I.1.1.2		-	-	-	-
I.1.2		-	-	-	-
I.1.2.1		-	-	-	-
I.1.2.2		-	-	-	-
I.2		-	-	-	-
I.2.1		-	-	-	-
I.2.2		-	-	-	-
I.3		105.224	53.915	99.811	47.246
I.3.1		105.224	53.915	99.811	47.246
I.3.2		-	-	-	-
I.3.3		-	-	-	-
II.	18	(11.533)	(5.889)	(11.272)	(5.140)
2.1		(7.496)	(3.822)	(7.354)	(3.289)
2.2		(68)	(3)	73	12
2.3		-	-	-	-
2.4		(3.998)	(1.922)	(3.754)	(1.910)
2.5		29	(142)	(237)	47
III.		61.332	31.085	104.397	53.365
3.1		1.142	445	358	186
3.2		-	-	-	-
3.3		-	-	-	-
3.3.1		-	-	-	-
3.3.2		-	-	-	-
3.3.3		-	-	-	-
3.3.4		-	-	-	-
3.4		18	15	12	8
3.5		33.986	17.680	45.593	22.456
3.5.1		33.986	17.680	45.593	22.456
3.5.2		-	-	-	-
3.6		-	-	-	-
3.7	19	26.186	12.945	58.434	30.715
IV.		(23.780)	(13.222)	(23.172)	(10.398)
4.1		(23.336)	(12.981)	(22.547)	(10.016)
4.2		-	-	-	-
4.3		-	-	-	-
4.4		-	-	-	-
4.5		-	-	-	-
V.	9	(35.658)	(17.272)	(67.904)	(34.076)
VI.		(28.725)	(15.703)	(42.293)	(21.601)
6.1		-	-	-	-
6.1.1		-	-	-	-
6.1.2		-	-	-	-
6.1.3		-	-	-	-
6.2		-	-	-	-
6.2.1		-	-	-	-
6.2.2		-	-	-	-
6.2.3		-	-	-	-
6.2.4		-	-	-	-
6.2.5		-	-	-	-
6.3		-	-	-	-
6.4		(18.498)	(9.507)	(16.049)	(8.171)
6.5	19	(8.922)	(5.281)	(24.390)	(11.856)
6.6		(1.305)	(915)	(1.854)	(1.574)
VII.		66.860	32.914	59.567	29.396
VIII.		-	-	-	-
IX.		-	-	-	-
X.		-	32.914	-	29.396
XI.	20	2.683	9.609	(11.934)	(6.338)
11.1		(9.000)	(2.598)	147	-
11.2		-	524	(12.981)	(6.338)
11.3		11.683	11.683	-	-
XII.		69.543	42.523	47.633	23.058
XIII.		-	-	-	-
13.1		-	-	-	-
13.2		-	-	-	-
13.3		-	-	-	-
XIV.		-	-	-	-
14.1		-	-	-	-
14.2		-	-	-	-
14.3		-	-	-	-
XV.		-	-	-	-
XVI.		-	-	-	-
16.1		-	-	-	-
16.2		-	-	-	-
16.3		-	-	-	-
XVII.		69.543	42.523	47.633	23.058
XVIII.	21	0.1783	-	0.1222	-

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

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER EQUITY  
FOR THE PERIOD 1 JANUARY – 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

	Note	Reviewed 30 June 2011	Reviewed 30 June 2010
<b>I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>		-	-
1.1 Net Change in Available-for-sale Financial Assets Carried at Fair Value		-	-
1.2 Net Change in Available-for-sale Financial Assets Carried at Fair Value (Transfer to Income/Loss)		-	-
<b>II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>		-	-
<b>III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>		-	-
<b>IV. FOREIGN EXCHANGE DIFFERENCES</b>		-	-
<b>V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS</b>		-	-
5.1 Income/Loss on Fair Value Hedge (Effective Part of Fair Value Differences)		-	-
5.2 Part of Reclassified and Recorded in Income Statement		-	-
<b>VI. INCOME/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS</b>		-	-
6.1 Income/Loss Related with Fair Value Hedge (Effective Part of Fair Value Differences)		-	-
6.2 Part of Reclassified and Recorded in Income Statement		-	-
<b>VII. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS</b>		-	-
<b>VIII. OTHER INCOME/EXPENSE ITEMS RECORDED IN SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS</b>		-	-
<b>IX. DEFERRED TAXES RELATED TO REVALUATION DIFFERENCES</b>		-	-
<b>X. NET INCOME/LOSS DIRECTLY RECORDED IN SHAREHOLDERS' EQUITY (I+II+...+IX)</b>		-	-
<b>XI. CURRENT PERIOD INCOME/LOSS</b>		69.543	47.633
<b>XII. TOTAL INCOME/LOSS RECORDED IN THE PERIOD (X±XI)</b>		69.543	47.633

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

## YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 30 JUNE 2011

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

## Reviewed

CHANGES IN EQUITY	Note	Paid in Capital	Inflation Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserve	Other Reserves	Current Period Net Income/Loss	Prior Period Net Income/Loss	Marketable Securities Valuation Differences	Tangible and Intangible Assets Revaluation Fund	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Differences of AHS and Discontinued Operations	Total Equity
<b>PRIOR PERIOD</b>																	
<b>CURRENT PERIOD</b>																	
I. Prior Period Ending Balance: (01/01/2010)		389,928	(34,690)	2	-	49,820	-	55,729	-	150,133	89,491	-	-	-	-	-	700,503
II. Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.1 Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.2 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.3 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Issuance of New Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Dividend Paid	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Transfers to Reserves	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance: (30/06/2010)		389,928	(34,690)	2	-	61,080	-	137,540	-	47,633	89,491	-	-	-	-	-	691,071
<b>CURRENT PERIOD</b>																	
I. Prior Period Ending Balance: (01/01/2011)		389,928	(34,690)	2	-	61,080	-	137,540	-	91,765	89,491	-	-	-	-	-	735,206
II. Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.1 Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.2 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.3 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangibles Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Issuance of New Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Advance of Share Purchase Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Current Period Income or Loss		-	-	-	-	-	-	-	-	69,543	-	-	-	-	-	-	69,543
XVI. Profit Distribution		-	-	-	-	-	-	-	-	(91,765)	-	-	-	-	-	-	-
XVII. Dividend Paid	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Transfers to Reserves	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance: (30/06/2011)		389,928	(34,690)	2	-	65,668	-	224,717	-	69,543	89,491	-	-	-	-	-	801,749

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

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 30 JUNE 2011

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

	Note	Reviewed 30 June 2011	Reviewed 30 June 2010
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating Profit before Changes in Operating Assets and Liabilities		117.345	130.946
1.1.1 Interests Received/ Leasing Income		106.862	104.765
1.1.2 Leasing Expenses		-	-
1.1.3 Dividend Received		18	12
1.1.4 Fees and Commissions Received		-	-
1.1.5 Other Income		16.056	10.919
1.1.6 Collections from Previously Written-off Doubtful Receivables	9	17.803	53.382
1.1.7 Payments to Personnel and Service Suppliers	18	(9.038)	(7.990)
1.1.8 Taxes Paid		16.442	(237)
1.1.9 Other		(30.798)	(29.905)
1.2 Changes in Operating Assets and Liabilities		30.972	(32.680)
1.2.1 Net (Increase)/Decrease in Factoring Receivables		-	-
1.2.1 Net (Increase)/Decrease in Finance Loans		-	-
1.2.1 Net (Increase)/Decrease in Lease Receivables	9	(433.719)	112.930
1.2.2 Net (Increase)/Decrease in Other Assets		2.839	566
1.2.3 Net Increase/(Decrease) in Factoring Payables		-	-
1.2.3 Net Increase/(Decrease) in Lease Payables		-	-
1.2.4 Net Increase/(Decrease) in Funds Borrowed		414.151	(158.686)
1.2.5 Net Increase/(Decrease) in Payables		-	-
1.2.6 Net Increase/(Decrease) in Other Liabilities		47.701	12.510
<b>I. Net Cash Used in Operating Activities</b>		<b>148.317</b>	<b>98.266</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment	10,11	(451)	(205)
2.4 Disposals of Property and Equipment	10,11	-	52
2.5 Purchase of Investments Available-for-sale	5	(12)	(8)
2.6 Sale of Investments Available-for-sale		-	-
2.7 Purchase of Investment Securities Held to Maturity		-	-
2.8 Sale of Investment Securities Held to Maturity		-	-
2.9 Other		214	(124)
<b>II. Net Cash (Used in)/Provided from Investing Activities</b>		<b>(249)</b>	<b>(285)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	(57.062)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>III. Net Cash Provided from Financing Activities</b>		<b>-</b>	<b>(57.062)</b>
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>2.777</b>	<b>(2.249)</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>150.845</b>	<b>38.670</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>4</b>	<b>5.837</b>	<b>12.035</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>4</b>	<b>156.682</b>	<b>50.705</b>

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

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

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**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. The Company has been listed on the Istanbul Stock Exchange since 11 January 1994.

The Company’s major shareholder is Yapı ve Kredi Bankası A.Ş. (YKB). 18,20% of the share certificates of YKB is publicly traded as of 30 June 2011 and 31 December 2010. The remaining 81,80% of the share certificates are owned by Koç Finansal Hizmetler A.Ş. which is under the common control of UniCredit and Koç Group.

As of 30 June 2011, the Company have 129 employees (31 December 2010: 128). The Company operates predominantly in one geographical region, Turkey, and in one industry segment, financial leasing.

The address of the registered office is Büyükdere Caddesi Yapı Kredi Plaza A Blok Levent-Beşiktaş-İstanbul/Türkiye.

The Board of Directors has approved the publication of financial statements of the Company on 2 August 2011.

**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 BASIS OF PRESENTATION**

**2.1.1 Accounting standards**

The Company maintains its books of account and prepares its financial statements in thousands of Turkish Lira (“TL”) in accordance with the communiqué “Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies”(“Financial Statement’s Communiqué”) issued by the Banking Regulation and Supervision Agency (“BRSA”) in the Official Gazette dated 17 May 2007, numbered 26525; and in accordance with Turkish Accounting Standards/ Financial Reporting Standards (“TAS/IFRS”) and their additions and comments issued by the Turkish Accounting Standards’ Board (“TASB”) and with the Communiqué: “The Procedures Regarding the Provisions to be Provided for the Receivables of Leasing, Factoring and Consumer Finance Companies” (“Communiqué of Provisions”) issued by the BRSA in the Official Gazette numbered 26588 dated 20 July 2007. In addition to that, in accordance with the decision of Capital Market Board (“CMB”) dated 9 January 2009 and numbered 1/33, it is determined that leasing, factoring and consumer finance companies that are quoted at the Stock Exchange, have to prepare and present their financial statements based on the format determined for such companies by the BRSA.

The financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair market value.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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

**Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**2.1.2 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 offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**2.1.3 Going concern**

The Company prepared its financial statements considering the going concern principal.

**2.1.4 Currency used**

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. Financial position and the results of operations of the Company have been presented in Turkish Lira ("TL").

**2.2. CHANGES IN ACCOUNTING POLICIES**

**2.2.1 Comparatives and restatement of prior year financial statements**

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation or reclassification of the financial statements and major differences are explained. Foreign Currency Gains (TL 235.955) and Foreign Currency Loss (TL 260.345) which were presented in gross amounts in the statement of income for the period January 1, 2010 - June 30, 2010 have been presented in net amounts in the statement of income for the period January 1, 2011 - June 30, 2011 to be comparative with the current period presentation.

**2.2.2 Changes in accounting policies**

Changes in accounting policies regarding the first time application of a new TAS/IFRS are applied based on the first time application requirements of the relevant TAS/IFRS, if any, otherwise changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

**2.2.3 Change in accounting estimates and errors**

The effect of a change in an accounting estimate is recognised prospectively, in the period of the change if the change affects that period only; or the period of the change and future periods if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. Material prior period errors are corrected retrospectively by restating the comparative amounts of the prior periods.

**2.2.4 Amendments in standards and interpretations**

**New and amended standards and interpretations**

The accounting policies adopted in the preparation of the interim financial statements as at 30 June 2011 are consistent with those followed in the preparation of the financial statements of the prior year, except for the adoption of new standards and International Financial Reporting Interpretation Committee interpretations summarized below. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at 1 January 2011 are as follows:**

**IFRS 19 Interpretation Extinguishing Financial Liabilities with Equity Instruments**

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRS 19 interpretation clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability.

**IFRS 14 Interpretation Prepayments of a Minimum Funding Requirement (Amended)**

The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions.

**IAS 32 Classifications on Rights Issues (Amended)**

This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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

**TAS 24 Related Party Disclosures (Revised)**

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

**TFRS 1 Limited Exemption from Comparative TFRS 7 Disclosures for the first time adopters (Amended)**

This amendment exempts first-time adopters of TFRSs from providing the additional disclosures introduced by TFRS 7 on 5 March 2009.

**In May 2010 the TASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:**

**TFRS 3 Business Combinations**

This improvement clarifies that the amendments to TFRS 7 Financial Instruments: Disclosures, TAS 32 Financial Instruments: Presentation and TAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of TFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

**TFRS 7 Financial Instruments: Disclosures**

This improvement gives clarifications of disclosures required by TFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

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

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

**TAS 1 Presentation of Financial Statements**

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

**TAS 27 Consolidated and Separate Financial Statements**

This improvement clarifies that the consequential amendments from TAS 27 made to TAS 21 “The Effect of Changes in Foreign Exchange Rates”, TAS “28 Investments in Associates” and TAS 31 “Interests in Joint Ventures”.

**TAS 34 Interim Financial Reporting**

This improvement provides guidance to illustrate how to apply disclosure principles in TAS 34 and add disclosure requirements.

**TFRS Interpretation 13 Customer Loyalty Programmes**

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

These new standards, amendments and interpretations did not have a significant effect on the financial position or the performance of the Company.

**Standards issued but not yet effective and not early adopted**

Up to the date of approval of the interim condensed financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

**TFRS 9 Financial Instruments – Phase 1 financial instruments, classification and measurement**

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial assets. The amendments made to TFRS 9 in October 2010 affect the measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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

**TAS 12 Deferred Taxes: Recovery of Underlying Assets (Amendment)**

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. TAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in TAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in TAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

**TFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)**

The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

**TFRS 10 Consolidated Financial Statements**

Standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

TFRS 10 replaces the portion of TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. Since the Company does not have subsidiaries or associates to be consolidated, the new standard does not have an effect on the financial position or performance of the Company.

**TFRS 11 Joint Arrangements**

Standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but TFRS 10 Consolidated Financial Statements and TFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

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

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

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. Since the Company does not have joint ventures or joint operations with joint control, the new standard does not have an effect on the financial position or performance of the Company.

**IFRS 12 Disclosure of Interests in Other Entities**

Standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in TAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in TAS 31 Interests in Joint Ventures and TAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Company does not have investments which are in the scope of this new standard.

**IFRS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company does not expect that the new standard will have a significant effect on the financial position or performance of the Company.

**TAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to IFRS 10, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. Since the Company does not have subsidiaries, jointly controlled entities or associates, this standard will not have an impact on the financial position or performance of the Company.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

**TAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to TFRS 11, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This standard has not yet been endorsed by the EU. Since the Company does not have joint ventures or subsidiaries this standard will not have an impact on the financial position or performance of the Company.

**TAS 19 Employee Benefits (Amended)**

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

**TAS 1 Presentation of Financial Statements (Amended)**

The amendments are effective for annual periods beginning on or after 1 July 2012. The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are summarized below:

**Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months and that are not subject to significant change in value (Note 4).

**Related parties**

For the purposes of these financial statements, shareholders, key management personnel and Board of Directors' members, in each case together with companies controlled by/or affiliated with them, associated companies and other companies within the UniCredit ("UCI") and Koç Holding A.Ş. group companies are considered and referred to as related parties (Note 22).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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

A related party is a person or entity that is related to the entity that is preparing its financial statements (in referred to as the 'reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Leases**

- (i) *As lessor*

Assets which are subject to leasing transactions are presented as a receivable which equals to the investment amount made for the related leasing transactions. Interest 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. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.
- (ii) *As lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the estimated useful life of the asset.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

**Allowance for impairment of lease receivables**

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Company has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated 20 July 2007, numbered 26588. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 days and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Company also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence as indicated in the Communiqué about Preparation and Presentation of Financial Statements published in the Official Gazette dated 16 January 2005, numbered 25702.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not over due or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Company sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables 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 the lease receivable and are recognized as income.

**Investment securities**

Investment securities are classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale securities are initially recognised at their acquisition cost plus transaction costs which in total is considered as the fair value of these securities as of the acquisition date. Available-for-sale investments are subsequently re-measured 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, the related accumulated fair value adjustments are transferred to the income statement. The unlisted equity securities are valued at their cost less impairment (Note 5).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

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

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

**Assets held for sale**

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its “fair market value”. As of 30 June 2011 and 31 December 2010 assets held for sale are stated at their book values.

**Interest income and expense**

Interest income and expenses are recognised in the income statement using effective interest method on an accrual basis.

**Borrowing costs**

All borrowing costs are recorded in the income statement in the period in which they are incurred.

**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 period-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	5-10 years
Office equipment and motor vehicles	2-15 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 are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases. Intangible assets are amortised on a straight-line basis over 3-5 years.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

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

**Employment termination benefits**

Obligations related to employee termination and vacation rights are accounted for in accordance with “International Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “provision for employee benefits” account in the balance sheet.

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees calculated in accordance with the this Law (Note 14).

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

**Taxation on income**

*Corporate income tax*

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

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

*Deferred tax*

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related declarations of the BRSA concerning this standard. In the deferred tax calculation, in accordance with the tax legislation, the tax rate enacted as of the balance sheet date is used.

The main temporary differences comprise of unused investment allowances, the differences between the tax value and carrying value of lease receivables and property and equipment, and provision for impairment of receivables (Note 20).

Deferred tax assets or deferred tax liabilities are recognized at the estimated amount that they will increase or decrease future tax payable in the periods where temporary differences will disappear. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised (Note 20).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

**Provisions**

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

**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 and not recognized in financial statements.

**Share capital and dividends**

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

**Finance lease income (Sales income)**

Initial value of the assets which are subject to leasing transaction is recognised as leasing receivables in the balance sheet. 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, are initially recognised in the balance sheet at fair value and are subsequently re-measured at their fair value. 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 classified as Trading Derivative Assets/Liabilities in the financial statements. The fair value gains and losses from these derivative transactions are recognised in income statement as other operating income/expense.

Fair values of forward foreign exchange contracts are determined based on the discounted cash flows.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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

**Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities are initially recognised at their fair values less transaction costs that are directly attributable to the issue of the financial liability. Other financial liabilities are subsequently measured at amortized cost using the effective interest method and the interest expense recognized on an effective yield basis.

**Borrowings**

Borrowings are recognized initially at market value including transaction costs. Subsequently, they are stated at their amortised cost by using effective interest method.

**Earnings per share**

Earnings per share disclosed in the statements of income is determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue 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 revaluation fund. 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 21).

**Subsequent events**

Certain subsequent events (events which require adjustments) that provides with additional information regarding the position of Company as at balance sheet date are recognised in the financial statements. Events that do not require adjustment are presented at the notes to these financial statements, if they have a certain level of importance.

**2.4 SIGNIFICANT ACCOUNTING EVALUATIONS, ESTIMATES AND ASSUMPTIONS**

Preparation of the financial statements requires estimates and judgments about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

These estimates are being reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement in the period in which the correction is made and in the following periods those are affected by these corrections.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

Significant estimates and judgments made during the preparation of these financial statements are as follows:

- a) Impairment of available for sale assets (Note 5)
- b) Specific and general loan loss provisions recognized for the leasing receivables (Note 9, 12)
- c) Provisions with respect to the legal cases (Note 12)
- d) Deferred tax asset (Note 20)
- e) Employment termination benefits (Note 14)

**3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Trading derivative financial assets:		
Derivative financial instruments fair value differences (Note 13)	<b>3.998</b>	<b>6.322</b>

**4 - BANKS**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Due from banks		
- time deposits	151.784	-
- demand deposits	5.276	5.837
	<b>157.060</b>	<b>5.837</b>

For the purposes of cash flow statements, cash and cash equivalents comprise:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Due from banks	157.060	5.837
Accrued interest	(378)	-
	<b>156.682</b>	<b>5.837</b>

As of 30 June 2011, the Company has no blocked deposits (31 December 2010: None).

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 4 - BANKS (Continued)

Demand deposits:

	30 June 2011 Amount (TL equivalent)	31 December 2010 Amount (TL equivalent)
USD	2.297	2.001
EUR	2.054	2.161
TL	924	1.622
JPY	-	53
CHF	1	-
<b>Total</b>	<b>5.276</b>	<b>5.837</b>

Time deposits:

	Maturity	30 June 2011		Maturity	31 December 2010	
		Amount (TL equivalent)	Annual interest rate (%)		Amount (TL equivalent)	Annual interest rate (%)
USD	25 July 2011	48.957	4,25	-	-	-
TL	19-29 July 2011	102.827	9,35	-	-	-
<b>Total</b>		<b>151.784</b>		<b>-</b>	<b>-</b>	<b>-</b>

## 5 - FINANCIAL ASSETS AVAILABLE FOR SALE (NET)

	30 June 2011	31 December 2010
Available-for-sale financial assets (measured at cost)	100	88

Available-for-sale financial assets as of 30 June 2011 and 31 December 2010 are as follows:

Company	30 June 2011		31 December 2010	
	Amount	Share (%)	Amount	Share (%)
Yapı Kredi Bank Moscow	1.928	<1	1.928	<1
Yapı Kredi Bank Azerbaycan J.S.B.	71	<1	59	<1
Yapı Kredi Yatırım Menkul Değerler A.Ş.	14	<1	14	<1
Koç Kültür Sanat ve Tanıtım A.Ş.	10	4,9	10	4,9
Yapı Kredi Faktoring Hizmetleri A.Ş.	5	<1	5	<1
	<b>2.028</b>		<b>2.016</b>	
Minus: Provision for impairment (-)	<b>(1.928)</b>		<b>(1.928)</b>	
	<b>100</b>		<b>88</b>	

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 6 - TRADING DERIVATIVE FINANCIAL LIABILITIES

	30 June 2011	31 December 2010
Derivative financial instruments fair value differences (Note 13)	4.228	1.361

## 7 - BORROWINGS

	30 June 2011			31 December 2010		
	Effective interest rate (%)	Original currency	TL	Effective interest rate (%)	Original currency	TL
<b>Domestic banks:</b>						
Fixed rate borrowings:						
- EUR	4,24	100.376	235.804	3,25	25.090	51.412
- USD	3,60	55.976	91.252	3,20	96.467	149.138
- TL	9,29	8.697	8.697	8,30	2.176	2.176
Floating rate borrowings:						
- USD	2,38	20.240	32.996	2,38	20.003	30.924
			<b>368.749</b>			<b>233.650</b>
<b>Foreign banks:</b>						
Fixed rate borrowings:						
- EUR	-	-	-	3,25	10.203	20.907
Floating rate borrowings:						
- EUR	3,11	467.076	1.097.254	2,72	412.106	844.446
- USD	2,50	174.053	283.741	2,51	157.505	243.503
			<b>1.380.995</b>			<b>1.108.856</b>
<b>Total borrowings</b>			<b>1.749.744</b>			<b>1.342.506</b>

	30 June 2011	31 December 2010
Short term borrowings	8.697	2.176
Short term portion of long term borrowings	1.398.113	997.956
<b>Total short term financial liabilities</b>	<b>1.406.810</b>	<b>1.000.132</b>
Long term borrowings	342.934	342.374
<b>Total long term financial liabilities</b>	<b>342.934</b>	<b>342.374</b>
<b>Total financial liabilities</b>	<b>1.749.744</b>	<b>1.342.506</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**7 – BORROWINGS (Continued)**

Maturities of the financial liabilities are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
To be paid in 1 year	1.406.810	1.000.132
To be paid in 1-2 years	118.111	167.305
To be paid in 3 years	97.460	65.300
To be paid in 4 years	81.598	63.081
To be paid in 5 years	18.904	28.758
To be paid in 6 years	18.904	9.221
To be paid in 7 years	5.785	8.709
To be paid after 7 years	2.172	-
	<b>1.749.744</b>	<b>1.342.506</b>

**8 - MISCELLANEOUS PAYABLES**

Trade payables are mainly related with the purchase of fixed assets from domestic and foreign suppliers regarding the financial lease agreements and insurance payables regarding the assets subject to financial lease agreements.

As of 30 June 2011 maturity of trade payables amounting to TL 108.875 is shorter than 1 year (As of 31 December 2010, maturity of trade payables amounting to TL 61.975 is shorter than 1 year, remaining trade payables amounting to TL 2.371 has a maturity of longer than 1 year).

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 9 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES

	30 June 2011	31 December 2010
Lease receivables	2.648.455	2.188.381
Invoiced lease receivables	26.924	36.598
<b>Gross lease receivables</b>	<b>2.675.379</b>	<b>2.224.979</b>
Unearned interest income	(405.508)	(342.182)
<b>Lease receivables</b>	<b>2.269.871</b>	<b>1.882.797</b>
Overdue lease receivables	265.701	313.782
Provision for impaired lease receivables - Specific provisions	(167.325)	(192.680)
<b>Overdue lease receivables, net</b>	<b>98.376</b>	<b>121.102</b>
Provision for impaired lease receivables - Watch list provisions (Note 12)	(2.470)	(2.421)
Provision for impaired lease receivables - General provisions (Note 12)	(10.507)	(8.296)
<b>Lease receivables, net</b>	<b>2.355.270</b>	<b>1.993.182</b>
Receivables from leasing transaction	2.269.871	1.882.797
Assets to be leased	36.454	12.860
Advances given for leasing transactions	58.838	51.852
<b>Total receivables from leasing transactions</b>	<b>2.365.163</b>	<b>1.947.509</b>

As of 30 June 2011 and 31 December 2010, finance lease receivables can be analysed according to their interest types as follows:

	30 June 2011	31 December 2010
Fixed rate	2.397.661	1.969.832
Floating rate	250.794	218.549
	<b>2.648.455</b>	<b>2.188.381</b>

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 9 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)

The maturity of finance lease receivables is as follows:

Period End	Gross 30 June 2011	Lease Receivables
		Net 30 June 2011
30 June 2012	1.008.185	830.691
30 June 2013	667.364	558.154
30 June 2014	467.611	409.604
30 June 2015	261.621	232.522
30 June 2016	132.400	118.653
30 June 2017 and over	138.198	120.247
	<b>2.675.379</b>	<b>2.269.871</b>

Period End	Gross 31 December 2010	Lease Receivables
		Net 31 December 2010
31 December 2011	894.401	727.940
31 December 2012	581.185	489.950
31 December 2013	348.254	301.923
31 December 2014	223.007	201.386
31 December 2015	107.327	98.221
31 December 2016 and over	70.805	63.377
	<b>2.224.979</b>	<b>1.882.797</b>

Net finance lease receivables can be analysed as follows:

	30 June 2011	31 December 2010
Neither past due nor impaired	2.242.947	1.846.199
Past due but not impaired	26.924	36.598
Impaired	265.701	313.782
	<b>2.535.572</b>	<b>2.196.579</b>
(Less) allowance for impairment	(180.302)	(203.397)
<b>Net finance lease receivables</b>	<b>2.355.270</b>	<b>1.993.182</b>

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 9 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)

The Company determines and accounts for the loss resulting from its realised or expected doubtful receivables in accordance with the Communiqué of Provisions declared by the BRSA starting from 1 January 2008.

At 30 June 2011, collaterals of TL 45.111 (31 December 2010: TL 46.571) were obtained for the doubtful finance lease receivables amounting to TL 265.701 (31 December 2010: TL 313.782). In determining the provision for doubtful lease receivables, in addition to the collaterals received from customers; assets which have been subject to the leasing agreements have also been taken into consideration as TL 55.018 (31 December 2010: TL 83.469) in accordance with the terms determined in the Communiqué of Provisions.

The aging of finance lease receivables past due but not impaired is as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	<u>Invoiced Amount</u>	<u>Remaining Principal</u>	<u>Invoiced Amount</u>	<u>Remaining Principal</u>
0 – 30 days	9.476	221.878	5.033	207.475
30 – 60 days	6.023	87.511	4.826	47.058
More than 60 days	11.425	66.774	26.739	91.649
	<b>26.924</b>	<b>376.163</b>	<b>36.598</b>	<b>346.182</b>

TL 18.297 of past due but not impaired invoiced lease receivables is followed-up by the Company through the watch list. Remaining principal amount of the same lease receivables amounting to TL 139.743 is also followed-up through the watch list (31 December 2010: TL 29.768 invoiced amount, TL 164.033 remaining principal).

The aging of impaired lease receivables at 30 June 2011 and 31 December 2010 is as follows:

	<u>30 June 2011</u>			<u>31 December 2010</u>		
	<u>Invoiced Amount</u>	<u>Remaining Principal</u>	<u>Total</u>	<u>Invoiced Amount</u>	<u>Remaining Principal</u>	<u>Total</u>
3 - 12 months	9.643	18.047	27.690	17.008	31.635	48.643
1 year and more	112.411	125.600	238.011	116.653	148.486	265.139
	<b>122.054</b>	<b>143.647</b>	<b>265.701</b>	<b>133.661</b>	<b>180.121</b>	<b>313.782</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**9 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

Movement of provision for doubtful lease receivables are as follows:

	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>1 January</b>	<b>203.397</b>	<b>161.416</b>
Provision for impairment	35.658	67.904
Recoveries of amounts previously provided for (Note 19)	(17.803)	(53.382)
Write-off (*)	(40.950)	(191)
	<b>180.302</b>	<b>175.747</b>

(\*) The Company has transferred TL 37.902 of overdue financial lease receivables to an asset management company in current period. The Company has written off provision for impairment amounting to TL 37.753 regarding these financial lease receivables transferred.

As of 30 June 2011, total collaterals from the Company's customers for their outstanding exposures are TL 1.201.334 (31 December 2010: TL 1.179.243). The Company does not include collaterals that exceed the risk amounts in its risk reporting. The Company's collateral list which is prepared by this way is as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Mortgages	226.890	212.287
Transfer of rights of receivables	48.624	59.396
Pledged machinery	18.890	15.199
Buyback guarantees	14.163	17.386
Pledged automobiles	8.524	6.843
Guarantee letters	7.243	1.379
Cheques received	4.924	5.123
Pledged securities	707	628
Blocked bank deposits	2.610	15.782
	<b>332.575</b>	<b>334.023</b>

As of 30 June 2011 lease receivables amounting to TL 81.518 (31 December 2010: TL 71.515) have been restructured and they are followed-up through the watch list by the Company.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****AS AT 30 JUNE 2011****(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)****9 - LEASING TRANSACTIONS AND OVERDUE RECEIVABLES (Continued)**

Industrial concentration for the gross finance lease receivables as of 30 June 2011 and 31 December 2010 are as follows:

	<b>30 June 2011</b>	<b>%</b>	<b>31 December 2010</b>	<b>%</b>
Construction	532.519	20	361.778	16
Steel and mining	376.103	14	307.932	14
Textile	253.096	9	221.439	9
Transportation	220.259	8	219.464	9
Petroleum and chemistry	182.182	7	148.210	7
Machinery and equipment	160.112	6	145.218	6
Printing	145.199	5	140.165	6
Food	127.544	5	105.046	5
Health	90.751	3	77.910	4
Agriculture	60.554	2	57.456	3
Wholesale and retail trade	50.119	2	35.246	2
Automotive	43.698	2	34.831	2
Financial institutions	40.425	2	33.490	2
Tourism	17.230	1	52.868	2
Communication	3.281	<1	3.457	<1
Education	1.122	<1	1.532	<1
Other	371.185	14	278.937	13
	<b>2.675.379</b>	<b>100</b>	<b>2.224.979</b>	<b>100</b>

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. Assets related to these contracts may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**10 - PROPERTY AND EQUIPMENT**

	<b>1 January 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2011</b>
<b>Cost</b>				
Motor vehicles	92	-	-	92
Furniture and fixtures	1.226	1	-	1.227
Leasehold improvements	299	59	-	358
Office equipment	1.169	61	-	1.230
	<b>2.786</b>	<b>121</b>	<b>-</b>	<b>2.907</b>
<b>Accumulated depreciation</b>				
Motor vehicles	(88)	-	-	(88)
Furniture and fixtures	(981)	(30)	-	(1.011)
Leasehold improvements	(17)	(34)	-	(51)
Office equipment	(912)	(53)	-	(965)
	<b>(1.998)</b>	<b>(117)</b>	<b>-</b>	<b>(2.115)</b>
<b>Net book value</b>	<b>788</b>			<b>792</b>
	<b>1 January 2010</b>	<b>Additions</b>	<b>Disposals</b>	<b>30 June 2010</b>
<b>Cost</b>				
Motor vehicles	89	-	-	89
Furniture and fixtures	1.027	-	-	1.027
Leasehold improvements	517	12	-	529
Office equipment	1.426	-	(169)	1.257
	<b>3.059</b>	<b>12</b>	<b>(169)</b>	<b>2.902</b>
<b>Accumulated depreciation</b>				
Motor vehicles	(71)	(17)	-	(88)
Furniture and fixtures	(1.016)	(4)	-	(1.020)
Leasehold improvements	(282)	(52)	-	(334)
Office equipment	(1.028)	(58)	117	(969)
	<b>(2.397)</b>	<b>(131)</b>	<b>117</b>	<b>(2.411)</b>
<b>Net book value</b>	<b>662</b>			<b>491</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.Ö.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**11 - INTANGIBLE ASSETS**

	1 January 2011	Additions	Disposals	30 June 2011
<b>Cost</b>				
Rights	4.084	330	-	4.414
	<b>4.084</b>	<b>330</b>	<b>-</b>	<b>4.414</b>
<b>Accumulated amortisation</b>				
Rights	(2.788)	(28)	-	(2.816)
	<b>(2.788)</b>	<b>(28)</b>	<b>-</b>	<b>(2.816)</b>
<b>Net book value</b>	<b>1.296</b>			<b>1.598</b>

	1 January 2010	Additions	Disposals	30 June 2010
<b>Cost</b>				
Rights	3.572	193	-	3.765
	<b>3.572</b>	<b>193</b>	<b>-</b>	<b>3.765</b>
<b>Accumulated amortisation</b>				
Rights	(2.697)	(48)	-	(2.745)
	<b>(2.697)</b>	<b>(48)</b>	<b>-</b>	<b>(2.745)</b>
<b>Net book value</b>	<b>875</b>			<b>1.020</b>

**12 - OTHER PROVISIONS**

	30 June 2011	31 December 2010
General provision for lease receivables (Note 9)	10.507	8.296
Provision for legal proceedings	7.397	6.393
Watch list provision for lease receivables (Note 9)	2.470	2.421
Expense accruals	1.870	1.784
Employee bonus provisions	708	2.250
Other	774	312
	<b>23.726</b>	<b>21.456</b>

The Company has provided for a total provision of TL 7.397 against certain pending legal cases as of 30 June 2011 (30 June 2010: TL 6.409).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**12 - OTHER PROVISIONS (Continued)**

The movement of provisions for legal proceedings for the periods ending 30 June 2011 and 2010 are as follows:

	30 June 2011	30 June 2010
1 January	6.393	4.601
Paid	-	(1)
Current period provision	1.004	1.809
<b>30 June</b>	<b>7.397</b>	<b>6.409</b>

**13 - COMMITMENTS and FORWARD TRANSACTIONS****Commitments under derivative instruments:**

	30 June 2011		31 December 2010	
	Nominal Original currency	Nominal TL	Nominal Original currency	Nominal TL
<b>Forward currency purchases</b>				
(Thousand) EUR	90.409	212.390	383	785
TL	176.815	176.815	257.074	257.074
(Thousand) USD	6.440	10.499	1.122	1.735
		<b>399.704</b>		<b>259.594</b>

	30 June 2011		31 December 2010	
	Nominal Original currency	Nominal TL	Nominal Original currency	Nominal TL
<b>Forward currency sales</b>				
(Thousand) USD	227.414	370.729	145.500	224.942
(Thousand) EUR	4.293	10.086	12.800	26.229
(Thousand) JPY	75.750	1.520	91.500	1.732
(Thousand) CHF	500	978	500	822
		<b>383.313</b>		<b>253.725</b>
		<b>783.017</b>		<b>513.319</b>

**Letters of guarantee given:**

The Company has given letters of guarantee amounting to TL 13.847 (31 December 2010: TL 14.486) to courts, banks and customs.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

**14 – RESERVE FOR EMPLOYEE TERMINATION BENEFITS**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Provision for unused vacation	1.123	883
Provision for employment termination benefits	551	483
	<b>1.674</b>	<b>1.366</b>

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 without resignation or bad behaviour causes. The amount payable consists of one month's salary limited to a maximum of full TL 2.623 as of 30 June 2011 (31 December 2010: full TL 2.517) for each year of service.

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.

The following actuarial assumptions have been used in the calculation of the total provision:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Discount rate (%)	4,66	4,66
Turnover rate to estimate the probability of retirement (%)	12,53	14,14

The principal assumption is that the maximum liability of employment termination benefits 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 maximum liability is revised semi-annually, the maximum amount of full TL 2.732 which is effective from 1 July 2011, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>1 January</b>	<b>483</b>	<b>555</b>
Paid during the period	(78)	(186)
Service cost	108	20
Interest cost	29	31
Increase in provision during the period	9	62
<b>30 June</b>	<b>551</b>	<b>482</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.O.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**15 - OTHER ASSETS**

	30 June 2011	31 December 2010
VAT deductible	15.978	20.469
Prepaid expenses	8.777	8.227
Other	1.327	229
	<b>26.082</b>	<b>28.925</b>

**16 - EQUITY**

At 30 June 2011 and 31 December 2010, the shareholder's of the Company and their share capitals with historical amounts are as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	Amount	Share in paid in capital (%)	Amount	Share in paid in capital (%)
Yapı ve Kredi Bankası A.Ş.	385.427	98,85	385.427	98,85
Zer Merkezi Hizmetler A.Ş.	2.879	0,74	2.879	0,74
Publicly held	1.622	0,41	1.622	0,41
<b>Share capital</b>	<b>389.928</b>	<b>100,00</b>	<b>389.928</b>	<b>100,00</b>
Share capital adjustment differences	(34.600)		(34.600)	
	<b>355.328</b>		<b>355.328</b>	

Share capital of the Company consists of 389.927.705 authorized shares with a nominal value of full TL 1 each.

The Company's registered capital ceiling is TL 389.928 (31 December 2010: TL 389.928).

Share capital adjustment differences represent the difference between total amount of capital adjusted in respect of inflation and the capital amount before inflation adjustment.

**Profit reserves, retained earnings**

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.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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**16 - EQUITY (Continued)**

**Profit distribution**

Listed companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below %20 of the distributable profit deducted the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

According to CMB's decision (Date: February 25, 2005 No: 7/242), if all the dividend amount -which is calculated on the basis of net distributable profit prepared according to CMB's regulations, and which is calculated according to the regulations related to the CMB's obligation of minimum dividend payment- may be covered by the distributable profit on the legal records, the whole amount would be distributed; if not, the whole amount of net distributable profit on legal records would be paid. In the case of period loss on financial statements or statutory records that are prepared according to Capital Market Board regulations, there will not be any dividend distribution.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Furthermore, as per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase, the Company has deferred tax income amounting to TL 11.683 (December 31, 2010: TL 1.412) thousand associated with the deferred tax asset which will not be distributed.

At the General Assembly of the Company on 22 March 2011, the first reserves amounting to TL 4.588 and extraordinary reserves amounting to TL 87.177 calculated related with the profit distribution has been classified to legal reserves.

At the General Assembly of the Company on March 23, 2010, it has been decided to pay dividends amounting to TL 57.062. This dividend has been paid on March 31, 2010, April 2, 2010 and April 5, 2010. The first reserves amounting to TL 7.503, second reserves amounting to TL 3.757 and extraordinary reserves amounting to TL 81.811 calculated related with the profit distribution were classified to legal reserves.

The Company has not distributed dividends in 2011.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

17 - OTHER LIABILITIES

	30 June 2011	31 December 2010
Advances received (*)	28.719	27.534
Tax suspense account (**)	28.533	-
Other liabilities	340	946
	<b>57.592</b>	<b>28.480</b>

(\*) Advances received are related with the amounts received from customers regarding the financial leasing agreements.

(\*\*) As mentioned in Note 20, as a result of the applications regarding the investment incentives, the Company could not benefit from investment incentives for the year 2009 and therefore made a corporate tax payment amounting to TL 28.533 for the year 2009. According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95 and K:2009/144, the phrase "comprising only the years 2006, 2007 and 2008", added by the 3<sup>rd</sup> article of the Law numbered 5479 related with the investment incentives included in Income Tax Legislation numbered 193, in the (b) caption of the 1st article of the Provisional Article 69 is revoked. In this respect, the Company has filed a lawsuit against Bogazici Corporate Tax Office to benefit from the unused investment allowances as of 31 December 2008. The Company won the legal case and received TL 28.533 back. Related account consists of the amount received from Bogazici Corporate Tax Office regarding the 2009 corporate income taxation. This amount is not recognized as an income for the current period but accounted for as "Tax Suspense Account" in the balance sheet as of 30 June 2011 since Bogazici Corporate Tax Office has appealed the decision of the court. Deferred tax asset with the same amount is recognized in balance sheet of the Company as of 30 June 2011 and 31 December 2010.

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 18 - OPERATING EXPENSES

Operating expenses for the period ended 30 June 2011 and 2010 are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Personnel expenses	6.962	3.517	6.725	2.999
Audit and advisory expenses	1.222	448	1.113	603
Rent expenses	654	319	707	367
Insurance employer expenses	603	308	556	278
Transportation expenses	316	166	281	136
Litigation expenses	197	135	163	96
Communication expenses	153	84	178	87
Insurance expenses	151	73	107	56
Depreciation expenses (Note 10 and 11)	145	72	179	84
Office management expenses	57	29	33	16
Marketing and advertisement expenses	62	42	25	12
Other	1.011	696	1.205	406
	<b>11.533</b>	<b>5.889</b>	<b>11.272</b>	<b>5.140</b>

## 19 - OTHER OPERATING INCOME/EXPENSES

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
<b>Other Operating Income</b>				
Recoveries from prior periods provisions for lease receivables (Note 9)	17.803	9.214	53.382	27.772
Proceeds from sale of property and equipment (*)	6.855	2.937	3.892	2.278
Insurance agency income	1.357	784	966	540
Other	171	10	194	125
	<b>26.186</b>	<b>12.945</b>	<b>58.434</b>	<b>30.715</b>

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
<b>Other Operating Expenses</b>				
Provision for legal proceedings	1.004	616	1.809	1.529
Other	301	299	45	45
	<b>1.305</b>	<b>915</b>	<b>1.854</b>	<b>1.574</b>

(\*) These are comprised of sales proceeds of the assets related with the impaired finance lease receivables, transfer amounts of the leased assets and the Company's fixed asset sales.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

**20 - TAX ASSETS AND LIABILITIES**

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 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 from profit is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded in cash or offset against other liabilities to the government.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they 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.

	<b>30 June 2011</b>	<b>31 December 2010</b>
Corporate taxes payable	9.000	21.833
Minus: Prepaid taxes	(5.971)	(15.764)
<b>Corporate tax payable, net</b>	<b>3.029</b>	<b>6.069</b>
Social security premiums payable	193	174
Personnel income tax payable	240	225
Other tax payables	51	140
<b>Total taxes payable</b>	<b>3.513</b>	<b>6.608</b>

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

20 - TAX ASSETS AND LIABILITIES (Continued)

Taxes reflected on the income statements are summarized below for the periods ending as of 30 June 2011 and 2010:

	30 June 2011	30 June 2010
Current tax income/(provision)	(9.000)	147
Deferred tax income/(expense) effect	11.683	(12.081)
<b>Total tax expense (-)</b>	<b>2.683</b>	<b>(11.934)</b>

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company is as follows:

	30 Haziran 2011	30 Haziran 2010
Profit before tax	66.860	59.567
Theoretical tax rate and tax expense of %20	13.372	11.913
Non deductible expenses	700	1.887
Tax free income	(60)	(7)
Investment allowances	(15.061)	(2.828)
Other	(1.634)	969
<b>Current year tax expense</b>	<b>2.683</b>	<b>(11.934)</b>

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

- In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No. 193, with Law No.4842, dated 9 April 2003.
- Investment allowance amounts to be calculated in accordance with legislation effective on 31 December 2005 in relation to investments which exhibit an integrity technically and economically and which were started prior to 1 January 2006 within the scope of repealed Article 19 of the Income Tax Law numbered 193, could solely be offset against income related to the years 2006, 2007 and 2008, in accordance with the legislation current as of 31 December 2005 (including provisions related to tax rate).

**YAPI KREDİ FİNANSAL KİRALAMA A.O.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

**(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

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**20 - TAX ASSETS AND LIABILITIES (Continued)**

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

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

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

According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2010. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette. Consequently, the Company did not pay temporary taxes during the previous period and did not have corporate tax liabilities as of 30 June 2010 due to utilization of investment incentives.

With the 5th article of the new tax code numbered 6009 and published in the Official Gazette dated August 1, 2010 certain amendments were made with respect to the utilization of investment allowances. According to this new tax code, utilization of the investment allowances is limited to 25% of the income generated by the Company within the current year. Accordingly, companies in Turkey are obliged to pay corporate income taxes amounting to 20% of 75% of their taxable income remained after the utilization of the investment allowances. Consequently, the Company paid temporary corporate tax in the current period.

**Deferred Taxation**

The Company calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The deferred tax asset and deferred tax liability have been netted off in these financial statements.

The Company did not pay any corporation tax until 31 December 2008 due to its accumulated investment allowances related with capital expenditures which are deductible from taxable income.

**YAPI KREDİ FİNANSAL KİRALAMA A.O.****EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****AS AT 30 JUNE 2011****(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)****20 - TAX ASSETS AND LIABILITIES (Continued)**

Due to the cease of the investment incentive utilization as of 31 December 2008, the Company paid corporate income tax during the year 2009. As a result of the aforementioned decision of the Constitutional Court dated January 8, 2010, investment allowance of the Company became recoverable again. The Company has filed a lawsuit against Bogazici Corporate Tax Office for the return of the 2009 corporate income tax paid amounting to TL 28.533 and recognized deferred tax asset for that amount. The Company won the legal case and received TL 28.533 back from the Tax Office (Note 17). This amount is not recognized as an income for the current period but accounted for as “Tax Suspense Account” in the balance sheet as of 30 June 2011 since Bogazici Corporate Tax Office has appealed the decision of the court. Deferred tax asset with the same amount is recognized in balance sheet of the Company as of 30 June 2011 and 31 December 2010.

Based on the decision of the Constitutional Court mentioned above, the Company Management recognized deferred tax assets on the unused investment allowance amounting to TL 357 million (31 December 2010 - TL 313 million) which has been calculated based on its best estimates.

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of 30 June 2011 and 31 December 2010 are as follows:

	<u>Total temporary differences</u>		<u>Deferred income tax assets/(liabilities)</u>	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
<b>Deferred tax assets</b>				
Unused investment allowance	357.523	312.687	71.505	62.537
Provision for impaired receivables	138.451	134.025	27.690	26.805
Provision for legal proceedings	5.935	2.225	1.187	445
Valuation of derivative financial instruments	4.228	1.361	846	272
Difference between carrying value and tax base of property, equipment and intangible assets	3.383	3.500	677	700
Provision for unused vacation	1.123	883	225	177
Provision for impairment on shareholders	1.009	1.928	202	386
Provision for employment termination benefits	551	483	110	97
Provision for litigation related to Fund for Resource Use Support	426	413	85	83
Expense accruals	362	347	72	69
Other	1.686	3.052	337	611
<b>Deferred tax assets</b>			<b>102.936</b>	<b>92.182</b>
<b>Deferred tax liabilities</b>				
Difference between carrying value and tax base of financial leases	18.122	21.528	(3.624)	(4.306)
Valuation of derivative financial instruments	3.998	6.322	(800)	(1.264)
Valuation difference on financial liabilities	1.441	48	(288)	(10)
Income accrual on lease receivables	583	889	(117)	(178)
<b>Deferred tax liabilities</b>			<b>(4.829)</b>	<b>(5.758)</b>
<b>Deferred tax assets - net</b>			<b>98.107</b>	<b>86.424</b>

**YAPI KREDİ FİNANSAL KİRALAMA A.Ö.**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS AT 30 JUNE 2011**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**20 - TAX ASSETS AND LIABILITIES (Continued)**

Movement of the deferred tax asset/(liability) during the period is as follows:

	<b>30 June 2011</b>	<b>30 June 2010</b>
Deferred tax asset/(liability) as of January 1	86.424	85.012
Deferred tax income/(expense)	11.683	(12.081)
<b>Deferred tax asset/(liability) as of June 30</b>	<b>98.107</b>	<b>72.931</b>

**21 - EARNINGS PER SHARE**

	<b>30 June 2011</b>	<b>30 June 2010</b>
Net income for the period	<b>69.543</b>	<b>47.633</b>
Weighted average number of outstanding shares with a nominal value of full TL 1	389.927.705	389.927.705
<b>Earnings per share (full TL)</b>	<b>0,1783</b>	<b>0,1222</b>

**22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

<b>Balance sheet items</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Due from banks (Cash and cash equivalents)</b>		
<b>Demand deposit</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş	4.678	4.329
<i>Other related parties</i>		
Yapı Kredi Bank Nederland N.V.	3	-
<b>Time Deposit</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	151.784	-
	<b>156.465</b>	<b>4.329</b>

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<b>Finance lease receivables:</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	18.445	14.284
<i>Other related parties</i>		
Vehbi Koç Vakfı Amerikan Hastanesi	3.471	5.756
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	1.087	1.760
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2.555	1.403
Heksagon Mühendislik ve Tasarım A.Ş.	9.019	8.265
Diğer	2.325	425
	<b>36.902</b>	<b>31.893</b>
<b>Other assets:</b>		
<i>Diğer ilişkili taraflar</i>		
Yapı Kredi Sigorta A.Ş.	129	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	38
	<b>129</b>	<b>38</b>
<b>Borrowings:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	150.359	2.175
<i>Other related parties</i>		
Unicredito Italiano S.p.A.	826.409	594.376
	<b>976.768</b>	<b>596.551</b>

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Trade Payables: 30 June 2011 31 December 2010

*Shareholders*

Zer Merkezi Hizmetler ve Ticaret A.Ş. 36 27

*Other related parties*

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. 3.029 226

Koç Holding A.Ş. 175 15

Yapı Kredi Sigorta A.Ş. - 258

Otokoç Otomotiv Tic.ve San. A.Ş. - 51

3.240 577

**Off-balance sheet items:**

**Guarantee letters**

*Shareholders*

Yapı ve Kredi Bankası A.Ş. 9.884 11.280

9.884 11.280

**Derivative financial instruments:**

**Foreign currency forward transactions**

*Shareholders*

*Forward currency purchases:*

Yapı ve Kredi Bankası A.Ş. 282.244 259.594

*Forward currency sales:*

Yapı ve Kredi Bankası A.Ş. 268.332 253.725

550.576 513.319

## YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

**Income statement items**

	1 January - 30 June 2011	1 January - 30 June 2010
<b>Interest income from finance leases:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	422	226
<i>Other related parties</i>		
Vehbi Koç Vakfı Amerikan Hastanesi	145	307
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	89	124
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	50	98
Other	382	19
	<b>1.088</b>	<b>774</b>
<b>Interest income on bank deposits:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	554	358
	<b>554</b>	<b>358</b>
<b>Interest expenses of bank borrowings:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	1.144	-
<i>Other related parties</i>		
Unicredito Italiano S.p.A.	9.910	7.671
	<b>11.054</b>	<b>7.671</b>
<b>Rent expenses:</b>		
<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	259	342
	<b>259</b>	<b>342</b>

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Commission income:

	1 January - 30 June 2011	1 January - 30 June 2010
<i>Other related parties</i>		
Yapı Kredi Sigorta A.Ş.	1.130	893
	<b>1.130</b>	<b>893</b>

Commission expenses:

<i>Shareholders</i>		
Yapı ve Kredi Bankası A.Ş.	130	137
	<b>130</b>	<b>137</b>

Service expenses:

<i>Shareholders</i>		
Zer Merkezi Hizmetler A.Ş.	337	390
<i>Other related parties</i>		
Koç Holding A.Ş.	212	257
Otokoç Otomotiv Tic. ve San. A.Ş.	195	53
	<b>744</b>	<b>700</b>

Dividend income:

<i>Others</i>		
Yapı Kredi Bank Azerbaycan J.S.B	15	8
Yapı Kredi Faktoring A.Ş.	2	3
Yapı Kredi Yatırım Menkul Değerler A.Ş.	1	1
	<b>18</b>	<b>12</b>

Payments made to members of the Board of Directors and key management personnel:

Payments made to members of the Board of Directors and key management personnel	998	857
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## YAPI KREDİ FİNANSAL KİRALAMA A.O.

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

## 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

## Financial instruments and financial risk management

## a. Capital management

According to 23rd article of "Regulation on the Establishment and Operations of Factoring, Leasing and Consumer Finance Companies" which was published in the Official Gazette dated October 10, 2006, total volume of finance lease receivables granted by finance lease companies cannot exceed 30 times of the statutory equity.

## b. 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 mainly due to financial lease transactions. This risk is managed by limiting the aggregate risk to any individual counterparty, by obtaining collaterals from these counterparties and periodic follow-up of collections from customers. The Company's exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

The table below summarises the geographic distribution of the Company's assets and liabilities at 30 June 2011 and 31 December 2010.

<b>30 June 2011</b>	<b>Assets</b>	<b>%</b>	<b>Liabilities</b>	<b>%</b>
Turkey	2.647.880	96	475.072	25
European countries	42.074	2	1.135.172	58
Other	64.147	2	339.108	17
	<b>2.754.101</b>	<b>100</b>	<b>1.949.352</b>	<b>100</b>
<b>31 December 2010</b>	<b>Assets</b>	<b>%</b>	<b>Liabilities</b>	<b>%</b>
Turkey	2.132.895	97	315.796	22
European countries	31.521	1	921.756	63
Other	36.914	2	228.572	15
	<b>2.201.330</b>	<b>100</b>	<b>1.466.124</b>	<b>100</b>

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1.1

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Maximum amount of credit risk exposed

	30 June 2011			31 December 2010				
	Finansal Kiralama Alacakları	DİĞER Alacaklar	Türev Araçlar	Bankalar	Finansal Kiralama Alacakları	DİĞER Alacaklar	Türev Araçlar	Bankalar
Maximum amount of credit risk exposed as of reporting date (*)	2.355.270	96.619	3.998	157.060	1.993.182	64.942	6.322	5.837
- Maximum credit risk secured guarantees etc. (***)	332.575	-	-	-	334.023	-	-	-
A. Net book value of financial assets either not due or not impaired	2.232.440	96.619	3.998	157.060	1.837.903	64.942	6.322	5.837
- Not due or not impaired (gross book value)	2.242.947	96.619	3.998	157.060	1.846.199	64.942	6.322	5.837
- Impairment amount (-) (**)	(10.507)	-	-	-	(8.296)	-	-	-
- Net value secured by guarantees etc.	266.600	-	-	-	255.209	-	-	-
B. Book value of financial assets with renegotiated conditions, otherwise would be classified as past due or impaired	4.765	-	-	-	3.206	-	-	-
- Conditions are renegotiated (gross book value)	6.060	-	-	-	4.355	-	-	-
- Impairment amount (-) (**)(****)	(1.295)	-	-	-	(1.149)	-	-	-
C. Net book value of assets past due but not impaired	19.689	-	-	-	30.971	-	-	-
- Past due (gross book value)	20.864	-	-	-	32.243	-	-	-
- Impairment amount (-) (**)(****)	(1.175)	-	-	-	(1.272)	-	-	-
- Net value secured by guarantees etc.	20.864	-	-	-	32.243	-	-	-
D. Net book value of assets impaired	98.376	-	-	-	121.102	-	-	-
- Past due (gross book value)	265.701	-	-	-	313.782	-	-	-
- Impairment amount (-)	(167.325)	-	-	-	(192.680)	-	-	-
- Net value secured by guarantees etc.	45.111	-	-	-	46.571	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-	-	-

(\*) The elements that increase the credibility such as guarantees received are not taken into account while determining the amount.

(\*\*) In accordance with the Provisions Communiqué, the Company sets specific provision at the determined amounts even if the over due days of the receivables do not exceed the days indicated at the Communiqué considering reliability and prudence principals. Aging of the over due but not impaired lease receivables is presented in the Note 9.

(\*\*\*) Collaterals that exceed the risk are not taken into account. The assets that are subject to lease agreements are not taken into account.

(\*\*\*\*) Impairment is also calculated for the undue amounts of the related over due lease receivables. Undue lease receivables are classified in the Group A.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2011 (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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**23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

*c. Market risk*

Market risk is the risk that the Company's earnings or capital, and 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 market risk under foreign exchange risk and interest rate risk.

The investment policy is approved by the Board of Directors. It is the Company's responsibility to assure regular compliance with these principles and limits.

As a leasing company, the Company is exposed to risks such as foreign exchange risk and interest rate risk. The Treasury mainly focuses on the structure of the Company's assets and liabilities while managing 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; and in addition it tries to minimise the volatility of the results. The Treasury also aims to satisfy the compliance to 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 the Company Asset Liability Committee,
- Interest rate and foreign exchange risk are managed by the Treasury within the predetermined 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.

*d. Liquidity risks*

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.

The tables below analyse 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 undue interests to be collected and paid related to its assets and liabilities are included to the table below.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1.1

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 (CONTINUED)  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	30 June 2011						
	Book Value	Total cash inflows/outflows per agreement	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity
Trading derivative financial assets							
Banks	3.998	3.998	93	2.924	981	-	-
Lease receivables	157.060	157.858	152.582	-	-	-	5.276
Available-for-sale financial assets	2.463.539	2.840.160	351.672	720.519	1.528.995	138.198	100.776
Property and equipment	100	100	-	-	-	-	100
Intangible assets	792	792	-	-	-	-	792
Deferred tax assets	1.598	1.598	-	-	-	-	1.598
Assets held for sale	98.107	98.107	-	-	-	-	98.107
Other assets	2.825	2.825	-	-	-	-	2.825
	26.082	26.082	2.708	4.168	1.901	-	17.305
<b>Total assets</b>	<b>2.754.101</b>	<b>3.131.520</b>	<b>507.055</b>	<b>727.611</b>	<b>1.531.877</b>	<b>138.198</b>	<b>226.779</b>
Trading derivative financial liabilities							
Borrowings	4.228	4.228	18	2.240	1.970	-	-
Lease payables	1.749.744	1.813.515	194.272	1.254.759	336.702	27.782	-
Miscellaneous payables	-	1	1	-	-	-	-
Other liabilities	108.875	108.875	32.190	76.685	-	-	-
Taxes payable	57.592	57.592	57.592	-	-	-	-
Provisions	3.513	3.513	3.513	-	-	-	-
	25.400	25.400	1.346	3.297	7.638	696	12.423
<b>Total liabilities</b>	<b>1.949.352</b>	<b>2.013.124</b>	<b>288.932</b>	<b>1.336.981</b>	<b>346.310</b>	<b>28.478</b>	<b>12.423</b>
<b>Net liquidity position</b>	<b>804.749</b>	<b>1.118.396</b>	<b>218.123</b>	<b>(609.370)</b>	<b>1.185.567</b>	<b>109.720</b>	<b>214.356</b>
Derivative financial instruments							
Cash inflow	399.704	399.704	58.087	250.927	90.690	-	-
Cash outflow	383.313	383.313	57.976	243.827	81.510	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1.1

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

EXPANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2011 (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010						
	Book Value	Total cash inflows/outflows per agreement	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No definite maturity
Trading derivative financial assets	6.322	6.322	6.322	-	-	-	-
Banks	5.837	5.837	-	-	-	-	5.837
Lease receivables	2.068.611	2.381.030	275.859	648.635	1.259.773	70.805	125.958
Available-for-sale financial assets	88	88	-	-	-	-	88
Property and equipment	788	788	-	-	-	-	788
Intangible assets	1.296	1.296	-	-	-	-	1.296
Deferred tax assets	86.424	86.424	-	-	-	-	86.424
Assets held for sale	3.039	3.039	-	-	-	-	3.039
Other assets	28.925	28.925	3.404	2.993	1.477	-	21.051
<b>Total assets</b>	<b>2.201.330</b>	<b>2.513.749</b>	<b>285.585</b>	<b>651.628</b>	<b>1.261.250</b>	<b>70.805</b>	<b>244.481</b>
Trading derivative financial liabilities	1.361	1.361	1.361	-	-	-	-
Borrowings	1.342.506	1.359.385	359.429	658.234	341.722	-	-
Lease payables	1	1	1	-	-	-	-
Miscellaneous payables	64.346	64.346	11.209	50.766	2.371	-	-
Other liabilities	28.480	28.480	28.480	-	-	-	-
Taxes payable	6.608	6.608	6.608	-	-	-	-
Provisions	22.822	22.822	1.080	2.958	6.313	367	12.104
<b>Total liabilities</b>	<b>1.466.124</b>	<b>1.483.003</b>	<b>408.168</b>	<b>711.958</b>	<b>350.406</b>	<b>367</b>	<b>12.104</b>
<b>Net liquidity position</b>	<b>735.206</b>	<b>1.030.746</b>	<b>(122.583)</b>	<b>(60.330)</b>	<b>910.844</b>	<b>70.438</b>	<b>232.377</b>
Derivative financial instruments							
Cash inflow	259.594	259.594	259.594	-	-	-	-
Cash outflow	253.725	253.725	253.725	-	-	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1.1

YAPI KREDİ FİNANSAL KİRALAMA A.O.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2011 (CONTINUED)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

*e. 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 Control. A maximum limit of (+/-) EUR 4.000.000 (31 December 2010: (+/-) EUR 4.000.000) for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies. The foreign currency positions of the Company as of 30 June 2011 and 31 December 2010 are stated in the table below:

30 June 2011	TL Total	TL Equivalent		Other
		USD	EUR	
Trading derivative financial assets	65	64	-	1
Banks	53.309	51.253	2.054	2
Finance lease receivables	1.985.800	730.744	1.250.838	4.218
Other assets	37	37	-	-
<b>Total assets</b>	<b>2.039.211</b>	<b>782.098</b>	<b>1.252.892</b>	<b>4.221</b>
Trading derivative financial liabilities	180	-	-	180
Borrowings	1.741.047	407.989	1.333.058	-
Miscellaneous payables	103.764	7.781	95.967	16
Other liabilities	21.060	7.066	13.977	17
Provisions	1.977	590	1.380	7
<b>Total liabilities</b>	<b>1.868.028</b>	<b>423.426</b>	<b>1.444.382</b>	<b>220</b>
<b>Net foreign currency position</b>	<b>171.183</b>	<b>358.672</b>	<b>(191.490)</b>	<b>4.001</b>
<b>Derivative financial instruments</b>	<b>(160.424)</b>	<b>(360.230)</b>	<b>202.304</b>	<b>(2.498)</b>

The foreign currency rates used by the Company at 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	31 December 2010
USD	1,6302	1,5460
EUR	2,3492	2,0491

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2010	TL Total	TL Equivalent		Other
		USD	EUR	
Trading derivative financial assets	1	1	-	
Banks	4.215	2.001	2.161	53
Finance lease receivables	1.680.160	656.293	1.011.221	12.646
<b>Total assets</b>	<b>1.684.376</b>	<b>658.295</b>	<b>1.013.382</b>	<b>12.699</b>
Trading derivative financial liabilities	1	-	-	1
Borrowings	1.340.330	423.565	916.765	-
Miscellaneous payables	60.296	8.658	51.603	35
Other liabilities	24.458	9.675	14.771	12
Provisions	2.162	715	1.438	9
<b>Total liabilities</b>	<b>1.427.247</b>	<b>442.613</b>	<b>984.577</b>	<b>57</b>
<b>Net foreign currency position</b>	<b>257.129</b>	<b>215.682</b>	<b>28.805</b>	<b>12.642</b>
<b>Derivative financial instruments</b>	<b>(251.207)</b>	<b>(223.209)</b>	<b>(25.444)</b>	<b>(2.554)</b>

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**23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

	Profit/Loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>30 June 2011</b>				
<b>Change of USD by 10% against TL</b>				
1. USD net asset/liability	35.867	(35.867)	35.867	(35.867)
2. Secured portion from USD risk	(36.023)	36.023	(36.023)	36.023
<b>3. USD Effect - net (1+2)</b>	<b>(156)</b>	<b>156</b>	<b>(156)</b>	<b>156</b>
<b>Change of EUR by 10% against TL</b>				
4. EUR net asset/liability	(19.149)	19.149	(19.149)	19.149
5. Secured portion from EUR risk (-)	20.230	(20.230)	20.230	(20.230)
<b>6. EUR Effect - net (4+5)</b>	<b>(1.081)</b>	<b>1.081</b>	<b>(1.081)</b>	<b>1.081</b>
<b>Total (3+6)</b>				
<b>31 December 2010</b>				
<b>Change of USD by 10% against TL</b>				
1. USD net asset/liability	21.568	(21.568)	21.568	(21.568)
2. Secured portion from USD Risk (-)	(22.321)	22.321	(22.321)	22.321
<b>3. USD Effect - net (1+2)</b>	<b>(753)</b>	<b>753</b>	<b>(753)</b>	<b>753</b>
<b>Change of EUR by 10% against TL</b>				
4. EUR net asset/liability	2.880	(2.880)	2.880	(2.880)
5. Secured portion from EUR risk (-)	(2.544)	2.544	(2.544)	2.544
<b>6. EUR Effect - net (4+5)</b>	<b>336</b>	<b>(336)</b>	<b>336</b>	<b>(336)</b>
<b>Total (3+6)</b>	<b>(417)</b>	<b>417</b>	<b>(417)</b>	<b>417</b>

(\*) Equity effect includes the amounts that will be reflected to the profit/loss statement.

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

*f. Interest rate risk*

Movements in market interest rates which lead to price fluctuations in financial instruments of the Company require the management of the interest risk. It is the Treasury that follows up the Company's interest sensitive assets, liabilities and off-balance sheet items. In addition Planning and Control Department reports the interest rate risk by distributing interest rate risk into monthly time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios.

According to the Economic Value Sensitivity Analysis as at 30 June 2011 and 31 December 2010, in the scenario of a 6 % shift in the TL interest rate and a 2% shift in the foreign currency interest rates with all other variables being constant, there will be TL 73.725 (31 December 2010 - TL 58.306 decrease) decrease in the net present value of interest sensitive assets and liabilities.

The Company's financial instruments sensitive to interest rate as of 30 June 2011 and 31 December 2010 is presented below:

	30 June 2011	31 December 2010
<b>Financial instruments with floating interest rate:</b>		
<u>Financial assets</u>		
Lease receivables	250.794	218.549
<u>Financial liabilities</u>		
Borrowings	1.413.991	1.118.873

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	30 June 2011					Total
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Trading derivative financial assets	93	2.924	981	-	-	3.998
Banks	151.784	-	-	-	5.276	157.060
Lease receivables	461.167	526.957	1.178.747	103.000	193.668	2.463.539
Available-for-sale financial assets	-	-	-	-	100	100
Property and equipment	-	-	-	-	792	792
Intangible assets	-	-	-	-	1.598	1.598
Deferred tax assets	-	-	-	-	98.107	98.107
Assets held for sale	-	-	-	-	2.825	2.825
Other assets	-	-	-	-	26.082	26.082
<b>Total assets</b>	<b>613.044</b>	<b>529.881</b>	<b>1.179.728</b>	<b>103.000</b>	<b>328.448</b>	<b>2.754.101</b>
Trading derivative financial liabilities	18	2.240	1.970	-	-	4.228
Borrowings	311.044	1.438.700	-	-	-	1.749.744
Lease payables	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	108.875	108.875
Other liabilities	-	-	-	-	57.592	57.592
Taxes payable	-	-	-	-	3.513	3.513
Provisions	2.504	3.052	6.826	595	12.423	25.400
<b>Total liabilities</b>	<b>313.566</b>	<b>1.443.992</b>	<b>8.796</b>	<b>595</b>	<b>182.403</b>	<b>1.949.352</b>
<b>Net repricing gap</b>	<b>299.478</b>	<b>(914.111)</b>	<b>1.170.932</b>	<b>102.405</b>	<b>146.045</b>	<b>804.749</b>
Derivative financial instruments						
Cash inflow	58.087	250.927	90.690	-	-	399.704
Cash outflow	57.976	243.827	81.510	-	-	383.313

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23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					Total
	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	
Trading derivative financial assets	6.322	-	-	-	-	6.322
Banks	-	-	-	-	5.837	5.837
Lease receivables	425.839	473.205	944.081	39.670	185.816	2.068.611
Available-for-sale financial assets	-	-	-	-	88	88
Property and equipment	-	-	-	-	788	788
Intangible assets	-	-	-	-	1.296	1.296
Deferred tax assets	-	-	-	-	86.424	86.424
Assets held for sale	-	-	-	-	3.039	3.039
Other assets	-	-	-	-	28.925	28.925
<b>Total assets</b>	<b>432.161</b>	<b>473.205</b>	<b>944.081</b>	<b>39.670</b>	<b>312.213</b>	<b>2.201.330</b>
Trading derivative financial liabilities	1.361	-	-	-	-	1.361
Borrowings	532.199	777.207	30.924	-	2.176	1.342.506
Lease payables	-	-	-	-	1	1
Miscellaneous payables	-	-	-	-	64.346	64.346
Other liabilities	-	-	-	-	28.480	28.480
Taxes payable	-	-	-	-	6.608	6.608
Provisions	2.291	2.737	5.460	229	12.105	22.822
<b>Toplam liabilities</b>	<b>535.851</b>	<b>779.944</b>	<b>36.384</b>	<b>229</b>	<b>113.716</b>	<b>1.466.124</b>
<b>Net reprising gap</b>	<b>(103.690)</b>	<b>(306.739)</b>	<b>907.697</b>	<b>39.441</b>	<b>198.497</b>	<b>735.206</b>
Derivative financial instruments						
Cash inflow	259.594	-	-	-	-	259.594
Cash outflow	253.726	-	-	-	-	253.726

Average interest rates applied to the financial instruments at 30 June 2011 and 31 December 2010 and are as follows:

	30 June 2011			31 December 2010		
	US \$ (%)	EUR (%)	TL (%)	US \$ (%)	EUR (%)	TL (%)
<b>Assets</b>						
Lease receivables	7,70	7,35	18,00	8,20	7,60	20,00
<b>Liabilities</b>						
Borrowings	2,73	3,31	9,29	2,74	2,76	8,30

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*g. 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, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realise in a current market exchange.

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

The fair values of short-term financial assets and liabilities 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 book value and the fair value of the financial assets which are stated at their carrying amounts other than their fair values:

	<u>Book value</u>		<u>Fair value</u>	
	<u>30 June 2011</u>	<u>31 December 2010</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
Lease receivables, net	2.355.270	1.993.182	2.228.150	2.095.378
Borrowings	1.749.744	1.342.506	1.740.204	1.342.161

Fair values of financial assets and liabilities, those are carried with their fair values on the balance sheet, are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

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Hierarchy of financial instruments carried at fair value:

**30 June 2011**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets designated at fair value through profit/loss	-	3.998	-
<b>Total assets</b>	-	<b>3.998</b>	-
Trading derivative financial liabilities	-	4.228	-
<b>Total liabilities</b>	-	<b>4.228</b>	-

**31 December 2010**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets designated at fair value through profit/loss	-	6.322	-
<b>Total assets</b>	-	<b>6.322</b>	-
Trading derivative financial liabilities	-	1.361	-
<b>Total liabilities</b>	-	<b>1.361</b>	-

Since available for sale share certificates are not quoted in a stock exchange, they are carried at cost and are not included in the table above.

**24 - SUBSEQUENT EVENTS**

None.