

**YAPI KREDİ FİNANSAL
KİRALAMA A.O.**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005

YAPI KREDİ FİNANSAL KİRALAMA A.O.

INDEPENDENT AUDITORS' REPORT

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

1. We have audited the accompanying balance sheet of Yapı Kredi Finansal Kiralama A.O. (the “Company”) as at December 31, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the New Turkish Lira as at December 31, 2005. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yapı Kredi Finansal Kiralama A.O. as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, March 13, 2006

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YAPI KREDİ FİNANSAL KİRALAMA A.O.**BALANCE SHEET AS AT DECEMBER 31, 2005**

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

	Note	December 31, 2005	December 31, 2004
CURRENT ASSETS			
Cash and cash equivalents	5	3,749,754	33,392,342
Finance lease receivables (net)	6	135,758,770	210,516,049
Other assets	7	1,772,225	2,196,931
Derivative financial instruments	24	572,329	-
		<hr/>	<hr/>
Total Current Assets		141,853,078	246,105,322
LONG TERM ASSETS			
Finance lease receivables (net)	6	69,779,891	74,356,418
Available-for-sale investments (net)	8	7,821	23,427
Property, plant and equipment (net)	9	220,417	374,786
Other intangible assets (net)	10	179,205	156,646
Other assets	7	2,266,085	978,459
Deferred tax assets (net)	13	-	2,380,839
		<hr/>	<hr/>
Total Long Term Assets		72,453,419	78,270,575
		<hr/>	<hr/>
TOTAL ASSETS		214,306,497	324,375,897

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.**BALANCE SHEET AS AT DECEMBER 31, 2005**

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
CURRENT LIABILITIES			
Bank loans (net)	11	73,993,882	113,549,939
Trade payables (net)	12	13,399,186	25,554,348
Advances from customers		3,946,380	2,821,780
Other payables and current liabilities		1,242,549	993,683
		<hr/>	<hr/>
Total Current Liabilities		92,581,997	142,919,750
LONG TERM LIABILITIES			
Bank loans (net)	11	8,986,477	63,508,223
Trade payables (net)	12	1,713,483	7,730,499
Provision for employment termination benefits		82,898	366,687
		<hr/>	<hr/>
Total Long Term Liabilities		10,782,858	71,605,409
SHAREHOLDERS' EQUITY			
Share capital	15	214,673,235	214,673,235
Legal reserves	15	12,535,146	12,535,146
Retained earnings		(116,266,739)	(117,357,643)
		<hr/>	<hr/>
Total Shareholders' Equity		110,941,642	109,850,738
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		<hr/> <hr/>	<hr/> <hr/>
		214,306,497	324,375,897
COMMITMENTS & CONTINGENCIES			
	14	-	-

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Income from financial leases			
-Interest income		31,749,229	44,781,366
-Foreign exchange gain / (loss)		<u>(17,411,028)</u>	<u>5,214,910</u>
		14,338,201	49,996,276
Finance income / (expenses) (net)	16	9,550,072	(16,648,268)
General and administrative expenses	17	(6,080,925)	(7,364,490)
Other operating expenses (net)	18	(11,400,121)	(3,706,713)
Monetary loss		(2,997,216)	(13,634,649)
Profit before income tax expense		<u>3,410,011</u>	<u>8,642,156</u>
Income tax expense	13	(2,319,107)	141,905
Net profit		<u>1,090,904</u>	<u>8,784,061</u>
Earnings per share (NTL)	4	0.000011	0.000086

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

	<u>Share capital</u>	<u>Legal reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of December 31, 2003	155,875,520	12,535,146	(67,343,989)	101,066,677
Capital increase	58,797,715	-	(58,797,715)	-
Income for the period	-	-	8,784,061	8,784,061
Balance as of December 31, 2004	<u>214,673,235</u>	<u>12,535,146</u>	<u>(117,357,643)</u>	<u>109,850,738</u>
Income for the period	-	-	1,090,904	1,090,904
Balance as of December 31, 2005	<u><u>214,673,235</u></u>	<u><u>12,535,146</u></u>	<u><u>(116,266,739)</u></u>	<u><u>110,941,642</u></u>

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts expressed in millions of New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	1,090,904	8,784,061
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property, plant and equipment	177,406	198,052
Amortization of intangible assets	130,899	65,305
Provision for impairment in lease receivables	10,383,274	(2,116,235)
Provision for retirement pay	(283,789)	(39,205)
Accrued interest on funds borrowed	3,941,963	3,110,276
Accrued interest income on bank deposits	(2,714)	(106,036)
Accrued taxation net of deferred tax	2,380,839	174,127
Change in lease receivables	68,950,532	110,680,517
Change in other receivables and current assets	424,706	(389,406)
Change in trade payables	(18,172,178)	(67,505,623)
Change in other payables and current liabilities	248,866	(2,211,630)
Change in advances from customers	1,124,600	(174,714)
Corporate tax paid	-	(504,170)
Net cash provided by operating activities	70,395,308	49,965,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(23,037)	(14,681)
Purchases of intangible assets	(153,458)	(80,099)
Changes in derivative financial instruments	(572,329)	-
Changes in other investing activities	(1,272,019)	2,407,721
Net cash (used in) / provided by investing activities	(2,020,843)	2,312,941
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term and long-term funds borrowed	(98,019,766)	(40,938,858)
Net cash used in financing activities	(98,019,766)	(40,938,858)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,645,301)	11,339,402
Cash and cash equivalents at the beginning of the year	33,392,342	21,946,904
Effect of interest accrual on cash	2,713	106,036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,749,754	33,392,342

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

1. GENERAL INFORMATION

Yapı Kredi Finansal Kiralama A.O. , (“the Company”) was established in 1987 in İstanbul, Turkey, pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. Certain shares of the Company are listed on the İstanbul Stock Exchange since January 11, 1994. The registered office address of the Company is Büyükdere Caddesi, No: 161 34387 Zincirlikuyu, İstanbul, Turkey.

The Company’s major shareholder is Yapı ve Kredi Bankası A.Ş. and the ultimate parent enterprises of the Company are Koç Group and Unicredito Italiana SPA.

As at December 31, 2005, the Company employs 56 persons. (December 31, 2004: 67).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6 Explorations for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRIC 3 Emission Rights

IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 5 Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8 Scope of IFRS 2

The adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of financial statements:

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the New Turkish Lira in accordance with International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”), for the purpose of fair presentation in accordance with Statements of IFRS.

The principal accounting policies adopted are set out below.

b. Inflation accounting:

Restatement adjustments have been made to the financial statements of the Company to compensate for the effect of changes in the general purchasing power of the New Turkish Lira, as of December 31, 2005, in accordance with IAS 29.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 33,17% for the three years ended December 31, 2005 based upon the producer price index (“PPI”) announced by the Turkish State Institute of Statistics (“SIS”).

Although the three year cumulative inflation rate was below the rate indicated in the preceding paragraph, since the majority of the people keep their savings in foreign currencies, the prices of services and goods are set in terms of foreign currencies, interest rates and wages are expressed in terms of the inflation indexes, and the market prices are determined taking into account the losses due to the credit sales including the short term transactions, the economy shows the characteristics of a hyperinflationary environment and therefore IAS 29 needs to be applied to the accompanying consolidated financial statements.

The restatement was calculated by means of conversion factors derived from producer price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying consolidated financial statements as of the end of each year to December 31, 2005 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
December 31, 2002	6.478,8	1,3317
December 31, 2003	7.382,1	1,1687
December 31, 2004	8.403,8	1,0266
December 31, 2005	8.627,5	1,0000

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. Inflation accounting: (cont'd)

The annual change in the New Turkish Lira exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to the PPI as set out below:

<u>Years</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Currency (devaluation) / inflation USD - %	(0,2)	(3,85)	(14,6)	13,5
PPI inflation - %	4,5	13,8	13,9	30,8

At December 31, 2005 the exchange rate announced by the Turkish Central Bank (which is a market rate) was NTL 1,3418= USD 1 (December 31, 2004: NTL 1,3421= USD 1).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index. Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income, except non monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

c. Revenue recognition

Finance income under finance leases represents the part of unearned income amortized over the lease term by applying a rate of return that is constant during the lease term. The unearned income represents the excess of total finance lease rental payments over the cost of the leased asset. Rate of return represents the discount rate of such rental payments to the cost of the leased asset at the lease commencement date.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

e. Property, plant and equipment

Property, plant and equipment are carried at cost expressed in terms of purchasing power on December 31, 2005 less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

f. Borrowing costs

Borrowing costs are initially recognized at cost. After initial recognition, all interest liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process. Borrowing costs are expensed as incurred.

g. Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. Taxation and deferred income taxes (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

h. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements.

i. Foreign currency transactions

The financial statement is presented in the currency of the primary economic environment in which the entity operates (its functional currency).

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

j. Leasing - the Company as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Leasing - the Company as lessor (cont'd)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

k. Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

i. Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The Company's managers consider that the carrying amount of trade and other receivables approximates their fair value.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

iii. Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

iv. Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The directors consider that the carrying amount of trade and other payables approximates their fair value.

v. Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k. Financial instruments (cont'd)

v. Derivative financial instruments and hedge accounting (cont'd)

The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The Company's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

l. Credit risk

The Company's principal financial assets are bank balances and cash and cash equivalents, trade and other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The Company's credit risk is primarily attributable to its lease receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in time deposits for short term purposes.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m. Market Risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts will have an adverse financial impact. The main risks within the Company's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Company's balance sheet is denominated in currencies other than the New Turkish Lira (principally the USD and EUR).

n. Liquidity Risk

The Company is generally raising funds by liquidating its short term financial instruments such as collecting its receivables and disposing of investments. The Company's proceeds from these instruments generally approximate their fair values.

The Company obtains funds from its bankers and its major shareholder if it is short of liquidity.

o. Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Company's lease receivable portfolio. If there is objective evidence that the Company will not be able to collect all amounts due according to original contractual terms of the lease; such receivables are considered impaired. The amount of the loss is measured as the difference between the carrying value of the lease receivable and the fair value of collateral, if the receivable is collateralized and foreclosure is probable. Impairment and uncollectability are measured and recognized individually for lease receivables that are individually significant, and on a portfolio basis for group of similar lease receivables that are not individually identified as impaired.

4. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is as follows:

	December 31, 2005	December 31, 2004
Weighted average number of ordinary shares outstanding during the period (in full)	102,000,000,000	102,000,000,000
Net profit for the year attributable to equity holders of the parent	1,090,904	8,784,061
Basic earnings per share from continuing operations	0.000011	0.000086

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5. CASH AND CASH EQUIVALENTS

	December 31, 2005	December 31, 2004
Demand deposits at banks	464,033	9,504,678
Time deposits at banks	3,285,721	23,887,664
	<u>3,749,754</u>	<u>33,392,342</u>

As at December 31, 2005, all time deposits are denominated in NTL and bear interest rate of 14.35% (December 31, 2004: 18.75% - 22%).

As at December 31, 2005, NTL 3,683,478 (December 31, 2004: NTL 8,227,045) of total deposits comprises of accounts at Yapı ve Kredi Bankası A.Ş., main shareholder.

6. LEASE RECEIVABLES (Net)

December 31, 2005	Within one year	Over one year	Total
Invoiced lease receivables	7,425,061	-	7,425,061
Minimum lease payments receivable	167,555,325	99,903,937	267,459,262
Less: Unearned interest income	(21,971,469)	(16,521,686)	(38,493,155)
Less: Allowance for possible losses	(17,250,147)	(13,602,360)	(30,852,507)
Present value of lease receivables	<u>135,758,770</u>	<u>69,779,891</u>	<u>205,538,661</u>
December 31, 2004	Within one year	Over one year	Total
Invoiced lease receivables	19,409,532	-	19,409,532
Minimum lease payments receivable	242,233,004	92,261,354	334,494,358
Less: Unearned interest income	(32,374,814)	(14,938,583)	(47,313,397)
Less: Allowance for possible losses	(18,751,673)	(2,966,353)	(21,718,026)
Present value of lease receivables	<u>210,516,049</u>	<u>74,356,418</u>	<u>284,872,467</u>

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6. LEASE RECEIVABLES (Net) (Cont'd)

The distribution of minimum lease payments receivable as at December 31, 2005 is as follows:

	Minimum lease payments receivable principal	Unearned interest income	Total
2006	145,583,856	21,971,469	167,555,325
2007	54,961,318	6,714,301	61,675,619
2008	13,336,267	5,557,251	18,893,518
2009	4,830,468	2,176,202	7,006,670
2010 and over	10,254,198	2,073,932	12,328,130
Total	228,966,107	38,493,155	267,459,262

The distribution of minimum lease payments receivable as at December 31, 2004 is as follows:

	Minimum lease payments receivable principal	Unearned interest income	Total
2005	209,858,189	32,374,815	242,233,004
2006	51,889,573	6,268,683	58,158,256
2007	15,264,645	1,539,073	16,803,718
2008	1,227,043	3,408,814	4,635,857
2009 and over	8,941,511	3,722,012	12,663,523
Total	287,180,961	47,313,397	334,494,358

As at December 31, 2005, the distribution of minimum lease payments receivable in respective currencies is as follows:

Currencies	Minimum lease payments receivable principal currencies	Minimum lease payments receivable principal NTL equivalent	Unearned interest income currencies	Unearned interest income NTL equivalent
USD	48,160,852	64,622,231	10,122,420	13,582,263
EUR	50,627,175	80,370,640	4,918,693	7,808,425
NTL	-	79,484,809	-	16,674,130
CHF	3,502,065	3,567,904	364,954	371,815
JPY	65,700,360	748,984	4,168,005	47,514
GBP	74,192	171,539	3,897	9,008
Total		228,966,107		38,493,155

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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6. LEASE RECEIVABLES (Net) (Cont'd)

As at December 31, 2004, the distribution of minimum lease payments receivable in respective currencies is as follows:

Currencies	Minimum lease payments receivable principal currencies	Minimum lease payments receivable principal NTL equivalent	Unearned interest income currencies	Unearned interest income NTL equivalent
USD	82,421,097	114,111,867	17,547,306	24,294,216
EUR	72,443,551	136,517,095	8,105,362	15,274,244
NTL	-	29,229,691	-	7,198,785
CHF	4,093,052	4,992,821	299,624	365,490
JPY	133,999,686	1,788,228	10,896,309	145,411
GBP	203,561	541,259	13,258	35,251
Total		287,180,961		47,313,397

As at December 31, 2005, the average interest rates of lease receivables are 9.49% for USD, 8.70% for EUR, 8.76% for CHF, 10.89% for JPY, 12% for GBP and 20.16% for NTL (December 31, 2004 – 10.74% for USD, 11.23% for EUR, 11.89% for CHF, 12.06% for JPY, 12% for GBP and 30.20% for NTL), respectively.

As at December 31, 2005, the collaterals obtained by the Company from customers in relation to lease receivables amounted to NTL 239,279,174 (December 31, 2004: NTL 276,366,447) which consisted of mortgages, letters of guarantee, notes, checks and pledges.

7. OTHER ASSETS

	December 31, 2005	December 31, 2004
Prepaid insurance expense	1,116,811	1,295,906
Prepaid finance cost	390,890	534,566
Advances given to suppliers	244,623	192,658
Others	19,901	173,801
	<u>1,772,225</u>	<u>2,196,931</u>

The Company follows its assets held for re-sales obtained from its customers against their financial lease receivable under their long term assets account. Out of NTL 2,266,085 the balance of NTL 2,066,178 of other long term assets has accounted as lower of its net realizable value or indexed cost as of December 31, 2005.

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8. INVESTMENTS (NET)

		<u>December 31,</u> <u>2005</u>		<u>December 31,</u> <u>2004</u>
Available for sale investments		7,821		23,427
		<u>7,821</u>		<u>23,427</u>
	<u>Shareholding</u> <u>%</u>	<u>December 31,</u> <u>2005</u>	<u>Shareholding</u> <u>%</u>	<u>December 31,</u> <u>2004</u>
<u>Unlisted available for sale equity securities:</u>				
Share certificates of Yapı Kredi Bank Moscow	<1	1,973,142	<1	1,973,142
Share certificates of Yapı Kredi Emeklilik A.Ş.	<1	-	<1	13,553
Share certificates of Yapı Kredi Yatırım Menkul Değerler A.Ş.	<1	7,821	<1	7,821
		<u>1,980,963</u>		<u>1,994,516</u>
Provision for diminution in value of Yapı Kredi Bank Moscow		(1,973,142)		(1,971,089)
		<u>7,821</u>		<u>23,427</u>

NTL 1,980,963 of the above unlisted available-for-sale equity investments that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost and restated to the equivalent purchasing power at December 31, 2005 less provision for diminution in value, if any. Provision for diminution in value for unlisted investments amounts to NTL 1,973,142 (December 31, 2004: NTL 1,971,089).

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9. PROPERTY, PLANT AND EQUIPMENT (Net)

	Vehicles	Equipment, Furniture and Fixtures	Other Fixed Assets	Total
<u>Acquisition cost</u>				
Opening balance January 1, 2004	395,171	2,291,420	187,876	2,874,467
Additions	839	11,622	2,220	14,681
Disposals	-	(3,486)	-	(3,486)
Closing balance December 31, 2004	396,010	2,299,556	190,096	2,885,662
<u>Accumulated depreciation</u>				
Opening balance January 1, 2004	278,170	1,997,532	37,585	2,313,287
Charge for the year	68,579	93,222	36,251	198,052
Disposals	-	(463)	-	(463)
Closing balance December 31, 2004	346,749	2,090,291	73,836	2,510,876
Net book value at December 31, 2004	49,261	209,265	116,260	374,786
Net book value at December 31, 2003	117,001	293,888	150,291	561,180

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9. PROPERTY, PLANT AND EQUIPMENT (Cont'd) (Net)

	Vehicles	Equipment, Furniture and Fixtures	Other Fixed Assets	Total
<u>Acquisition cost</u>				
Opening balance January 1, 2005	396,010	2,299,556	190,096	2,885,662
Additions	-	23,037	-	23,037
Disposals	-	(30,499)	-	(30,499)
Closing balance December 31, 2005	396,010	2,292,094	190,096	2,878,200
<u>Accumulated depreciation</u>				
Opening balance January 1, 2005	346,749	2,090,291	73,836	2,510,876
Charge for the year	48,690	90,698	38,018	177,406
Disposals	-	(30,499)	-	(30,499)
Closing balance December 31, 2005	395,439	2,150,490	111,854	2,657,783
Net book value at December 31, 2005	571	141,604	78,242	220,417
Net book value at December 31, 2004	49,261	209,265	116,260	374,786

The depreciation periods for property, plant and equipment are as follows:

	<u>Useful life</u>
Vehicles	5 years
Furniture and fixtures	5 years
Other fixed assets	5 years

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10. INTANGIBLE ASSETS (Net)

	Leasehold Improvements	Total
<u>Acquisition cost</u>		
Opening balance January 1, 2004	1,355,200	1,355,200
Additions	80,099	80,099
<u>Closing balance December 31, 2004</u>	<u>1,435,299</u>	<u>1,435,299</u>
<u>Accumulated depreciation</u>		
Opening balance January 1, 2004	1,213,348	1,213,348
Charge for the year	65,305	65,305
<u>Closing balance December 31, 2004</u>	<u>1,278,653</u>	<u>1,278,653</u>
<u>Net book value at December 31, 2004</u>	<u>156,646</u>	<u>156,646</u>
<u>Net book value at December 31, 2003</u>	<u>141,852</u>	<u>141,852</u>
	Leasehold Improvements	Total
<u>Acquisition cost</u>		
Opening balance January 1, 2005	1,435,299	1,435,299
Additions	153,458	153,458
<u>Closing balance December 31, 2005</u>	<u>1,588,757</u>	<u>1,588,757</u>
<u>Accumulated depreciation</u>		
Opening balance January 1, 2005	1,278,653	1,278,653
Charge for the year	130,899	130,899
<u>Closing balance December 31, 2005</u>	<u>1,409,552</u>	<u>1,409,552</u>
<u>Net book value at December 31, 2005</u>	<u>179,205</u>	<u>179,205</u>
<u>Net book value at December 31, 2004</u>	<u>156,646</u>	<u>156,646</u>

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11. BANK LOANS

	December 31, 2005	December 31, 2004
Current portion of long-term funds borrowed	73,993,882	113,549,939
Long-term funds borrowed	8,986,477	63,508,223
Total borrowings	<u>82,980,359</u>	<u>177,058,162</u>
Analysis of loan repayments is as follows:		
Within one year	73,993,882	113,549,939
Between one to two years	6,085,629	55,052,985
Between two to three years	1,470,559	6,543,038
Between three to four years	953,527	1,116,218
After four years	476,762	795,982
	<u>82,980,359</u>	<u>177,058,162</u>

The fair value of the Group's borrowings approximates their carrying amount.

Current portion of long-term funds borrowed consists of the following:

Currency type	Interest rate (%)	Currency amount	December 31, 2005
EUR	3.60 – 8.00	31,225,840	49,571,019
US Dollars	3.37 – 8.00	16,209,310	21,749,652
CHF	1.57 – 3.75	2,623,881	2,673,211
			<u>73,993,882</u>
Currency type	Interest rate (%)	Currency amount	December 31, 2004
EUR	2.56 – 10.00	22,078,393	41,605,885
US Dollars	2.31 – 9.70	49,494,746	68,525,389
CHF	1.56 – 5.00	2,802,577	3,418,665
			<u>113,549,939</u>

Long-term funds borrowed consist of the following:

Currency type	Interest rate (%)	Currency amount	December 31, 2005
US Dollars	3.37 - 8.00	4,150,517	5,569,161
EUR	3.60 - 8.00	1,427,389	2,265,879
CHF	1.57 - 3.75	1,130,189	1,151,437
			<u>8,986,477</u>

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11. BANK LOANS (Cont'd)

<u>Currency type</u>	<u>Interest rate</u>	<u>Currency amount</u>	<u>December 31, 2004</u>
US Dollars	2.31% - 9.70%	12,066,574	16,706,151
EUR	2.56% - 10%	22,418,649	42,247,085
CHF	1.56% - 5%	3,734,122	4,554,987
			<u>63,508,223</u>

Letters of guarantee amounting to NTL 57,271,239 (December 31, 2004: NTL 118,868,447) and collateral note amounting to NTL 14,650 (December 31, 2004: NTL 2,575,885) were given to the lending institutions as collateral against the loans obtained.

12. TRADE PAYABLES (Net)Trade payables (net):

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
<u>Short term trade payables</u>		
Trade payables	3,047,102	18,164,087
Other trade payables	10,351,946	7,390,119
Deposits and guarantees received	138	142
	<u>13,399,186</u>	<u>25,554,348</u>
<u>Long term trade payables</u>		
Trade payables	231,129	759,646
Other long term trade payables	1,482,354	6,970,853
	<u>1,713,483</u>	<u>7,730,499</u>

Other trade payables of the Company consist of the export letter of credits issued to foreign suppliers against the assets purchased for finance lease customers. The maturity distributions of the letter of credits are as follows.

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Up to 1 month	2,011,025	395,340
1 month to 3 months	983,685	-
3 months to 6 months	3,254,051	515,211
6 months to 12 months	4,103,185	6,479,568
	<u>10,351,946</u>	<u>7,390,119</u>
Over 12 months	1,482,354	6,970,853
	<u>11,834,300</u>	<u>14,360,972</u>

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13. TAXATION ON INCOME

	December 31, 2005	December 31, 2004
<u>Balance Sheet: Current Tax Payable</u>		
Current corporate and income tax	-	-
Less: Prepaid taxes and funds	-	-
	-	-
<u>Income Statement: Taxation</u>		
Current income tax	-	-
Deferred tax charge / (benefit)	2,319,107	(141,905)
	2,319,107	(141,905)

Corporate Tax

The Company is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the year. As at the balance sheet date, there is no corporate tax liability due to loss occurred in the statutory financial statements.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilised.

The effective rates of tax are as follows:

- In 2003: 30% (the funds contribution was abolished for 2004).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on January 2, 2004).
- In 2005: 30%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from April 24, 2004, and to 33% for 2004. Corporate income tax rate was decreased to 30% for 2005.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

Companies file their tax returns by 15 April of the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends that are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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13. TAXATION ON INCOME (cont'd)

Income withholding tax(cont'd)

Income withholding tax was also calculated in 2003 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Inflation Adjusted Tax Calculation

For 2004 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except fixed assets and related depreciation which were revalued annually. Law No. 5024 published on the Official Gazette No. 25332 on December 30, 2004 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies".

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and for statutory tax purposes. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

	December 31, 2005	December 31, 2004
<u>Components of Deferred Tax (Assets)/Liabilities:</u>		
Restatement effect of non-monetary items	(118,178)	54,254
Employment termination benefits	(16,414)	(72,604)
Leasing adjustment	(3,798,907)	(6,651,072)
Allowance for possible losses	(5,154,636)	(2,308,236)
	<u>(9,088,135)</u>	<u>(8,977,658)</u>
Valuation allowance for deferred tax assets	9,088,135	6,596,819
	<u>-</u>	<u>(2,380,839)</u>

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13. TAXATION ON INCOME (cont'd)

Deferred Tax (cont'd)

Movement of net deferred tax liability / (asset) can be presented as follows:

	2005	2004
At January 1	(2,380,839)	(2,554,969)
Charge / (benefit)	2,319,107	(141,905)
Monetary gain	61,732	316,035
At December 31	<u>-</u>	<u>(2,380,839)</u>

The Company has not recognized deferred tax asset on unused tax credits of investment incentive allowance amounting to in historical NTL 338,131,540 for which realizability could not be assessed during foreseeable future (December 31, 2004: NTL 221,394,745).

14. COMMITMENTS AND CONTINGENCIES

As at December 31, 2005, the Company has given letters of guarantee to customs and authorities amounting to NTL 1,730,478 (December 31, 2004: NTL 1,751,676).

As at December 31, 2005, the Company has given guarantees in the amount of NTL 55,540,761 which were received from main shareholder Yapı ve Kredi Bankası A.Ş. for bank loans. (December 31, 2004: NTL 118,868,447).

As at December 31, 2005, the Company has irrevocable commitments with regard to import letters of credit at NTL 5,275,734 (December 31, 2004: NTL 13,596,002).

15. SHAREHOLDERS' EQUITY AND LEGAL RESERVE

As at December 31, 2005 and 2004, the share capital is held as follows:

Shareholders	(%)	December 31, 2005	(%)	December 31, 2004
Yapı ve Kredi Bankası A.Ş.	66.32	67,650,932	66.32	67,650,932
Publicly traded	33.39	34,059,600	33.39	34,059,600
Others	0.29	289,468	0.29	289,468
Historical capital	<u>100.00</u>	<u>102,000,000</u>	<u>100.00</u>	<u>102,000,000</u>
Inflation adjustment		112,673,235		112,673,235
Restated capital		<u>214,673,235</u>		<u>214,673,235</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

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16. FINANCE INCOME / (EXPENSES) (Net)

	<u>2005</u>	<u>2004</u>
Foreign exchange gains / (losses) (net)	13,309,156	(3,938,936)
Interest expense	(6,751,721)	(13,912,000)
Interest income	4,343,074	4,134,464
Other financial expenses	(1,350,437)	(2,931,796)
	<u>9,550,072</u>	<u>(16,648,268)</u>

17. GENERAL AND ADMINISTRATIVE EXPENSES

Personnel expenses	3,420,379	3,522,671
Rent repair expenses	358,571	346,547
Depreciation expense	308,305	263,358
Auditing and consultancy expenses	226,324	313,340
Other expenses	1,767,346	2,918,574
	<u>6,080,925</u>	<u>7,364,490</u>

18. OTHER OPERATING EXPENSES (Net)

Default interest income	2,030,737	1,170,662
Provision expenses	(11,892,478)	(684,944)
Other income / (expenses) (net)	3,347,548	(1,849,885)
Insurance expenses	(4,885,928)	(2,342,546)
	<u>(11,400,121)</u>	<u>(3,706,713)</u>

YAPI KREDİ FİNANSAL KİRALAMA A.O.NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

19. RELATED PARTY BALANCES AND SIGNIFICANT TRANSACTIONS

a. Leasing Transactions: Major minimum lease payments receivable balances and revenues from major lease transactions are as follows:

	Minimum Lease Payments Receivables, Net		Interest Income During the Year		Receivables from Lease Payments Outstanding	
	2005	2004	2005	2004	2005	2004
Yapı ve Kredi Bankası A.Ş.	14,223,249	11,415,435	1,603,796	1,346,482	(1,905)	(5,940)
Yapı Kredi Sigorta T.A.Ş.	1,185	363,125	22,504	73,156	(281)	(140)
Yapı Kredi Emeklilik A.Ş.	25,988	240,088	25,168	57,626	-	-
Yapı Kredi Factoring A.Ş.	744	1,060	308	218	-	546
Yapı Kredi Yatırım ve Menkul Değerler A.Ş.	470	522	174	336	-	-
Yapı Kredi Koray Gayrimenkul Yat Ort. A.Ş.	-	102	37	279	38	41
Superonline Uls.Elek.Bilg.Habr.A.Ş.	1,359,646	1,402,911	-	-	5,556,470	6,415,066
Basın Yatırım San. Ve Tic. A.Ş.	10,298,276	10,544,527	794,661	676,865	280,174	973,381
Kurtson Maden San. İşletmeleri A.Ş.	4,454,624	4,587,571	347,382	429,643	-	66,587
Turkcell İletişim Hizmetleri A.Ş.	-	6,197,106	581,823	1,820,323	(54,297)	(5)
Less: Reserve for impairment	(6,125,059)	(4,971,276)	-	-	(5,836,644)	(973,481)
	24,239,123	29,781,171	3,375,853	4,404,928	(56,445)	6,476,055

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

19. RELATED PARTY BALANCES AND SIGNIFICANT TRANSACTIONS (Cont'd)

b. Other Transactions and Balances:

<u>Shareholder Bank and related parties</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
<u>Balances outstanding</u>		
Cash in banks	3,683,478	32,467,588
Funds borrowed	13,103,249	55,184,103
<u>Transactions</u>		
Interest paid	(2,082,462)	(4,443,031)
Guarantees	57,271,239	118,868,437
Interest income	(4,156,472)	8,203,535
Commission expense	(154,894)	(188,304)
Insurance interest income	333,795	363,866

- c. Executive Member's Remuneration: During 2005, the executive members of the Company's management received salaries and bonuses totaling NTL 565,513 (During 2004: NTL 632,136)

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

20. MATURITY DISTRIBUTION

The Company's policy is to match cash outflow mainly arising from repayment of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company. In addition, the Company maintains reasonable amount of cash on hand in order to protect itself against the risk of deviation from the expected in and out cash flows in an unfavourable manner.

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

As at December 31, 2005	Up to 1 Months	1 to 3 Months	3 to 6 Months	6 to 12 months	1 to 5 years	Over 5 years	Total
ASSETS							
Cash and cash equivalents	464,033	3,285,721	-	-	-	-	3,749,754
Finance lease receivables (net)	21,635,879	28,361,017	35,994,904	49,766,973	66,320,607	3,459,281	205,538,661
Other assets and derivative financial instruments	1,059,997	397,048	471,452	416,057	-	-	2,344,554
Available for sale assets (net)	-	-	-	-	-	7,821	7,821
Property, plant and equipment (net)	-	-	-	-	-	220,417	220,417
Intangible assets (net)	-	-	-	-	-	179,205	179,205
Other long term assets	-	-	-	-	199,907	2,066,178	2,266,085
Deferred tax asset (net)	-	-	-	-	-	-	-
Total	23,159,909	32,043,786	36,466,356	50,183,030	66,520,514	5,932,902	214,306,497
LIABILITIES							
Bank loans (net)	23,128,900	18,925,177	9,710,818	22,228,886	8,986,578	-	82,980,359
Trade payables (net)	3,337,364	1,917,465	3,846,515	4,297,942	1,713,383	-	15,112,669
Advances from customers	3,946,380	-	-	-	-	-	3,946,380
Provision for employment termination benefits	-	-	-	-	-	82,898	82,898
Other payables and current liabilities	1,242,549	-	-	-	-	-	1,242,549
Total equity	-	-	-	-	-	110,941,642	110,941,642
Total	31,655,193	20,842,642	13,557,333	26,526,828	10,699,961	111,024,540	214,306,497

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

20. MATURITY DISTRIBUTION (cont'd)

As at December 31, 2004	Up to 1 Months	1 to 3 Months	3 to 6 Months	6 to 12 months	1 to 5 years	Over 5 years	Total
ASSETS							
Cash and cash equivalents	33,392,342	-	-	-	-	-	33,392,342
Finance lease receivables (net)	28,490,492	68,019,599	47,466,707	66,539,252	71,011,277	3,345,140	284,872,467
Other assets and derivative financial instruments	1,707,766	86,408	133,274	269,482	767,434	211,026	3,175,390
Available for sale assets (net)	-	-	-	-	-	23,427	23,427
Property, plant and equipment (net)	-	-	-	-	-	374,786	374,786
Intangible assets (net)	-	-	-	-	-	156,646	156,646
Deferred tax asset (net)	-	-	-	-	-	2,380,839	2,380,839
Total	63,590,600	68,106,007	47,599,981	66,808,734	71,778,711	6,491,864	324,375,897
LIABILITIES							
Bank loans (net)	11,816,537	6,335,209	18,454,337	77,711,289	62,740,790	-	177,058,162
Trade payables (net)	9,767,910	4,317,992	2,760,599	8,707,847	7,730,499	-	33,284,847
Advances from customers	2,821,780	-	-	-	-	-	2,821,780
Provision for employment termination benefits	-	-	-	-	-	366,687	366,687
Other payables and current liabilities	993,682	-	-	-	-	-	993,682
Total equity	-	-	-	-	-	109,850,739	109,850,739
Total	25,399,909	10,653,201	21,214,936	86,419,136	70,471,289	110,217,426	324,375,897

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

21. INTEREST RATE DISTRIBUTION

The interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

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

As at December 31, 2005	Up to 1 Months	1 to 3 Months	3 to 6 Months	6 to 12 months	1 to 5 years	Over 5 years	Non-Interest Bearing	Total
ASSETS								
Cash and cash equivalents	464,033	3,285,721	-	-	-	-	-	3,749,754
Finance lease receivables (net)	19,029,811	28,361,017	35,994,904	49,766,973	66,320,607	3,459,281	2,606,068	205,538,661
Other assets and derivative financial instruments	-	-	-	-	-	-	2,344,554	2,344,554
Available for sale assets (net)	-	-	-	-	-	-	7,821	7,821
Property, plant and equipment (net)	-	-	-	-	-	-	220,417	220,417
Intangible assets (net)	-	-	-	-	-	-	179,205	179,205
Other long term assets	-	-	-	-	-	-	2,266,085	2,266,085
Deferred tax asset (net)	-	-	-	-	-	-	-	-
Total	19,493,844	31,646,738	35,994,904	49,766,973	66,320,607	3,459,281	7,624,150	214,306,497
LIABILITIES								
Bank loans (net)	23,128,900	18,925,177	9,710,818	22,228,886	8,986,578	-	-	82,980,359
Trade payables (net)	3,337,364	1,917,465	3,846,515	4,297,942	1,713,383	-	-	15,112,669
Advances from customers	-	-	-	-	-	-	3,946,380	3,946,380
Provision for employment termination benefits	-	-	-	-	-	-	82,898	82,898
Other payables and current liabilities	-	-	-	-	-	-	1,242,549	1,242,549
Total equity	-	-	-	-	-	-	110,941,642	110,941,642
Total	26,466,264	20,842,642	13,557,333	26,526,828	10,699,961	-	116,213,469	214,306,497

YAPI KREDİ FİNANSAL KİRALAMA A.O.**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

21. INTEREST RATE DISTRIBUTION (cont'd)

As at December 31, 2004	Up to 1 Months	1 to 3 Months	3 to 6 Months	6 to 12 months	1 to 5 years	Over 5 years	Non-Interest Bearing	Total
ASSETS								
Cash and cash equivalents	23,887,664	-	-	-	-	-	9,504,678	33,392,342
Finance lease receivables (net)	27,832,639	68,019,598	47,466,707	66,539,252	73,977,631	3,345,140	(2,308,500)	284,872,467
Other assets and derivative financial instruments	-	-	-	-	-	-	3,175,390	3,175,390
Available for sale assets (net)	-	-	-	-	-	-	23,427	23,427
Property, plant and equipment (net)	-	-	-	-	-	-	374,786	374,786
Intangible assets (net)	-	-	-	-	-	-	156,646	156,646
Deferred tax asset (net)	-	-	-	-	-	-	2,380,839	2,380,839
Total	51,720,303	68,019,598	47,466,707	66,539,252	73,977,631	3,345,140	13,307,266	324,375,897
LIABILITIES								
Bank loans (net)	8,724,210	3,194,839	5,055,073	33,972,879	59,770,791	-	66,340,370	177,058,162
Trade payables (net)	-	-	-	-	-	-	33,284,847	33,284,847
Advances from customers	-	-	-	-	-	-	2,821,780	2,821,780
Provision for employment termination benefits	-	-	-	-	-	-	366,687	366,687
Other payables and current liabilities	-	-	-	-	-	-	993,683	993,683
Total equity	-	-	-	-	-	-	109,850,738	109,850,738
Total	8,724,210	3,194,839	5,055,073	33,972,879	59,770,791	-	213,658,105	324,375,897

YAPI KREDİ FİNANSAL KİRALAMA A.Ö.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

22. FOREIGN CURRENCY POSITION

As at December 31, 2005	NTL	USD	EUR	Others	Total
ASSETS					
Cash and cash equivalents	3,404,830	213,015	127,038	4,871	3,749,754
Finance lease receivables (net)	61,847,323	57,517,843	81,668,290	4,505,205	205,538,661
Other assets and derivative financial instruments	2,344,554	-	-	-	2,344,554
Available for sale assets (net)	7,821	-	-	-	7,821
Property, plant and equipment (net)	220,417	-	-	-	220,417
Intangible assets (net)	179,205	-	-	-	179,205
Other long term assets	2,266,085	-	-	-	2,266,085
Total	70,270,235	57,730,858	81,795,328	4,510,076	214,306,497
LIABILITIES					
Bank loans (net)	-	27,318,813	51,836,898	3,824,648	82,980,359
Trade payables (net)	1,328,201	1,649,251	8,166,865	3,968,352	15,112,669
Advances from customers	1,132,468	701,779	1,762,554	349,579	3,946,380
Provision for employment termination benefits	82,898	-	-	-	82,898
Other payables and current liabilities	1,040,548	57,784	134,968	9,249	1,242,549
Total equity	110,941,642	-	-	-	110,941,642
Total	114,525,757	29,727,627	61,901,285	8,151,828	214,306,497
Foreign currency position (Net)	(44,255,522)	28,003,231	19,894,043	(3,641,752)	
Off-balance sheet commitments	45,377,675	(26,204,549)	(19,050,000)	2,445,120	

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FOR THE YEAR ENDED DECEMBER 31, 2005**

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

22. FOREIGN CURRENCY POSITION (cont'd)

As at December 31, 2004	NTL	USD	EUR	Others	Total
ASSETS					
Cash and cash equivalents	23,919,471	4,899,852	4,436,641	136,378	33,392,342
Finance lease receivables (net)	29,565,421	110,464,502	137,251,236	7,591,308	284,872,467
Other assets and derivative financial instruments	3,175,390	-	-	-	3,175,390
Available for sale assets (net)	23,427	-	-	-	23,427
Property, plant and equipment (net)	374,786	-	-	-	374,786
Intangible assets (net)	156,646	-	-	-	156,646
Deferred tax asset (net)	2,380,839	-	-	-	2,380,839
Total	59,595,980	115,364,354	141,687,877	7,727,686	324,375,897
LIABILITIES					
Banks loans (net)	-	85,231,237	83,853,268	7,973,657	177,058,162
Trade payables (net)	1,423,100	5,231,469	23,544,201	3,086,077	33,284,847
Advances from customers	646,295	764,054	1,382,705	28,726	2,821,780
Provision for employment termination benefits	366,687	-	-	-	366,687
Other payables and current liabilities	993,683	-	-	-	993,683
Total equity	109,850,738	-	-	-	109,850,738
Total	113,280,503	91,226,760	108,780,174	11,088,460	324,375,897

YAPI KREDİ FİNANSAL KİRALAMA A.O.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts expressed in New Turkish Lira (NTL) in terms of the purchasing power of the NTL at December 31, 2005 (note 2))

23. OTHER MATTERS

The Company's parent company's ownership is transferred to Koç Finansal Hizmetler A.Ş. ("KFS") with the approval of agreement dated May 8, 2005 by the regulatory bodies. The related ownership transfer is noted to share register on September 28, 2005 by the board of directors of the Company.

24. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2005 the Company's signed forward contracts are as follows:

	December 31, 2005		December 31, 2004	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	572,329	-	-	-
	<u>572,329</u>	<u>-</u>	<u>-</u>	<u>-</u>

Transaction Date	Maturity	Amount to be sold	Amount to be bought	Historic agreement exchange rate
December 5, 2005	April 28, 2006	USD 4,000,000	NTL 5,621,200	USD/NTL 1.4053
December 5, 2005	May 31, 2006	USD 4,000,000	NTL 5,662,000	USD/NTL 1.4155
December 5, 2005	June 30, 2006	USD 4,000,000	NTL 5,697,200	USD/NTL 1.4243
December 5, 2005	July 31, 2006	USD 5,000,000	NTL 7,169,000	USD/NTL 1.4338
December 6, 2005	August 31, 2006	USD 5,700,000	NTL 8,205,150	USD/NTL 1.4395
December 9, 2005	August 31, 2006	EUR 5,250,000	NTL 9,043,125	EUR/NTL 1.7225
December 20, 2005	July 31, 2006	USD 1,875,000	CHF 2,400,000	USD/CHF 1.2800
December 30, 2005	January 3, 2006	EUR 2,500,000	NTL 3,980,000	EUR/NTL 1.5920
December 30, 2005	April 28, 2006	EUR 4,250,000	USD 5,045,600	EUR/USD 1.1872

Company accrued NTL 572,329 income on the accompanying financial statements due to the above signed forward contracts.

25. EVENTS AFTER THE BALANCE SHEET DATE

The termination indemnity ceiling has increased to NTL 1, 770.63 commencing on January 1, 2006.

26. APPROVAL OF FINANCIAL STATEMENTS

The statutory financial statements (Capital Market Board financials) were approved by the board of directors and authorised for issue on February 20, 2006.