

**Finans Finansal Kiralama
Anonim Őirketi**

**Consolidated Financial Statements
Together With
Report of Independent Auditors
December 31, 2004**

FİNANS FİNANSAL KİRALAMA ANONİM ŞİRKETİ

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To the Board of Directors of
Finans Finansal Kiralama Anonim Şirketi :

We have audited the accompanying consolidated balance sheet of Finans Finansal Kiralama Anonim Şirketi (the Company - a Turkish corporation) and its subsidiary (collectively referred to as, "the Group") as of December 31, 2004 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of New Turkish Lira as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, present fairly, in all material respects, the financial position of the Group as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 18, 2005
Istanbul, Turkey

Finans Finansal Kiralama Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
ASSETS			
Cash and cash equivalents	4	45,909,497	32,854,556
Minimum lease payments receivable	5	196,839,282	188,319,422
Receivables from lease payments outstanding	6	7,775,208	9,035,714
Premium and other insurance receivables	7	38,438,764	30,230,228
Investments available for sale	8	23,042,676	9,939,177
Investments in associates	9	10,235,709	9,976,072
Equipment to be leased	10	6,816,701	10,615,702
Deferred acquisition costs	11	13,280,827	9,376,813
Tangible assets	12	3,858,320	3,980,009
Intangible assets	13	4,391,638	7,665,351
Other assets	14	2,012,358	1,455,387
Deferred tax assets	18	-	615,145
Total assets		352,600,980	314,063,576
LIABILITIES AND EQUITY			
Funds borrowed	15	108,556,405	110,301,756
Trade payables		14,654,722	20,586,840
Advances from customers		3,670,647	2,653,324
Due to insurance and reinsurance companies		10,829,010	8,935,798
Insurance technical reserves	16	53,692,684	34,099,798
Deferred commission income		4,852,173	3,273,430
Other liabilities and provisions	17	3,250,565	3,789,337
Income taxes payable	18	37,106	4,225,354
Deferred tax liability	18	774,578	522,073
Total liabilities		200,317,890	188,387,710
Minority interests		6,808,434	7,449,411
Equity			
Share capital issued	19	114,008,697	114,008,697
Share premium		1,158,873	1,158,873
Legal reserves	20	3,058,885	11,236,671
Retained earnings / (Accumulated deficit)	20	27,248,201	(8,177,786)
Total equity		145,474,656	118,226,455
Total liabilities and equity		352,600,980	314,063,576

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the consolidated financial statements.

Finans Finansal Kiralama Anonim Şirketi

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
Income from financial leases			
Interest		47,239,366	41,398,500
Foreign exchange (loss)/gain		807,414	(362,504)
Total income from financial leases		48,046,780	41,035,996
Insurance technical income	23	77,588,009	40,387,421
Insurance technical expense	23	(70,297,940)	(30,649,174)
Net insurance technical income		7,290,069	9,738,247
Financial income, net	24	4,704,676	6,172,031
Provision for possible lease receivable losses	5, 6	1,905,270	(2,889,945)
Income after financial income, net and provision for possible lease receivable losses		61,946,795	54,056,329
Other operating income	26	3,936,427	3,823,786
Marketing, general and administrative expenses		(10,543,670)	(6,579,635)
Salaries and employee benefits	25	(11,912,427)	(9,609,059)
Depreciation, amortization and impairment	12, 13	(4,953,804)	(11,722,972)
Profit from operating activities		38,473,321	29,968,449
Income / (loss) from associates	9	259,637	(1,667,536)
Profit from operating activities before income tax and monetary loss and minority interest		38,732,958	28,300,913
Income taxes	18	1,643,088	9,226,713
Monetary loss		(13,768,822)	(9,657,040)
Net profit from ordinary activities		26,607,224	27,870,586
Minority interests		640,977	(527,317)
Net profit		27,248,201	27,343,269
Weighted average number of shares		43,000,000,000	43,000,000,000
Basic and diluted earnings per share in New Kuruş	21	0.0634	0.0636

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the consolidated financial statements.

Finans Finansal Kiralama Anonim Şirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Share Capital (Note 19)	Adjustment to Share Capital	Share Premium	Legal Reserves	Retained Earnings/ (Accumulated Deficit)	Total
At January 1, 2003	16,439,445	96,361,029	1,158,873	11,236,671	(34,312,832)	90,883,186
Issue of share capital	1,038,852	169,371	-	-	(1,208,223)	-
Net profit for the year	-	-	-	-	27,343,269	27,343,269
At December 31, 2003	17,478,297	96,530,400	1,158,873	11,236,671	(8,177,786)	118,226,455
Accumulated deficit net-off	-	-	-	(8,177,786)	8,177,786	-
Transfer from adjustment to share capital	25,521,703	(25,521,703)	-	-	-	-
Net profit for the year	-	-	-	-	27,248,201	27,248,201
At December 31, 2004	43,000,000	71,008,697	1,158,873	3,058,885	27,248,201	145,474,656

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the consolidated financial statements.

Finans Finansal Kiralama Anonim Şirketi

CASH FLOW STATEMENT

For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	2004	2003
Cash flows from operating activities		
Net profit before minority interest	26,607,224	27,870,586
Adjustments for		
Provision for deferred tax liability	856,362	(13,549,251)
Provision for current income tax	(2,499,450)	4,322,538
Depreciation, amortization and impairment	4,953,804	11,722,972
Provision for termination benefits	152,196	198,243
Provision for possible lease receivable losses	(1,905,270)	2,889,945
(Gain) / loss from associates	(259,637)	1,667,536
(Gain) / loss from fair value changes in investment available for sale	(78,528)	69,049
(Income) / loss on disposal of tangible assets	(177,690)	63,975
Accrued interest expense	(1,581,314)	2,429,626
Accrued interest income	(777,594)	4,736,954
Operating profit before changes in net operating assets and liabilities	25,290,103	42,422,173
Net decrease in receivables from lease payments outstanding	3,820,735	2,746,981
Net increase in premium and other insurance receivables	(8,208,536)	(16,709,015)
Net decrease in deferred acquisition costs	(3,904,014)	(3,176,514)
Net increase / (decrease) in other assets	(556,971)	1,884,624
Net decrease in trade payables	(5,932,118)	12,285,543
Net increase / (decrease) in advances from customers	1,017,323	(1,763,019)
Net increase in due to insurance and reinsurance companies	1,893,212	2,863,627
Net increase in insurance technical reserves	19,592,886	20,121,241
Net increase in deferred commission income	1,578,744	1,493,709
Net decrease in other liabilities	(613,322)	(532,788)
Income taxes paid	(1,592,466)	(216,248)
Net cash provided from operating activities	32,385,576	61,420,314
Cash flows from investing activities		
Purchases of assets to be leased	(204,925,886)	(109,064,008)
Principal payments received under leases	199,560,471	114,546,776
Purchases of furniture and equipment	(1,350,100)	(1,882,321)
Purchases of intangible assets	(394,121)	(415,726)
Net increase / (decrease) in equipment to be leased	3,799,001	(6,755,520)
Disposal of tangible assets	179,090	-
Disposal of intangible assets	6,729	-
Net increase in investments available for sale	(13,447,044)	(3,089,061)
Acquisition of an associate	-	(889,654)
Net cash used in investing activities	(16,571,860)	(7,549,514)
Cash flows from financing activities		
Proceeds from funds borrowed	99,190,238	136,292,032
Repayments of funds borrowed	(88,132,036)	(163,430,565)
Net cash provided from (used in) financing activities	11,058,202	(27,138,533)
Minority interest	-	6,922,093
Effect of net foreign exchange difference and monetary loss on cash and cash equivalents	(13,816,977)	(23,939,353)
Net increase in cash and cash equivalents	13,054,941	9,715,007
Cash and cash equivalents at beginning of year	32,854,556	23,139,549
Cash and cash equivalents at end of year	45,909,497	32,854,556
Cash paid by the Company for interest and the cash received as interest during the years ended December 31, 2004 and 2003 are as follows :		
Interest paid	8,318,234	8,672,748
Interest received	56,776,475	52,884,914

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the consolidated financial statements.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

1. CORPORATE INFORMATION

General

Finans Finansal Kiralama Anonim Şirketi (a Turkish Joint Stock Company - the Company) was established in İstanbul in March 1990, pursuant to the licence obtained from the Undersecretariat of the Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226. 12.15% (2003 – 12.15%) of the shares of the Company are listed on İstanbul Stock Exchange. The address of the registered office of the Company is Nispetiye Caddesi, Akmerkez B Kulesi, Kat : 10, 80610 Etiler, İstanbul - Turkey.

The Company has a branch operating in Atatürk Havalimanı Free Trade Zone.

As of December 31, 2004 and 2003, the subsidiary included in consolidation is Finans Sigorta A.Ş. (Finans Sigorta) which is registered in İstanbul, Turkey, on March 30, 2001. Finans Sigorta operates in all types of property and casualty insurance and reinsurance business.

The consolidated financial statements of the Company are authorized for issue by the Management on February 18, 2005. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The parent of the Company is Finansbank Anonim Şirketi, and ultimate parents of the Company are Fiba Holding Anonim Şirketi and Fina Holding Anonim Şirketi and controlled by Özyeğin Family.

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiary are referred to as the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Representation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect. The consolidated financial statements have been prepared on an historical cost convention, except for the measurement at fair value of available for sale financial assets.

As of December 31, 2004, the Group did not early adopt the changes in IFRS effective for annual periods beginning on or after January, 1, 2005

The Company and its subsidiary which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board, Turkish Commercial Code and Tax Legislation, Financial Leasing Law; and the Uniform Chart of Financial Statements specified by the Undersecretariat of Treasury for Insurance and Reinsurance Companies, Turkish Commercial Code and Tax Legislation, respectively. The consolidated financial statements have been prepared from statutory financial statements of the Company and its subsidiary and presented in accordance with IFRS in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of :

- accounting for financial leases
- consolidation of a subsidiary and equity accounting for investments in associates,
- restatement of unearned premium reserve on insurance policy basis and deferral of policy acquisition costs,
- recognition of deferred tax on temporary differences,
- recognition and measurement of financial instruments.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Currency and Reporting Currency

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted in January 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 through out the period until complete phase-out of TL. Accordingly, the Company's functional and presentation currency as of December 31, 2004 is YTL and comparative figures for the prior year have also been presented in YTL, using the conversion rate of TL 1,000,000 / YTL = 1,00.

Measurement currency of the Company and its consolidated subsidiary is YTL. The restatement for the changes in the general purchasing power of YTL as of December 31, 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). 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 be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three years inflation rate approaching or exceeding 100%. As of December 31, 2004, the three years cumulative rate has been 69.7% (2003 - 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

Such indices and conversion factors as of the end of the four year period ended December 31, 2004 are given below:

Dates	Index	Coverision Factors
December 31, 2001	4,951.7	1,697
December 31, 2002	6,478.8	1,297
December 31, 2003	7,382.1	1,138
December 31, 2004	8,403.8	1,000

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

- the consolidated financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2004.
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2004 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation adjustment which is eliminated) are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the income statement as monetary loss.
- all items in the consolidated income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets and loss from associates (which have been calculated based on the restated gross book values and accumulated depreciation-amortization).

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

Reclassification on 2003 Financials

Certain reclassifications have been made to the financial statements of December 31, 2003 to be consistent with the current year presentation.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary drawn up to December 31, 2004 and 2003.

Subsidiary is consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include the Company and its subsidiary, which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively, except where the minority shareholders, who are nominee shareholders, do not exercise their minority rights.

Intercompany balances and transactions are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year is included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Finans Sigorta has been consolidated to the financial statements of the Company as of December 31, 2004 and December 31, 2003 and its shareholding percentage is 51.5%.

Investments in Associates

As of December 31, 2004 and 2003, the Group's investments in Finans Leasing S.A. Romania by 40% and Finans Gayrimenkul by 43.31% are accounted for under the equity method of accounting. These are the entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. The investments in these associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of these associates

As of December 31, 2004 and 2003, the Group's investment in Kültür Gösteri Merkezleri ve Ticaret A.Ş. by 44% has not been accounted by the equity method of accounting due to its operations being insignificant to the Company's financial statements as of those dates.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of subsidiaries and associates at the date of acquisition. Goodwill is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortization and any impairment in value.

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

The carrying values of goodwill and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible Assets

Tangible assets which consist of office machinery, furniture and fixtures and vehicles, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, which is 5 years.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Investments Available-for-Sale

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Available for sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized in income.

Interest earned on available for sale investments is reported as interest income. Dividends received are included in dividend income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its consolidated balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Group for monetary assets and liabilities as of respective year-ends are as follows:

Dates	EUR / YTL (Full YTL)	USD / YTL (Full YTL)
December 31, 2002	1.703477	1.634501
December 31, 2003	1.745072	1.395835
December 31, 2004	1.826800	1.342100

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks with an original maturity of three months or less.

Provisions for Possible Lease Receivable Losses

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Group's receivable portfolio. If there is an objective evidence that the Group will not be able to collect all amounts due according to original contractual terms of the lease, such receivables are considered as impaired. The amount of the loss is measured as the difference between the lease receivable's carrying amount and the expected future cash flows discounted at the lease receivable's original effective interest rate or 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 receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectable or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for possible lease receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Provision for Possible Premium Receivable Losses

Balances of agencies and policy holders under legal follow-up and agencies and policy holders for which management identifies problems in credit worthiness are classified as doubtful receivables. Based upon its evaluation of such receivables, management estimates the total allowance that it believes is adequate to cover specific uncollectible amounts. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of income in the periods in which they become known.

Leases

The Group as Lessor

Finance Leases

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses.

The Group as Lessee

Finance leases

Finance leases, which transfer to the Group 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. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

Insurance Technical Reserves

Unearned Premium Reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies with more than one year of maturity. Unearned premium reserve set aside for unexpired risks has been computed on a daily pro-rated basis for the policies issued after January 1, 2003 and one twenty-fourths method for the policies issued before January 1, 2003, which assumes that premium revenues are realized on average in the middle of each month.

In calculating the provision for unearned premiums, reinsurance commissions are deferred with the same rates used in unearned premium calculation and included in current year unearned premium reserve.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Outstanding Claims / IBNR Reserves

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the end of the year, as well as the corresponding handling costs. A provision for claims incurred but not reported (IBNR) is also established.

Commissions and Deferred Acquisition Costs

The direct and indirect costs and commission expenses incurred in acquiring the unearned portion of insurance premiums are recorded in the balance sheet under deferred acquisition costs and recognized in the profit and loss account on the same basis as the premiums to which they relate.

Reinsurance

Reinsurance ceded is business which has been ceded to insurance companies outside the Group.

Funds Borrowed

Funds borrowed 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.

Trade Payables

Trade payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Employee Termination Benefits

(a) Defined Benefit Plans :

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Full provision is made for the present value of defined obligation calculated using the "Projected Unit Credit" Method. All actuarial gains and losses are recognized in the income statement.

(b) Defined Contribution Plans :

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

Revenue Recognition

Premium Income

Premium income represents premiums on policies written during the period / year, net of premium ceded to reinsurer firms and by the reserve for unearned premiums that are calculated on a daily pro-rated basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission Income and Expense

The commission expense related with the written policies by agents and commission income obtained from reinsurers for the premiums ceded are recorded into consolidated income statement on accrual basis. Commission income from reinsurers is determined according to the reinsurer agreements.

Claims

Claims incurred comprise all claims occurring during the year, together with their related expertise expenses, and any adjustments to claims outstanding from the previous year offset against the portion attributed to the reinsurer firms. When applicable, deductions are made for estimated salvage and recoveries.

Interest

Interest income and expense which are classified in financial income and expense, are recognized in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities and accrued discount and premium on treasury bills and other discounted instruments.

Dividends

Dividends are recognized when the shareholders' right to receive the payments is established.

Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. SEGMENT INFORMATION

Segment information is prepared on the business segment basis.

The Group conducts its business activities in the leasing and insurance areas.

Year ended December 31,2004:

	Leasing	Insurance	Eliminations	Group
Income from financial leases	48,058,988	-	(12,208)	48,046,780
Net insurance technical income	-	6,626,188	663,881	7,290,069
Financial income	317,973	4,374,495	12,208	4,704,676
Provision for possible lease receivable losses	1,905,270	-	-	1,905,270
Other operating income	4,796,052	(195,744)	(663,881)	3,936,427
Other total operating expense	(16,108,722)	(11,301,179)	-	(27,409,901)
Profit from operating activities	38,969,561	(496,240)	-	38,473,321
Income from associates	259,637	-	-	259,637
Income taxes	2,014,679	(371,591)	-	1,643,088
Monetary loss	(13,309,656)	(459,166)	-	(13,768,822)
Minority interest	-	-	-	640,977
Net profit	27,934,221	(1,326,997)	-	27,248,201
Other segment information				
Segment assets	257,048,087	86,426,386	(1,109,202)	342,365,271
Investments in associates	10,235,709	-	-	10,235,709
Total assets	267,283,796	86,426,386	(1,109,202)	352,600,980
Segment liabilities	129,038,714	72,388,378	(1,109,202)	200,317,890
Total liabilities	129,038,714	72,388,378	(1,109,202)	200,317,890
Capital expenditures				
Tangible assets	218,228	1,131,872	-	1,350,100
Intangibles	10,303	383,818	-	394,121
Depreciation	455,059	837,640	-	1,292,699
Amortization	3,387,556	273,549	-	3,661,105
Impairment losses	-	-	-	-

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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3. SEGMENT INFORMATION (continued)

Year ended December 31, 2003:

	Leasing	Insurance	Eliminations	Group
Income from financial leases	41,035,996	-	-	41,035,996
Net insurance technical income	-	9,457,920	280,327	9,738,247
Financial income	3,556,484	2,615,547	-	6,172,031
Provision for possible lease receivable losses	(2,889,945)	-	-	(2,889,945)
Other operating income	4,068,572	35,541	(280,327)	3,823,786
Other total operating expense	(19,698,750)	(8,212,916)	-	(27,911,666)
Profit from operating activities	26,072,357	3,896,092	-	29,968,449
Loss from associates	(1,667,536)	-	-	(1,667,536)
Income taxes	9,984,510	(757,797)	-	9,226,713
Monetary loss	(7,605,993)	(2,051,047)	-	(9,657,040)
Minority interest	-	-	-	(527,317)
Net profit	26,783,338	1,087,248	-	27,343,269
Other segment information				
Segment assets	240,397,440	64,044,344	(354,280)	304,087,504
Investments in associates	9,976,072	-	-	9,976,072
Total assets	250,373,512	64,044,344	(354,280)	314,063,576
Segment liabilities	140,057,255	48,684,735	(354,280)	188,387,710
Total liabilities	140,057,255	48,684,735	(354,280)	188,387,710
Capital expenditures				
Tangible assets	430,418	1,451,903	-	1,882,321
Intangibles	47,156	368,570	-	415,726
Depreciation	587,206	506,540	-	1,093,746
Amortisation	3,387,489	193,477	-	3,582,966
Impairment losses	7,046,260	-	-	7,046,260

Transactions between the business segments are on normal commercial terms and conditions. Those transactions are eliminated in consolidation.

4. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows :

	2004	2003
Cash on hand	250,185	252,850
Cash at banks	45,659,312	32,601,706
Cash and cash equivalents in the balance sheet and cash flow statements	45,909,497	32,854,556

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

4. CASH AND CASH EQUIVALENTS (continued)

As of December 31, 2004 and 2003, interest range of deposits is as follows :

	2004				2003			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Bank accounts	40,121,198	5,538,114	10.66-23.00	2.5-2.88	32,374,130	227,576	20.60-28.00	1.00-2.88
Total	40,121,198	5,538,114			32,374,130	227,576		

Finans Sigorta makes credit card collections through deposits in banks. The collections are blocked in banks for a time period of 31 to 45 days in exchange for the collection service. As of December 31, 2004, the Company has blocked TL demand deposit account in the amount of YTL 6,501,578 (2003 – YTL 2,778,082) in various banks for the credit card collections.

5. MINIMUM LEASE PAYMENTS RECEIVABLE

Gross investment in finance leases receivable :

	2004	2003
Within one year	154,661,198	139,535,455
After one year but not more than five years	91,844,933	100,825,533
Minimum lease payments receivable, gross	246,506,131	240,360,988
Less: Unearned interest income	(46,222,076)	(46,642,015)
Net investment in finance leases	200,284,055	193,718,973
Less: Reserve for impairment	(3,444,773)	(5,399,551)
Minimum lease payments receivable, net	196,839,282	188,319,422

Net investment in finance leases may be analyzed as follows:

	2004	2003
Within one year	121,325,741	106,048,543
After one year but not more than five years	78,958,314	87,670,430
	200,284,055	193,718,973

As of December 31, 2004 and 2003, YTL 114,968,022 and YTL 142,996,670 of gross lease receivables are denominated in foreign currency (mainly U.S. Dollars and Euro) and the effective interest rates range between 8,5% and 15% for U.S. Dollars and for Euro (2003- 7% and 15%), and 26% and 35% for YTL (2003 - 30% and 60%).

Finans Finansal Kiralama Anonim Şirketi**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2004****(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)****5. MINIMUM LEASE PAYMENTS RECEIVABLE (continued)**

Movement in the specific reserve for impairment:

	2004	2003
Reserve at the beginning of year	5,399,551	6,646,625
Provision for impairment	(1,300,001)	703,117
Recoveries	-	(1,136,884)
Provision net of recoveries	(1,300,001)	(433,767)
Monetary gain	(654,777)	(813,307)
Reserve at end of year	3,444,773	5,399,551

6. RECEIVABLES FROM LEASE PAYMENTS OUTSTANDING

	2004	2003
Receivables from lease payments outstanding	17,980,892	25,852,495
Less: Specific reserve for impairment	(10,205,684)	(16,816,781)
Receivables from lease payments outstanding, net	7,775,208	9,035,714

Movements in the specific reserve for impairment :

	2004	2003
Reserve at the beginning of the year	16,816,781	15,296,706
Provision for impairment	956,466	5,865,038
Recoveries	(1,561,735)	(2,541,326)
Provision net of recoveries	(605,269)	3,323,712
Receivables written off	(4,050,868)	-
Monetary gain	(1,954,960)	(1,803,637)
Reserve at end of year	10,205,684	16,816,781

7. PREMIUM AND OTHER INSURANCE RECEIVABLES

	2004	2003
Amounts owed by intermediaries	33,962,923	27,586,225
Insurance claims from third parties	3,304,080	1,403,454
Amounts owed by policyholders	338,765	569,711
Receivable from insurance and reinsurance companies	557,968	437,108
Doubtful receivables	1,064,269	778,243
Less : Provision for impairment	(789,241)	(544,513)
Premium and other insurance receivables	38,438,764	30,230,228

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale consist of the following :

	2004		2003	
	Amount	Effective Interest rate	Amount	Effective Interest rate
Available for sale securities at fair value				
Debt instruments				
Turkish treasury bills	19,968,548 (*)	23.72%-29.57%	7,498,076	28.80%-58.15%
	19,968,548		7,498,076	
Others				
Equity instruments - listed	3,015,998		2,382,971	
	3,015,998		2,382,971	
Total	22,984,546		9,881,047	
Available for sale securities at cost				
Equity instruments - unlisted	58,130		58,130	
Total	58,130		58,130	
Total available for sale securities	23,042,676		9,939,177	

(*) In order to protect the interests of policyholders, under Insurance Supervision Law 7397, the insurance companies are obliged to deposit investments in a blocked account with a state bank and to mortgage fixed assets in favor of the Undersecretariat of Treasury. As of December, 31, 2004, the guarantees of the Group as security for policyholders amount to YTL 17,913,353.

Available for sale securities at cost represent the Group's equity holdings in the companies, shares of which are not publicly traded.

The list of participations at affiliated companies which are included in equity instruments is as follows :

	2004		2003	
	Amount	Participation %	Amount	Participation %
Equity instruments – listed				
Gıma Gıda ve İhtiyaç Maddeleri T.A.Ş.	3,015,998	2	2,382,971	2
	3,015,998		2,382,971	
Equity instruments - unlisted				
Finans Yatırım Menkul Değerler A.Ş.	58,130	Less than 1	58,130	Less than 1
	58,130		58,130	

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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9. INVESTMENTS IN ASSOCIATES

The following is a list of the investments in associates:

Entity	2004			2003		
	Carrying Value	Ownership Interest	Group's Share of Income (Loss)	Carrying Value	Ownership Interest	Group's Share of Income (Loss)
Finans Gayrimenkul	8,379,119	43.31	(339,220)	8,718,339	43.31	(1,592,311)
Kültür ve Gösteri Merkezleri A.Ş.	889,654	44.00	-	889,654	44.00	-
Finans Leasing S.A. Romania	966,936	40.00	598,857	368,079	40.00	(75,225)
	10,235,709		259,637	9,976,072		(1,667,536)

Finans Leasing S.A. Romania is mainly engaged in all types of leasing operations in Romania.

As of December 31, 2004 and 2003, the Company accounted its investment in Finans Leasing Romania and Finans Gayrimenkul by equity method of accounting and incurred income at the amount of YTL 598,857 (2003- YTL 75,225 loss) and loss at the amount of YTL 339,220 (2003- YTL 1,592,311), respectively. Such amounts are accounted as income / (loss) from associates on the consolidated income statement.

On January 6, 2003, the Group purchased 44% of Kültür ve Gösteri Merkezleri ve Ticaret A.Ş. for YTL 889,654. Kültür ve Gösteri Merkezleri ve Ticaret A.Ş. is engaged in visual entertainment business. As of December 31, 2004 and 2003, equity method of accounting has not been applied for this investment due to the operations of this company being insignificant to the Group's consolidated financial statements and carried at cost.

On April 28, 2003, Finans Gayrimenkul Yatırım Ortaklığı A.Ş., an associated company, changed status and became a corporation operating exempt from the Capital Market Law and as of the same date, the commercial title of the Company was changed as Finans Gayrimenkul Geliştirme İnşaat ve Yatırım A.Ş. (Finans Gayrimenkul).

10. EQUIPMENT TO BE LEASED

The Group purchases machinery and equipment from foreign and domestic vendors in relation to the financial lease agreements signed in the current year for projects in progress of its customers, which will be completed in the subsequent year. As of December 31, 2004 and 2003, the equipment to be leased balance includes cost of the equipment to be leased as described above together with related expenses.

11. DEFERRED ACQUISITION COSTS

	2004	2003
Deferred general and administrative expense	4,442,129	3,391,374
Deferred commission expense	8,838,698	5,985,439
	13,280,827	9,376,813

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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12. TANGIBLE ASSETS

	Furniture and Equipment	Motor Vehicles	Leasehold Improvements	Land and Buildings	Total
January 1, 2004, net of accumulated depreciation	2,869,712	647,755	462,542	-	3,980,009
Additions	794,322	429,906	108,036	17,836	1,350,100
Disposals	(94,113)	(84,977)	-		(179,090)
Depreciation charge for the year	(958,069)	(215,645)	(118,955)	(30)	(1,292,699)
At December 31, 2004, net of accumulated depreciation	2,611,852	777,039	451,623	17,806	3,858,320
At December 31, 2003					
Cost	7,494,688	927,842	512,444	-	8,934,974
Accumulated depreciation	(4,624,976)	(280,087)	(49,902)	-	(4,954,965)
Net carrying amount	2,869,712	647,755	462,542	-	3,980,009
At December 21, 2004					
Cost	8,167,763	1,214,030	620,480	17,836	10,020,109
Accumulated depreciation	(5,555,911)	(436,991)	(168,857)	(30)	(6,161,789)
Net carrying amount	2,611,852	777,039	451,623	17,806	3,858,320

Net carrying value of leased assets amount to YTL 1,631,589 (2003 - YTL 1,456,678) consist of vehicles, furniture and equipments which are pledged as securities for the related finance lease obligations.

13. INTANGIBLES

	Goodwill	Licenses	Total
At January 1, 2004, net of accumulated amortization	6,680,314	985,037	7,665,351
Additions	-	394,121	394,121
Disposals	-	(6,729)	(6,729)
Amortization charge for the year	(3,345,400)	(315,705)	(3,661,105)
At December 31, 2004, net of accumulated amortization	3,334,914	1,056,724	4,391,638
At December 31, 2003			
Cost	18,092,400	1,365,015	19,457,415
Accumulated Amortization	(4,365,826)	(379,978)	(4,745,804)
Accumulated impairment	(7,046,260)	-	(7,046,260)
Net carrying amount	6,680,314	985,037	7,665,351
At December 31, 2004			
Cost	11,046,140	1,744,102	12,790,242
Accumulated amortization	(7,711,226)	(687,378)	(8,398,604)
Net carrying amount	3,334,914	1,056,724	4,391,638

Finans Finansal Kiralama Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

13. INTANGIBLES (continued)

As of December 31, 2002, the Group has accounted goodwill at the amount of YTL 7,046,260 on the consolidated financial statements due to purchase of additional shares of Finans Gayrimenkul. But as goodwill has an uncertainty about future benefits, the Group allocated impairment reserve as of December 31, 2003 and reflected this reserve in the income statement for the year ended as of December 31, 2003.

Goodwill is being amortized as follows :

- goodwill arising on the acquisition of Finans Deniz Finansal Kiralama at the amount of YTL 10,351,663 is being amortized evenly from the date of acquisition over the directors' estimate of its useful economic life of 40 months,
- goodwill arising on the acquisition of Finans Sigorta at the amount of YTL 694,477 is being amortized evenly from the date of acquisition over the directors' estimate of its useful economic life of 3 years.

Licenses are being amortized over useful economic lives of 5 years.

14. OTHER ASSETS

	2004	2003
Receivables from lessees against insurance transactions	956,243	352,704
Prepaid expenses	421,799	255,195
Value Added Tax receivables	362,122	125,022
Advances and deposits given	128,902	102,512
Receivables from a related party resulting from funds granted	9,849	493,681
Prepaid tax	5,264	26,443
Others	128,179	99,830
	2,012,358	1,455,387

15. FUNDS BORROWED

	2004			2003		
	Original Amount	YTL Equivalent	Interest rate (%)	Original Amount	YTL Equivalent	Interest rate (%)
Short term		7,779,883			5,273,353	
Fixed interest						
	EUR	2,894,335	5,287,372	EUR	2,284,376	4,575,376
	USD	1,857,173	2,492,511	USD	17,054	27,274
	CHF	-	-	CHF	524,110	670,703
						2.39-4.05
						1.63
						0.53
Floating interest	-	-	-	-	-	-
Medium / long-term		100,776,522			105,028,403	
Fixed interest						
	EUR	7,081,405	12,936,311	EUR	16,676,325	34,491,248
	USD	42,965,279	57,663,701	USD	23,951,558	39,505,873
	CHF	141,871	167,493	CHF	468,429	607,537
						4.95-6.32
						3.37-6.41
						2.86-3.75
Floating interest						
	EUR	9,337,759	17,058,218	EUR	2,734,246	5,499,087
	USD	9,597,883	12,881,319	USD	15,269,968	24,698,842
	CHF	58,852	69,480	CHF	176,550	225,816
						2.66-6.76
						1.31-7.26
Total		108,556,405			110,301,756	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. FUNDS BORROWED (continued)

Repayments of medium/long term funds borrowed are as follows:

	2004		2003	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2004	-	-	74,100,047	16,206,791
2005	54,024,669	11,765,928	445,223	6,236,348
2006	16,742,836	8,252,776	59,388	7,980,606
2007	-	2,854,375	-	-
2008 and over	-	7,135,938	-	-
Total	70,767,505	30,009,017	74,604,658	30,423,745

The Group has obtained letters of guarantee amounting to YTL 12,383,460 (2003 – YTL 4,964,065) from local banks and submitted to various banks as guarantee for loans obtained. The letters of guarantee consist of U.S. Dollars 7,247,327, Swiss Francs 261,638, Euro 1,060,385 and YTL 410,823 (2003 - U.S. Dollars 1,286,333, Swiss Francs 721,441, Euro 729,915 and YTL 531,642).

16. INSURANCE TECHNICAL RESERVES

	2004	2003
Unearned premium reserve	54,407,230	48,381,428
Unearned premium reserve -reinsurers' share	(14,110,476)	(18,755,278)
Unearned premium reserve, net	40,296,754	29,626,150
Outstanding claims reserve	17,959,616	5,923,308
Outstanding claims reserve-reinsurers' share	(4,563,686)	(1,449,660)
Outstanding claims reserve, net	13,395,930	4,473,648
Total insurance technical reserve	53,692,684	34,099,798

17. OTHER LIABILITIES AND PROVISIONS

	2004	2003
Taxes payable	1,279,601	958,514
Deferred income	843,198	1,393,517
Reserve for employee termination benefits	601,439	526,889
Leasing obligation	29,817	312,643
Salaries and wages payable	-	155,545
Others	496,510	442,229
	3,250,565	3,789,337

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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18. INCOME TAXES

General Information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate for the fiscal year ended December 31, 2004 is 33% (2003-30%). Effective January 1, 2005, the corporation tax rate has been declared as 30%. Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 33% (2003-30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. A tax amnesty law, which was enacted in 2003 provided immunity for tax inspection and additional assessments to those taxpayers who utilized the option. According to the law, companies, who accepted to use this option, also accepted a 50% reduction from their corporate tax losses incurred in the same year. The Company applied to tax authorities for declaration of additional taxes amounting to YTL 1,032,383 (historical) to benefit from the advantages of the related law and paid full amount within 2003 and 2004.

Effective from April 24, 2003, investment allowances provides a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand-new fixed assets having economic useful life and exceeding YTL 6,000 and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely.

In Turkey, the tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

10% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Capital gains derived from cash sales of participation shares that have been held for at least two years are exempt from corporation tax if the gains are added to share capital. Furthermore, in the event the profit arising from the dividend receipt is not distributed or included in capital, no withholding tax shall be applicable.

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18. INCOME TAXES (continued)

Major components of income tax expense for the years ended December 31,

	2004	2003
Consolidated income statement		
<i>Current income tax</i>		
Current income tax charge	(55,778)	(4,322,538)
Adjustments in respect of current income tax of previous year	2,555,228	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(856,362)	13,549,251
Income tax reported in consolidated income statement	1,643,088	9,226,713

There is a difference of YTL 2,555,528 between the income tax provision as reflected in IFRS financial statements of the Company as of December 31, 2003 and the actual amount that realized in 2004, due the fact that ambiguities relating to investment incentive certificates legislation has been solved through the issuance of the income tax circular No. 23 issued at April 14, 2004 by the Ministry of Finance. Such difference has been reflected as “adjustments in respect of current income tax of previous periods” in the consolidated financial statements for the year ended December 31, 2004.

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended December 31 was as follows :

	2004	2003
Profit from operating activities before income tax, monetary loss and minority interest	38,732,958	28,300,913
Accounting of finance leases and restatement effect of income statement items	(11,644,882)	(4,960,549)
Accounting of insurance technical income	(586,282)	(5,049,106)
Provision for possible lease receivable losses	(1,762,761)	1,074,572
Accounting of investment in associates	(259,637)	1,667,536
Tangible assets sales income	(28,316,094)	6,657,478
Loss from fair value changes in investments available for sale	(376,003)	(210,020)
Amortization of goodwill	3,336,983	3,336,985
Impairment of goodwill	-	7,046,260
Other adjustments	(2,204,472)	(1,305,606)
Current year loss of consolidated subsidiary	-	2,594,786
Statutory (loss) / income before taxation	(3,080,190)	39,153,249
Income not subject to tax	(5,024,439)	(5,358,089)
Expenditure not deductible for income tax purposes	8,273,652	9,377,525
Utilization of investment allowance (eligible for 40% deduction)	-	(21,832,515)
Utilization of investment allowance (eligible for 100% deduction)	-	21,340,170
Corporate tax base	169,023	-
Corporate tax (effective rate 33% (2003 - 30%))	(55,778)	-
Income tax base	-	21,340,170
Income tax (effective rate 19.8%)	-	(4,225,354)
Tax effect of temporary differences (restated)	(856,362)	13,549,251
Adjustmet effect of prior years tax allowance	2,555,228	-
Restatement effect of current taxation charge	-	(97,184)
Taxation charge per accompanying consolidated financial statements (restated)	1,643,088	9,226,713

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18. INCOME TAXES (continued)

Deferred income tax

Deferred income tax of the Company at December 31, 2004 and 2003, relates to the following:

	2004	2003
Deferred income tax liabilities		
Leasing income accruals	1,648,332	1,417,274
Income accrual on time deposits	-	69,351
Restatement effect on tangible assets and intangibles	111,748	-
Accrued interest income on overdue receivables	82,916	80,722
Expense accruals on funds borrowed	77,321	-
Gross deferred income tax liabilities	1,920,317	1,567,347
Deferred income tax assets		
Accounting of finance leases	25,812,705	33,215,508
Tax credits of unused investment incentive allowances	20,474,696	6,024,803
Reserve for possible lease receivable losses	1,292,233	2,072,367
Employee termination benefit	119,513	110,125
Capitalized financial expense subject to deduction	4,967,315	-
Less : Valuation allowance	(50,746,145)	(39,240,311)
Gross deferred income tax assets	1,920,317	2,182,492
Net deferred income tax asset	-	615,145

Deferred income tax of Finans Sigorta at December 31, 2004 and 2003 relates to the following:

	2004	2003
Deferred income tax liabilities		
Accounting of finance leases	(238,721)	(320,176)
Restatement effect on tangible assets and intangibles	(216,829)	(212,694)
Effect of delayed policy cost	(1,332,639)	(1,119,154)
Effect of earthquake provision	(1,290,048)	-
Gross deferred income tax liabilities	(3,078,237)	(1,652,024)
Deferred income tax assets		
Tax loss carry forward	-	647,713
Employee termination benefit	60,919	47,933
Effect of doubtful receivable	104,486	-
Effect of incurred but not recorded claim provision	1,006,761	311,750
Effect of unearned premium reserve	1,077,189	122,555
Effect of check rediscount	54,304	-
Gross deferred income tax assets	2,303,659	1,129,951
Net deferred income tax liability	(774,578)	(522,073)

As of December 31, 2004 and 2003, deferred taxes have been calculated at the principal tax rate of 30%. The Company has provided a valuation allowance on deferred tax assets for which realizability could not be assessed during foreseeable future.

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18. INCOME TAXES (continued)

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

	2004	2003
Total deferred tax balance at January 1	(93,072)	15,234,371
Deferred income tax recognized in income statement	856,362	(13,549,251)
Monetary loss / (gain)	11,288	(1,181,447)
Deferred tax balance of acquired subsidiary at January 1	-	(596,745)
Ending balance	774,578	(93,072)

19. SHARE CAPITAL

	2004	2003
Number of common shares (authorized, issued and outstanding) 0.1 Ykr par value	43,000,000,000	17,478,297,105

As of December 31, 2004 and 2003, the Company's historical subscribed and issued share capital was YTL 43,000,000 and YTL 17,478,297 (historical terms), respectively.

The movement of the share capital (in numbers and in historical YTL) of the Company during 2004 and 2003 is as follows:

	2004		2003	
	Number	YTL	Number	YTL
At January 1	17,478,297,105	17,478,297	16,439,445,105	16,439,445
Shares issued in :				
- transfer from statutory retained earnings	-	-	-	-
- transfer from adjustment to share capital	25,521,702,895	25,521,703	1,038,852,000	1,038,852
At December 31	43,000,000,000	43,000,000	17,478,297,105	17,478,297

As of December 31, 2004 and 2003, the composition of shareholders and their respective % of ownership can be summarized as follows :

	2004		2003	
	Amount	%	Amount	%
Finansbank A.Ş.	34,244,889	79.64	13,919,590	79.64
Finans Yatırım Menkul Değerler A.Ş.	3,531,139	8.21	1,435,309	8.21
Publicly Traded	5,223,972	12.15	2,123,398	12.15
Total in historical YTL	43,000,000	100.00	17,478,297	100.00
Restatement effect	71,008,697		96,530,400	
Total	114,008,697		114,008,697	

At the Board of Directors Meeting held on December 8, 2004, Finans Sigorta decided to increase its share capital from YTL 12,000,000 to YTL 20,000,000. The Ordinary General Assembly Meeting will be held on February 28, 2005.

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20. LEGAL RESERVES AND RETAINED EARNINGS / (ACCUMULATED DEFICIT)

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and Capital Market Board regulations regarding profit distribution.

Accumulated profits include undistributable funds at the amount of YTL 4,300,159 (historical) due to earthquake losses to be incurred in the future.

Dividends

As of December 31, 2004, the Company has not resolved to distribute profit as of the date of these financial statements. As of December 31, 2003, the Company was unable to appropriate profit since accumulated deficit was higher than current year profit.

21. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation, such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2004.

There have been no transactions involving ordinary shares or potential ordinary shares since the date of these financial statements and before the completion of these consolidated financial statements.

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the operating decisions. The Group is controlled by Finansbank A.Ş. which owns 79.64% (2003 - 79.64%) of ordinary shares. The ultimate owner of the Group is Fiba Holding A.Ş. and Fina Holding A.Ş. and controlled by Özyeğin Family. For the purpose of these consolidated financial statements, associates, shareholders and affiliated companies are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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22. RELATED PARTY BALANCES (continued)

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

(a) Balances outstanding and other transactions with the shareholder bank :

	2004	2003
Balances outstanding		
Cash and cash equivalents	8,045,917	4,170,614
Minimum lease receivables	12,877,389	6,109,740
Premium and other insurance receivables	6,443,864	4,585,524
Advances from customers	41,688	39,895
Trade payables	1,044	95,308
Receivables form lease payments outstanding	1,416	2,002
Transactions		
Interest income	403,869	172,688
Income from financial leases	7,302,053	2,050,504
Rent expense	626,765	40,028
Commissions paid	4,181,036	2,178,127
Insurance income	29,360,138	16,134,985
Off balance sheet items		
Letters of guarantee obtained against import letters of credit and funds borrowed	1,128,505	4,445,122

Additionally, the shareholder bank has given letter of comfort for the funds borrowed amounting to U.S. Dollars 5,496,373 (2003 - Euro 1,666,800) and letters of guarantee amounting to YTL 35,100 to customs authorities and courts. Besides the shareholder bank has a payment guarantee of CHF 721,441 to a foreign bank against a loan obtained by the Group as of December 31, 2004.

(b) Balances outstanding and other transactions with other related parties :

	2004	2003
Balances Outstanding		
Cash and cash equivalents	7,937,390	24,784,977
Minimum lease receivables	29,000,159	42,031,423
Receivables from lease payments outstanding	255,084	1,630
Insurance receivables from agencies	634,869	931,887
Receivables from a related party resulting from loans granted	9,849	493,681
Fund borrowed from banks	-	45,543,484
Other liabilities	19,483	36,774
Transactions		
Income from financial leases	5,828,095	8,893,200
Interest income on bank accounts	2,998,011	4,967,651
Interest expenses	977,935	2,845,483
Dividend income	-	9,879
Loss from sale of investments available for sale	-	53,652
Commissions paid	634,814	135,247
Insurance income	1,660,348	1,687,267

(c) As of December 31, 2004, the members of the Board of Directors of the Group received remuneration at the amount of YTL 2,008,007 (2003- YTL 1,380,201).

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23. INSURANCE TECHNICAL INCOME

The breakdown of insurance technical income and expense is as follows :

	2004	2003
Premiums written	124,947,650	86,963,165
Premium ceded to reinsurers	(45,158,076)	(34,142,311)
Unearned premium, net	(13,020,863)	(20,321,375)
Commission income	10,819,298	7,887,942
Insurance technical income	77,588,009	40,387,421
Claims paid, net	(38,291,985)	(20,806,748)
Provision for outstanding claims	(13,019,907)	(2,215,445)
Commission paid	(18,986,048)	(7,626,981)
Insurance technical expense	(70,297,940)	(30,649,174)
Insurance technical income, net	7,290,069	9,738,247

24. FINANCIAL (EXPENSES) / INCOME

The breakdown of financial expenses and financial income is as follows :

	2004	2003
Financial Expenses		
Foreign exchange loss	(5,261,870)	(7,214,289)
Interest expense on funds borrowed	(6,736,920)	(7,112,227)
	(11,998,790)	(14,326,516)
Financial Income		
Foreign exchange gain	8,131,581	12,801,083
Interest income on bank deposits, investments available for sale and reverse repo	8,571,885	7,697,464
	16,703,466	20,498,547
Total net financial income	4,704,676	6,172,031

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25. SALARIES AND EMPLOYEE BENEFITS

	2004	2003
Staff costs		
Wages and salaries	8,157,354	6,909,681
Bonuses	1,232,657	816,871
Provision for employee termination benefits	152,196	198,243
Other fringe benefits	1,480,989	1,044,227
Total	11,023,196	8,969,022

As of December 31, 2004, the average number of employee of the Group is 222 (2003 - 195).

Defined contribution share:

	2004	2003
Social Security Premiums - Employer Share	889,231	640,037

26. OTHER OPERATING INCOME

The breakdown of other operating income and other operating expense is as follows :

	2004	2003
Accrued interest income on overdue receivables	1,592,031	1,948,291
Income from sale of tangible assets	1,391,181	1,463,527
Income from costs charged to customers	934,679	1,322,297
Income from insurance claims	244,806	12,854
Income from fair value changes in investments available for sale	78,528	-
Miscellaneous income	729,603	869,141
Total other income	4,970,828	5,616,110
Loss from insurance claims	(315,959)	-
Additional tax charge due to Tax Amnesty Law	-	(1,201,874)
Loss from fair value changes in investments available for sale	-	(69,049)
Loss from sale of investments available for sale	-	(53,652)
Miscellaneous expense	(718,442)	(467,749)
Total other expense	(1,034,401)	(1,792,324)
Total other income, net	3,936,427	3,823,786

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27. FINANCIAL RISK MANAGEMENT

The Group is exposed to following risks due to its transactions in financial instruments ;

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Group also obtains guarantees when appropriate.

The concentration of the Company's minimum lease payment receivables to industry groups is as follows:

	2004	2003
Retail	15.90	16.40
Machinery and equipments	15.40	14.00
Textile products	13.10	14.13
Health and social services	10.60	7.50
Publication	9.80	14.70
Transportation	7.30	6.90
Finance	6.70	3.50
Construction	4.20	3.90
Computer	1.50	1.80
Entertainment	1.40	1.30
Research and advertisement	1.00	1.50
Others	13.10	14.37
	100.00	100.00

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27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

The Group's policy is to match cash outflow mainly arising from repayments of the funds borrowed and payments of claims and cash inflow arising from lease receivables and insurance premium receivables, maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Group.

In addition, the Group maintains reasonable amount of cash on hand in order to protect itself against the rate of deviation from the expected in and out cash flows in an unfavorable manner.

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

ASSETS	2004					Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 Year	
Cash and cash equivalents	45,909,497				-	45,909,497
Minimum lease payments receivable	18,958,336	19,871,580	27,551,006	52,717,758	77,740,602	196,839,282
Receivables from lease payments outstanding	7,775,208	-	-	-	-	7,775,208
Premium and other insurance receivables	21,384,968	10,658,610	5,684,592	710,594	-	38,438,764
Investment securities	-	-	-	4,913,864	18,128,812	23,042,676
Investment in associates	-	-	-	-	10,235,709	10,235,709
Equipment to be leased	-	6,816,701	-	-	-	6,816,701
Deferred acquisition costs	-	-	-	-	13,280,827	13,280,827
Tangible assets	-	-	-	-	3,858,320	3,858,320
Intangible assets	278,082	556,164	834,246	1,666,422	1,056,724	4,391,638
Other assets	122,118	49,249	73,875	-	1,767,116	2,012,358
Deferred tax assets	-	-	-	-	-	-
Total assets	94,428,209	37,952,304	34,143,719	60,008,638	126,068,110	352,600,980
LIABILITIES						
Funds borrowed from banks	13,712,726	2,361,111	22,697,260	34,799,383	34,985,925	108,556,405
Trade payables	8,014,229	46,684	896,093	5,697,716	-	14,654,722
Advances from customers	3,670,647	-	-	-	-	3,670,647
Due to insurance and reinsurance companies	1,530,775	3,415,630	-	-	5,882,605	10,829,010
Insurance technical reserves	-	-	-	-	53,692,684	53,692,684
Deferred commission income	-	-	-	-	4,852,173	4,852,173
Other liabilities and provisions	2,441,387	69,132	106,484	223,406	410,156	3,250,565
Income taxes payable	-	-	37,106	-	-	37,106
Deferred tax liability	-	-	-	-	774,578	774,578
Minority interest	-	-	-	-	6,808,434	6,808,434
Equity	-	-	-	-	145,474,656	145,474,656
Total liabilities	29,369,764	5,892,557	23,736,943	40,720,505	252,881,211	352,600,980
Net liquidity gap	65,058,445	32,059,747	10,406,776	19,288,133	(126,813,101)	-

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27. FINANCIAL RISK MANAGEMENT (continued)

ASSETS	2003					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Cash and cash equivalents	32,854,556	-	-	-	-	32,854,556
Minimum lease payments receivable	3,607,870	30,725,994	27,575,555	40,903,546	85,506,457	188,319,422
Receivables from lease payments outstanding	9,035,714	-	-	-	-	9,035,714
Premium and other insurance receivables	15,046,768	9,371,412	5,139,161	672,887	-	30,230,228
Investments available for sale	-	3,118,321	1,744,923	2,634,831	2,441,102	9,939,177
Investments in associates	-	-	-	-	9,976,072	9,976,072
Equipment to be leased	-	10,615,702	-	-	-	10,615,702
Deferred acquisition cost	-	-	-	-	9,376,813	9,376,813
Tangible assets	-	-	-	-	3,980,009	3,980,009
Intangible assets	278,082	556,164	834,245	1,668,490	4,328,370	7,665,351
Other assets	-	139,367	100,936	241,138	973,946	1,455,387
Deferred tax assets	-	-	-	-	615,145	615,145
Total assets	60,822,990	54,526,960	35,394,820	46,120,892	117,197,914	314,063,576
LIABILITIES						
Funds borrowed from banks	3,457,676	16,196,890	28,212,362	47,713,263	14,721,565	110,301,756
Trade payables	10,141,349	766,345	1,514,004	1,858,187	6,306,955	20,586,840
Advances from customers	2,653,324	-	-	-	-	2,653,324
Due to insurance and reinsurance companies	-	-	-	-	8,935,798	8,935,798
Insurance technical reserves	-	-	-	-	34,099,798	34,099,798
Deferred commission income	-	-	-	-	3,273,430	3,273,430
Other liabilities and provisions	851,251	256,470	444,224	310,191	1,927,201	3,789,337
Income taxes payable	-	-	4,225,354	-	-	4,225,354
Deferred tax liability	-	-	-	-	522,073	522,073
Minority Interest	-	-	-	-	7,449,411	7,449,411
Equity	-	-	-	-	118,226,455	118,226,455
Total liabilities	17,103,600	17,219,705	34,395,944	49,881,641	195,462,686	314,063,576
Net liquidity gap	43,719,390	37,307,255	998,876	(3,760,749)	(78,264,772)	-

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27. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give risk to foreign exchange exposure. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency.

The concentrations of assets, liabilities and off balance sheet items :

ASSETS	2004						Total
	Turkish Lira	U.S. Dollars	Euro	CHF	Japanese Yen	Others	
Cash and cash equivalents	40,371,383	5,390,397	147,351	18	336	12	45,909,497
Minimum lease payments receivable	100,123,668	51,481,141	44,837,475	396,998	-	-	196,839,282
Receivables from lease payments outstanding	1,909,864	1,628,606	3,895,166	-	106,936	234,636	7,775,208
Premium and other insurance receivables	35,247,648	2,255,884	935,232	-	-	-	38,438,764
Investment in securities	23,042,676	-	-	-	-	-	23,042,676
Investment associates	10,235,709	-	-	-	-	-	10,235,709
Equipment to be leased	6,816,701	-	-	-	-	-	6,816,701
Deferred acquisition costs	13,280,827	-	-	-	-	-	13,280,827
Tangible assets	3,858,320	-	-	-	-	-	3,858,320
Intangible assets	4,391,638	-	-	-	-	-	4,391,638
Other assets	1,923,325	79,184	9,849	-	-	-	2,012,358
Deferred tax assets	-	-	-	-	-	-	-
Total assets	241,201,759	60,835,212	49,825,073	397,016	107,272	234,648	352,600,980
LIABILITIES							
Funds borrowed from banks	-	73,037,531	35,281,901	236,973	-	-	108,556,405
Trade payables	640,971	3,861,955	10,026,540	-	125,256	-	14,654,722
Advances from customers	1,016,038	1,851,846	802,389	125	249	-	3,670,647
Due to insurance and reinsurance companies	10,284,065	411,207	133,738	-	-	-	10,829,010
Insurance technical reserves	53,692,684	-	-	-	-	-	53,692,684
Deferred commission income	4,852,173	-	-	-	-	-	4,852,173
Other liabilities and provisions	2,329,072	741,615	179,878	-	-	-	3,250,565
Income taxes payable	37,106	-	-	-	-	-	37,106
Deferred tax liability	774,578	-	-	-	-	-	774,578
Minority interest	6,808,434	-	-	-	-	-	6,808,434
Equity	145,474,656	-	-	-	-	-	145,474,656
Total liabilities	225,909,777	79,904,154	46,424,446	237,098	125,505	-	352,600,980
Net balance sheet position	15,291,982	(19,068,942)	3,400,627	159,918	(18,233)	234,648	-

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27. FINANCIAL RISK MANAGEMENT (continued)

ASSETS	2003						Total
	Turkish Lira	U.S. Dollars	Euro	CHF	Japanese Yen	Others	
Cash and cash equivalents	32,594,002	109,052	151,450	32	-	20	32,854,556
Minimum lease payments receivable	70,759,755	58,409,635	57,824,949	1,325,083	-	-	188,319,422
Receivables from lease payments outstanding	224,077	4,839,791	3,971,717	129	-	-	9,035,714
Premium and other insurance receivables	28,034,821	1,514,512	680,895	-	-	-	30,230,228
Investments available for sale	9,939,177	-	-	-	-	-	9,939,177
Investment in associates	9,976,072	-	-	-	-	-	9,976,072
Equipment to be leased	1,901,579	1,530,548	6,568,396	-	615,179	-	10,615,702
Deferred acquisition costs	9,376,813	-	-	-	-	-	9,376,813
Tangible assets	3,980,009	-	-	-	-	-	3,980,009
Intangible assets	7,665,351	-	-	-	-	-	7,665,351
Other assets	961,706	-	493,681	-	-	-	1,455,387
Deferred tax assets	615,145	-	-	-	-	-	615,145
Total assets	176,028,507	66,403,538	69,691,088	1,325,244	615,179	20	314,063,576
LIABILITIES							
Funds borrowed	-	64,231,989	44,565,711	1,504,056	-	-	110,301,756
Trade payables	1,306,067	2,637,995	15,486,290	537,200	619,288	-	20,586,840
Advances from customers	904,644	553,332	1,182,245	12,831	272	-	2,653,324
Due to insurance and reinsurance companies	8,802,741	65,407	67,650	-	-	-	8,935,798
Insurance technical reserve	34,099,798	-	-	-	-	-	34,099,798
Deferred commission income	3,273,430	-	-	-	-	-	3,273,430
Other liabilities and provisions	2,286,984	1,168,421	333,932	-	-	-	3,789,337
Income taxes payable	4,225,354	-	-	-	-	-	4,225,354
Deferred tax liability	522,073	-	-	-	-	-	522,073
Minority interest	7,449,411	-	-	-	-	-	7,449,411
Equity	118,226,455	-	-	-	-	-	118,226,455
Total liabilities	181,096,957	68,657,144	61,635,828	2,054,087	619,560	-	314,063,576
Net balance sheet position	(5,068,450)	(2,253,606)	8,055,260	(728,843)	(4,381)	20	-

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27. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial statements. The Group 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 Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

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

ASSETS	2004						Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 Year	Non interest bearing	
Cash and cash equivalents	38,142,123					7,767,374	45,909,497
Minimum lease payments receivable	18,958,336	19,871,580	27,551,006	52,717,758	77,740,602	-	196,839,282
Receivables from lease payments outstanding	-	-	-	-	-	7,775,208	7,775,208
Premium and other insurance receivables	-	-	-	-	-	38,438,764	38,438,764
Investments available for sale	-	15,775,548	-	3,655,000	538,000	3,074,128	23,042,676
Investments in associates	-	-	-	-	-	10,235,709	10,235,709
Equipment to be leased	-	-	-	-	-	6,816,701	6,816,701
Deferred acquisition costs	-	-	-	-	-	13,280,827	13,280,827
Tangible assets	-	-	-	-	-	3,858,320	3,858,320
Intangible assets	-	-	-	-	-	4,391,638	4,391,638
Other assets	-	-	-	-	-	2,012,358	2,012,358
Deferred tax asset	-	-	-	-	-	-	-
Total assets	57,100,459	35,647,128	27,551,006	56,372,758	78,278,602	97,651,027	352,600,980
LIABILITIES							
Funds borrowed	15,680,539	20,489,110	24,346,124	30,790,159	17,250,473	-	108,556,405
Trade payables	-	-	-	-	-	14,654,722	14,654,722
Advances from customers	-	-	-	-	-	3,670,647	3,670,647
Due to insurance and reinsurance companies	-	-	-	-	-	10,829,010	10,829,010
Insurance technical reserves	-	-	-	-	-	53,692,684	53,692,684
Deferred commission income	-	-	-	-	-	4,852,173	4,852,173
Other liabilities and provisions	-	-	-	-	-	3,250,565	3,250,565
Income taxes payable	-	-	-	-	-	37,106	37,106
Deferred tax liability	-	-	-	-	-	774,578	774,578
Minority interest	-	-	-	-	-	6,808,434	6,808,434
Equity	-	-	-	-	-	145,474,656	145,474,656
Total liabilities	15,680,539	20,489,110	24,346,124	30,790,159	17,250,473	244,044,575	352,600,980
On balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	41,419,920	15,158,018	3,204,882	25,582,599	61,028,129	(146,393,548)	-

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27. FINANCIAL RISK MANAGEMENT (continued)

ASSETS	2003						Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 Year	Non interest bearing	
Cash and cash equivalents	32,601,706	-	-	-	-	252,850	32,854,556
Minimum lease payments receivable	3,607,870	30,725,994	27,575,555	40,903,544	85,506,459	-	188,319,422
Receivables from lease payments outstanding	-	-	-	-	-	9,035,714	9,035,714
Premium and other insurance receivables	-	-	-	-	-	30,230,228	30,230,228
Investments available for sale	-	3,118,321	1,744,923	2,634,831	-	2,441,102	9,939,177
Investment in associates	-	-	-	-	-	9,976,072	9,976,072
Equipment to be leased	-	-	-	-	-	10,615,702	10,615,702
Deferred acquisition costs	-	-	-	-	-	9,376,813	9,376,813
Tangible assets	-	-	-	-	-	3,980,009	3,980,009
Intangible assets	-	-	-	-	-	7,665,351	7,665,351
Other assets	-	279,567	214,114	-	-	961,706	1,455,387
Deferred tax assets	-	-	-	-	-	615,145	615,145
Total assets	36,209,576	34,123,872	29,534,592	43,538,375	85,506,459	85,150,692	314,063,576
LIABILITIES							
Funds borrowed	12,092,691	16,103,675	30,212,455	39,824,361	12,068,574	-	110,301,756
Trade payables	-	-	-	-	-	20,586,840	20,586,840
Advances from customers	-	-	-	-	-	2,653,324	2,653,324
Due to insurance and reinsurance companies	-	-	-	-	-	8,935,798	8,935,798
Insurance technical reserves	-	-	-	-	-	34,099,798	34,099,798
Deferred commission income	-	-	-	-	-	3,273,430	3,273,430
Other liabilities and provisions	-	-	-	-	-	3,789,337	3,789,337
Income taxes payable	-	-	-	-	-	4,225,354	4,225,354
Deferred tax liability	-	-	-	-	-	522,073	522,073
Minority interest	-	-	-	-	-	7,449,411	7,449,411
Equity	-	-	-	-	-	118,226,455	118,226,455
Total assets	12,092,691	16,103,675	30,212,455	39,824,361	12,068,574	203,761,820	314,063,576
On balance sheet interest sensitivity gap	24,116,885	18,020,197	(677,863)	3,714,014	73,437,885	(118,611,128)	-
Total interest sensitivity gap	24,116,885	18,020,197	(677,863)	3,714,014	73,437,885	(118,611,128)	-

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements at other than fair values.

	Carrying amount		Fair value	
	2004	2003	2004	2003
Financial assets				
Net investment in finance leases (Note 5)	196,839,282	188,319,422	203,342,472	199,847,873
Financial liabilities				
Funds borrowed	108,556,405	110,301,756	108,551,756	110,234,417

The following methods and assumptions were used to estimate the fair values of the Group's financial instruments:

The interest used to determine the fair values of lease contracts receivables, applied on the balance sheet date to reflect active market price quotations are as follows:

	Interest Rates Applied (%)	
	2004	2003
Turkish Lira	28,75	27,50
U.S. Dollars	10,42	12,00
EURO	10,00	10,50
CHF	7,00	7,00

For cash and cash equivalents, receivables from lease payments outstanding, advances from customers and trade payables carried at cost or amortized cost, fair value is estimated to approximate carrying value due to their short-term nature.

The carrying value of premium receivable along with related provision for uncollectibility is considered to approximate their fair values. Carrying value of reinsurer current accounts and premium reserves together with the respective accrued finance costs are considered to approximate their respective fair values due to short term nature.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data.

29. SUBSEQUENT EVENTS

Effective January 1, 2005, the retirement pay ceiling has been increased to YTL 1,648.90.