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Koç UniCredit

YAPI VE KREDİ BANKASI A.Ş. ANNUAL REPORT 2006

YapıKredi

YAPI VE KREDİ BANKASI A.Ş.
ANNUAL REPORT

YapıKredi

2006

YOUR FIRST CHOICE: YAPI KREDİ

ANNUAL REPORT 2006

FAIRNESS TRANSPARENCY FREEDOM TRUST RESPECT

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PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci Mali
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COMPLIANCE OPINION ON THE ANNUAL REPORT

We have been engaged to audit the annual report of Yapı ve Kredi Bankası A.Ş. ("the Bank") as of 31 December 2006. This annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report about whether the financial information presented in the annual report is consistent with the audited consolidated and unconsolidated financial statements and explanatory notes to the financial statements.

We conducted our audit in accordance with the principles and procedures regarding the preparation and issue of annual reports and independent audit principles set out by the regulations in conformity with the Banking Act No. 5411. Those regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial information presented in the annual report is consistent with the audited consolidated and unconsolidated financial statements and explanatory notes to the financial statements. We believe that our audit provides a reasonable and sufficient basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Yapı ve Kredi Bankası A.Ş. at 31 December 2006 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Act No.5411; includes a summary of the Board of Directors' report and the independent auditor's reports; and is consistent with the convenience translation of the audited consolidated and unconsolidated financial statements and explanatory notes to the financial statements.

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

Zeynep Uras, SMMM

Istanbul, 12 April 2007

2006 Annual Shareholders' Meeting Agenda

1. Opening and the constitution of the Council for the Meeting,
2. Reading and discussing the Annual Report of Board of Directors, Auditors and Independent Auditing Institution of the year 2006 and reading, discussing and approval of the Balance Sheet, Profit and Loss Statement for the year 2006,
3. Releasing individually Members of the Board of Directors and the Auditors from liability,
4. Determining the attendance fees for Members of the Board of Directors and the fees of the Auditors,
5. Electing Members of the Board of Directors and determining the term of office of Board members,
6. Electing Statutory Auditors and determining the term of office of the Statutory Auditors,
7. Submitting the profit distribution policy of the Bank for 2007 and forthcoming years to the shareholders' knowledge according to the Corporate Governance Principles,
8. Submitting the donations made by the Bank in 2006 to the shareholders' knowledge,
9. Approval of the Independent Audit Institution selected for auditing the 2007 financial statements,
10. Discussing and approval of amending article 8 (Capital) of the Articles of Association of the Bank,
11. Granting permission to the Members of the Board of Directors for the transactions specified in Articles 334 and 335 of the Turkish Commercial Code, and Article 32 Paragraph 2 of the Articles of Association of the Bank,
12. Authorizing Council for the Meeting to sign the minutes,
13. Wishes.

PART 1: INTRODUCTION

Amendments to the Articles of Association and Reasons for the Amendments

In the Annual Shareholders' Meeting held on 31.03.2006, it was unanimously decided that the capital of Yapı Kredi shall be increased from YTL 752.344.693,18 to YTL 1.896.662.493,80 by an increase of YTL 1.144.317.800,62, the whole increase amount of YTL 1.144.317.800,62 be met from the subsidiary sales income (Sale of the Turkcell İletişim ve Turkcell Holding shares owned by Yapı Kredi) and for this purpose, article 8 of the Articles of Association be amended accordingly and a provisional article be added to the Articles of Association regarding dematerialization of the capital market instruments.

In the Extraordinary Shareholders' Meeting held on 21.09.2006, it was unanimously decided that the capital of Yapı ve Kredi Bankası A.Ş. shall be increased from YTL 1.896.662.493,80 to YTL 3.142.818.454,10 by an increase of YTL 1.246.155.960,30, which was subscribed through the transfer of the Koçbank A.Ş. to the Yapı ve Kredi Bankası A.Ş. with all its rights, receivables, obligations and liabilities in accordance with the provisions of Article 19 of the Banking Law and for this purpose, the article 8 of the Articles of Association be amended accordingly.

Dividend Policy Regarding 2007 and the Following Years

Under the light of the investment and financing needs of Yapı Kredi, taking into account also the growth of the Bank toward its targets within the sector, and in accordance with the provisions of the Banking Law, Turkish Code of Commerce and Capital Markets Law and the related legislations as well as the Articles of Association of the Bank; a dividend policy on the basis of the principle that at least %20 of the distributable profit is paid in cash or the distributable dividend is added to the capital, and the shares to be issued thereby are distributed to the shareholders as bonus shares or both methods are employed by certain ratios, and that the distribution is carried out in the times provided within the legislation was set out.

This policy is subject to revision by the Board of Directors whenever necessary as the national and international circumstances and the projects and the funds in the agenda are observed.

History of Yapı Kredi

Yapı ve Kredi Bankası A.Ş. (Yapı Kredi) is the first nationwide privately-held bank in Turkey founded in 1944 by Kazım Taşkent. The Bank has maintained its leadership in economic growth and social development of the country owing to its products and services along with its contributions in cultural and social landscape, throughout a solid history of 62 years.

Yapı Kredi has a well-deserved reputation in the sector as a pioneer with its innovative practices. Yapı Kredi became the first financial institution to be authorized to hold a foreign currency position in Turkey in 1975 and established the first Turkish off-shore bank in the Middle East in 1983. In 1986, Yapı Kredi's name was again in the forefront as the first Turkish Bank to issue bonds and certificates in international capital markets. Having joined Çukurova Holding in 1980, Yapı Kredi introduced Turkish consumers to consumer loans, credit cards, account access cards, ATMs and various investment products during the years of significant acceleration in the banking sector. The corporate banking services later gaining popularity were for the first time initiated by Yapı Kredi under the name of Wholesale Commercial Banking in 1985. Towards the end of 1980s, Yapı Kredi continued to launch other firsts such as retail banking, consumer loans, auto loans and revolving credit cards.

Yapı Kredi introduced the Turkish banking sector to computers in 1967, implemented an on-line banking system in its branches in 1984, and through further investments in the 1990s, significantly developed its services infrastructure and modernised its corporate structure, human resources, education systems and market strategies to better suit the changes in a technologically-driven environment. Within this framework, each of the alternative delivery channels, gathered under the umbrella of Limitless Banking, were re-designed individually to meet customers' expectations and changing requirements in time. The first telephone banking service was provided by Yapı Kredi in 1991. All the barriers between the Bank and the customers were removed by over 400 domestic branches, nearly 1.500 ATMs and digital branches providing 24 hours uninterrupted service via telephone, wap and the Internet. Implementations such as the reward points system and shopping in instalments with credit cards also stand among the firsts introduced by Yapı Kredi.

The leading projects of Yapı Kredi, which guided Turkish banking, were awarded by both national and international institutions. In 2000, Yapı Kredi Operations Center located in Gebze was honoured by the Millennium Product Award, presented by the English Design Council, while the Yapı Kredi Call Center won the silver medal in Europe by ranking second in the "European Call Center of the Year" competition in the field of Training & Coaching. Another award came in the same year with Teleweb, the Yapı Kredi internet banking service that was nominated for the eSure seal of Arthur Andersen for the first time in the world as a result of its applications' reliability.

In 2003, Yapı Kredi Call Center was voted as the "Best Call Center in Europe" by Call Center Focus and honoured with a certificate of excellence. In the same year, Yapı Kredi won a prize with Worldcard for being the "Bank That Realized The Highest Issuing Volume In Credit Cards" within the scope of the Most Successful Members of Visa Turkey Award Program. Chosen as the "Best Bank of Turkey" with Worldcard in the credit card sector by Global Finance magazine in 2005, Yapı Kredi was also honoured with "Best Call Center Environment Award" and "Most Praiseworthy Call Center Improvement Award" in 2006. In the same year, another award came with its successful activities in Private Banking. Yapı Kredi was awarded a prize for providing the "Best Private Banking Service in Central and Eastern Europe" by Euromoney, one of the most prominent finance magazines of the world.

Yapı Kredi has also transferred its pioneering position to sub-sectors by establishing separate financial service institutions such as leasing, factoring, investment banking/brokerage, asset management and insurance that complement its business in addition to banking and has formed a dynamic structure with the ability to meet each and every financial need of institutions and individuals.

Following the changes in the ownership structure of Yapı Kredi in 2002, in line with the resolutions between SDIF (Savings Deposit Insurance Fund) and Çukurova Group, 57,4% of Yapı Kredi shares including financial subsidiaries were acquired by Koçbank A.Ş, (Koçbank) a subsidiary of Koç Financial Services, (KFS) on September 28, 2005. As a result, a significant strategic step was taken to create one of the leading financial groups of the Turkish finance sector through KFS (holding 99,8% of Koçbank) which is a 50%/50% joint venture between Koç Holding A.Ş. (Koç Holding), one of the leading conglomerates of the country and UniCredit Group (UniCredit), a leading international banking group of Italian origin in the European finance sector.

Koçbank started to serve customers with a single branch in 1986 as the Koç-American Bank. It maintained steady growth owing to a plan of swift and strong organic growth. In the 2000s, Koçbank rapidly developed its branch network reaching 180 branches. Taking the lead in establishing KFS, the first financial holding company in the Turkish finance sector and ensuring the centralized management of all its companies, Koçbank established a partnership with UniCredit in 2002, the first foreign partnership in the Turkish finance sector.

At the Annual Shareholders' Meeting of Yapı Kredi in March 2006, the Bank's capital was raised nearly 2,5 times, reaching YTL1,9 billion. In April, Koçbank increased its ownership in Yapı Kredi from 57,4% to 67,3%. In line with the decisions made by the Board of Directors of Yapı Kredi and Koçbank the same month, it was agreed to initiate the legal proceedings for the legal merger. The first initiative was taken by the application made to the Capital Markets Board (CMB) and the announcement of the merger ratio as 19,73% in June. Following the CMB's approval of the application on August 3, 2006, the Banking Regulation and Supervision Agency (BRSA) approved the application with the same content on August 18, 2006. After BRSA approved on September 28 the decisions taken at the Extraordinary Shareholders' Meeting on

September 21, during which the final points regarding the merger were determined, the legal merger process was successfully completed with the transfer of Koçbank to Yapı Kredi on October 2, 2006. It was also decided that the new entity shall operate under Yapı Kredi name. The shareholder structure after the merger is as follows: 80,2% of Yapı Kredi's capital belongs to Koç Financial Services, whilst the remaining 19,8% is owned by minority shareholders.

Within this process, the new Yapı Kredi was created through comprehensive activities and projects conducted in line with the harmony between both banks. The power and reputation of Yapı Kredi in international capital markets were reinforced with the robust structure formed as a result of the concrete measures on restructuring the balance sheet starting from September 2005 and through the synergy resulting from the merger process completed through nearly 250 different projects run simultaneously. As a result, new funding sources were provided with a subordinated loan totalling to 850 million Euros in 2006. The securitization of USD 1,2 billion with a maturity of 7-8 years, which Yapı Kredi obtained in December 2006, in addition to the 1 and 2 year syndicated loans amounting to USD 650 million and 700 million obtained in the same period, went down in history as the largest DPR securitization (Diversified Payment Rights Securitization) ever obtained in the world in one single shot.

The new structure formed in Yapı Kredi certainly means and aims much more than the mere integration of Koçbank's robust financial and partnership structure and Yapı Kredi's valuable experience and strong reputation gained during a long history of innovations. This new period aims at value creation and undisputed leadership in all fields of activity where there is future growth potential. Furthermore, it rests on the solid ground supported by Koçbank's dynamic structure, experience of Koç Holding and UniCredit as well as Yapı Kredi's contributions in the Turkish finance sector for more than 60 years.

Yapı Kredi, which will undergo a fast growth and restructuring process in the following period, aims to become the undisputed leader of the finance sector through stable growth and value creation and to become the first and only choice of customers and employees by focusing on retail banking, credit cards, private banking and wealth management, SME banking and selective growth in corporate and commercial banking.

The new Yapı Kredi under the umbrealla of KFS, a 50%-50% joint venture of Koç Group and UniCredit, aims to be successful through its strong vision, customer-focused leadership perception, stronger capital structure, corporate structure complying with international standards and the importance it attaches to its values. In order to reach this target and to remove all limits in services, Yapı Kredi is growing hand-in-hand with its 13.478 personnel, 608 service points and subsidiaries, and always endeavours to produce the better with the support of its customers.

Yapı Kredi in 2006

- Following the transfer of 57,4% Yapı Kredi shares to Koçbank on September 28, 2005, the Boards of Directors of both banks made a decision on April 20, 2006 to merge the two banks.

- On October 2, 2006, the legal merger process was successfully completed with the transfer of Koçbank to Yapı Kredi and the biggest merger of the Turkish banking history was accomplished. On the same date, Yapı Kredi changed its logo and the names of 180 nationwide Koçbank branches in one go.

- As of December 31, 2006, Yapı Kredi is the fourth largest private bank in the sector with its asset size of YTL 49 billion. The merger lead to the creation of one of Turkey's most dynamic and experienced institutions; thus a brand new era has started for the Turkish economy and the banking sector. The vision of the new Yapı Kredi is to become the perceived leader in the market in terms of sustainable value creation and growth, being the first choice of customers and employees.

- The new Yapı Kredi, 80,2% shares of which are owned by Koç Financial Services and 19,8% by minority shareholders, has a paid-in capital of YTL 3 billion 143 million as of the completion of the legal merger process. KFS, Yapı Kredi's main shareholder, is an integrated and well capitalized financial services provider under the 50%-50% partnership of Koç Holding and UniCredit. Koç Holding is Turkey's leading industrial and services Group; a flagship of the Turkish economy and high-growing consumer demand in Turkey. UniCredit is an international banking group, leader in Central and Eastern Europe (CEE) with presence in 20 countries.

- The system integration has been accomplished at the end of October 2006 and all information belonging to 13 million customers and all banking products previously held in two different systems were transferred to one single system without any information loss. This change, which was realized in order to provide customers with the latest technology and highest quality service, enabled all Yapı Kredi branches and ATMs with the ability to provide customers with a standardised service from one single platform. Within this framework, new practices were initiated to render a more modernised service and to increase the system performance of Yapı Kredi that aims to present the highest quality service to its customers.

- The merger of the four core financial subsidiaries, operating in the fields of factoring, leasing, asset management and investment banking/brokerage that were owned by Yapı Kredi and Koçbank, was completed in December 2006 - January 2007. After the merger, the names of the subsidiaries were changed to Yapı Kredi Faktoring (factoring), Yapı Kredi Finansal Kiralama (leasing), Yapı Kredi Portföy Yönetimi (asset management) and Yapı Kredi Yatırım Menkul De¤erler (investment banking/brokerage).

- Yapı Kredi made a renewed start in 2007 after successfully completing the merger and integration process at the end of 2006 backed by the dedicated strategic support of its main shareholders Koç Holding and UniCredit, the self-devotion of its employees and the Bank management that combines local and international knowledge, expertise and experience.

Strategic Positioning Following the Merger

- Following the merger with Koçbank, Yapı Kredi occupies a strategic position with an outstanding competitive advantage in the banking sector. In terms of total assets, Koçbank held the 9th and Yapı Kredi the 8th place prior to the merger. After the merger, the new Yapı Kredi has now become the fifth largest bank.

- As of December 31, 2006, Yapı Kredi is the market leader in credit cards, mutual funds, non-cash loans, leasing, factoring, private pension and non-life insurance.

As of 31.12.2006

Yapı Kredi
4th largest private bank

		Ranking	Market Share
Retail	Number of Branches	4	8,9
	Deposit (1)	4	10,4
	Consumer Loans (2)	6 (7)	6,0
	Credit Cards (3)	1	26,3
Asset Management + Equity Transactions	Asset Management	1	23,0
	Brokerage (5)	6	4,5
Corporate	Deposit (1)	4	10,4
	Cash Loans (6)	4	9,4
	Non-cash Loans	1	18,9
	Leasing	1	18,3
	Factoring	1	22,7
Insurance	Life	2 (4)	14,4
	Private Pension	1 (4)	22,7
	Non-life	1 (4)	16,5

(1) Total deposits since total retail deposits for all banks are not disclosed separately
(2) Excluding credit cards, (3) Outstanding balance market share,
(4) Including Koç Allianz which is a Koç Group subsidiary, (5) Equity trading volume,
(6) Cash loans excluding credit cards and consumer loans

Yapı Kredi - Koçbank Merger and Integration Process

Before the merger, both banks were strategically significant institutions of the sector. Following the merger, an entity integrating highly qualified human resources and best practices was created.

Yapı Kredi

- Strong and deep-rooted franchise
- Pioneer in retail banking and innovation
- Market leader in credit card business
- Large individual customer base
- Widespread and powerful branch, ATM and POS network in Turkey
- Strong heritage and recognized brand
- Continuous contribution to society with social and cultural activities

Koçbank

- Segment-based service model
- Large private/affluent customer base
- Expertise in mutual fund business
- Effective cost and risk management
- Restructuring and profitability track record
- Strong reputation of Koç brand

Yapı Kredi After The Merger

- Customer-focused strategy
- Superior quality customer service
- Stronger capital base
- Sound balance sheet management based on sustainable value creation and growth
- Focus on operational efficiency and cost management
- Outstanding risk management
- Qualified human resources
- Strong brand recognition

Legal Steps of the Merger Process

Following the most important acquisition of the Turkish banking history, Koç Financial Services and Yapı Kredi Group united their background, experience and power under one umbrella on September 28, 2005, to create a leading financial services group that would achieve outstanding results in the sector and improve the lives of its customers, employees and other stakeholders.

16 JANUARY 2005	Exclusive Negotiations
31 JANUARY 2005	Share Transfer Agreement
8 MAY 2005	Share Purchase Agreement
28 SEPTEMBER 2005	Transfer of 57,4% of Yapı Kredi Shares to Koçbank
23 FEBRUARY - 9 MARCH 2006	Tender Offer Process for Yapı Kredi Minority Shares (completed with 0,0050% share participation)
APRIL 2006	Acquisition of Additional 9,9% of Yapı Kredi Shares by Koçbank
20 APRIL 2006	Decision by the Boards of Directors of two banks on merging Yapı Kredi and Koçbank
JULY 2006	Announcement of Merger Ratio as 19,73%
3 AUGUST 2006	Capital Markets Board Approval for the Merger
18 AUGUST 2006	BRSA Approval for the Merger
21 SEPTEMBER 2006	Approval of the Merger by the Extraordinary General Assemblies of Yapı Kredi and Koçbank
2 OCTOBER 2006	Legal Merger; Dissolution of Koçbank as a legal entity after the merger

Transformational Change and Restructuring Process

While proceeding with the legal process regarding the Yapı Kredi - Koçbank merger, indispensable priorities of the new entity were initially identified:

- Solid balance sheet and capital structure
- Effective and high quality service
- Customer focused organization
- Operational efficiency
- Outstanding risk management
- Brand recognition

The process of profound change and restructuring started on the basis of the aforementioned priorities and was successfully completed at the end of 2006:

- **Nearly 250 projects were launched with the participation of approximately 800 employees.**

- **Assets were reviewed and capital was strengthened in order to have a sounder asset structure. A common risk management policy was developed to ensure more effective risk management; new arrangements for the controlled management of costs were prepared.**

  3,2 bln YTL of cash inflow was secured through the sale of non-core assets and collection of receivables (Turkcell, A-tel, Fintur/Digiturk and Fiskobirlik). As a result, the capital of Yapı Kredi increased by YTL 1,1 billion and that of Koçbank by YTL 1,9 billion. New sources of funding were provided through subordinated loans amounting to a total of Euro 850 million; Euro 500 million for Yapı Kredi and Euro 350 million for Koçbank. In addition, a securitization of USD 1,2 billion, the largest Diversified Payment Rights securitization ever obtained in the world in one single shot, and two syndicated loans worth USD 650 million and USD 700 million were received from international markets. The new bank was furnished with a strong capital structure owing to the capital increase and low-cost funding while its capital adequacy ratio climbed over 12%. Moreover, a common risk management policy aimed at excellent management of credit, market and operational risks was developed. In line with the goal of becoming the Bank with the best cost/income ratio, controlled cost management was determined to be a priority task and a cost management unit was established accordingly.

- **The management structure and human resources were improved to create a more effective organization.**

  A common organizational structure was formed in both banks so as to ensure efficiency and effectiveness in the operations of the new Bank. Head Office departments were consolidated in the Yapı Kredi Plaza building. Alternative delivery channels services were moved to Yapı Kredi Operations Center in Gebze where all operation services were also centralized. Employees were shifted to customer focused front office positions to provide the best service possible. In accordance with the new sales focused strategy, over 700 existing employees were moved to the front office sales positions; 450 of them in 2006 and the rest in 2005.

  Following the merger, the Bank's personnel reached 13.478 and 1.372 new employees were recruited in 2006. Projects were initiated to offer training programs and new career opportunities to employees. All titles were reconsidered and all personnel were placed at appropriate levels through the utilization of a work assessment methodology. The target of this implementation was to position human resources fairly according to the work amount and suitable to the sector's requirements as well as to regulate compensation management accordingly. In 2006, the Management By Objectives and Reward System (MBO) was initiated to reward in-house performance and achievements and to incerase sales and business efficiency within the Bank.

- **The new Bank's operational and technological structure and service capacity were reviewed in order to provide customers with faster, more modern and higher quality service.**

  Branch/personnel specialization was achieved through the new service model. The offering prices of significant products were reconciled while cross-sell activities were conducted to present new products to customers. New loan processes and the competency to provide fast and efficient service during these processes were developed. More authority was assigned to branch managers and regions. In 2006, the branch network was extended with the opening of 20 new branches while 12 branches were relocated. Important steps were taken towards serving customers via advanced technology, while the delivery network was reinforced with nearly 450 new ATMs, 1.200 new money counting machines, 175 new Q-matics and 500 new office machines. Yapı Kredi joined the Golden Point ATM program. Customer satisfaction surveys were conducted with all customers of the Bank and subsidiaries.

- **After completing the necessary preparations, the System Technology Integration Project, the biggest system technology integration project of the Turkish banking sector, was realized between 21 and 25 October.**

  This wide-scale project, enabling all Yapı Kredi data to be converged in a format recognizable by the new system and making it possible for all branches and personnel to work via one single system, was successfully completed in less than eight months.

As of the end of 2006, as a result of all these steps taken, Yapı Kredi assumed its new position in the sector with its new identity by reinforcing its image as a powerful, effective, fast, modern, high-quality, large and robust franchise.

Yapı Kredi's Shareholder Structure

The financial statements of both banks dated April 30, 2006 that were independently audited and taken as the basis for the transfer of Koçbank to Yapı Kredi, the merger of the two banks through the transfer of Koçbank to Yapı Kredi with all its rights, receivables, liabilities and obligations and the subsequent dissolution of Koçbank as well as the Merger and Transfer Agreement signed between Koçbank and Yapı Kredi on July 31, 2006 that was ratified by the BRSA decision No. 1957 dated August 18, 2006 and with CMB decision No. 34/956 dated August 3, 2006, were all approved at the Extraordinary Shareholders' Meeting held on September 21, 2006.

The capital of Yapı Kredi was raised from YTL 1.896.662.493,80 to YTL 3.142.818.454,10 following the merger of the two banks through the transfer of Koçbank with all its rights, receivables, liabilities and obligations to Yapı Kredi and following the transfer of all assets and liabilities of Koçbank - as a consequence of the unliquidated dissolution of Koçbank - to Yapı Kredi in accordance with the related legislation and Article 19 of the Banking Law. BRSA approval for the above-stated capital increase was published in the Official Gazette dated October 1, 2006 and registered by the Istanbul Trade Registry Directorate on October 2, 2006. The new capital and shareholder structure of Yapı Kredi has been formed as stated herein below following the merger:

Name of Shareholder	Nominal Share Value (YTL)	%
KOÇ FINANCIAL SERVICES A.Ş.	2.520.014.946,03	80,18
OTHER SHAREHOLDERS	622.803.508,07	19,82
TOTAL	3.142.818.454,10	100,00

Shares owned by the Chairman, members of the Board of Directors, the General Manager and Assistant General Managers amount to an insignificant value.

Summary Financial Information

Major Income Statement Items ('000 YTL)			
	2006	2005*	2005**
Operating revenues	**3.047.544**	**3.015.980**	**3.936.468**
Net interest income	1.759.297	1.064.154	1.632.923
Net fee and commission income	851.816	506.871	723.948
Other operating revenues	436.431	1.444.955	1.579.597
Operating profit	**709.502**	**(1.719.269)**	**(1.356.609)**
Impairment losses on loans, credit related commitments and other provisions	(339.965)	(1.290.270)	(1.404.433)
Other operating expenses	(1.998.077)	(3.444.979)	(3.888.644)
Profit for the year	**512.239**	**(1.543.010)**	**(1.304.565)**
Income tax expense	(197.263)	176.259	52.042

Major Balance Sheet Items ('000 YTL)			
	2006	2005*	2005**
Loans and advances to customers	22.504.146	11.420.852	18.659.328
Financial assets	16.469.574	5.975.038	9.951.114
Deposits	31.127.271	17.079.186	26.672.375
Other borrowed funds	6.159.001	1.898.971	3.323.931
Number of personnel	13.478	10.211	13.801
Number of branches	608	416	590

(*) Based on pre-merger Yapı Kredi bank-only financial statements as of 31 December 2005.
(**) Based on combined financial statements of Yapı Kredi and Koçbank as of 31 December 2005.

Vision, Values and Strategy

‘Kutup Yıldızı’ (North Star) project, whose fundamentals were drawn by the senior management in June 2006, has been initiated in order to identify the vision and values of the new Yapı Kredi created by the merger of Yapı Kredi and Koçbank on October 2, 2006. In the last quarter of 2006, common values were determined together with the employees. This project, for which a nearly 6-month dissemination plan is devised, is regarded as one of the Bank’s most important projects in 2007.

Yapı Kredi’s Vision:

The vision of Yapı Kredi is to become undisputed leader of the finance sector through sustainable growth and value creation and be the first and only choice of customers and employees.

Yapı Kredi’s Values:

Freedom: Yapı Kredi people can always clearly and easily express their ideas in any given situation. For this purpose, they use the appropriate means in a constructive way. They act freely within the framework of the Bank’s values and participate in activities contributing to the future of the corporation.

Fairness: Yapı Kredi people act in a steady and consistent manner towards their colleagues, customers and the parties working with the Bank and treat them on the basis of equal opportunity without considering any personal interests. Yapı Kredi people make decisions after evaluating the situation objectively and act in accordance with their values and commitments while fulfilling their corporate and social responsibilities.

Transparency: Yapı Kredi people share the corporate information relevant to their fields with their colleagues, customers and the parties working with the Bank in a transparent, clear and timely manner within the framework of confidentiality principles and assure that this information is accessible by all relevant parties. Yapı Kredi people express their real opinions with the same degree of transparency.

Trust: Yapı Kredi people create trust among their colleagues, customers and the parties working with the Bank through their banking knowledge and skills and their commitment to corporate values. Yapı Kredi people trust the people to whom they give responsibility and authority. They do not make promises that they cannot keep. They demonstrate ownership for the problems and mistakes, find solutions and pursue the results.

Respect: Yapı Kredi people listen to their colleagues and customers, irrespective of their identities, in order to understand them and care about what has been said. They respect the opinions of others and know that others will also attach importance to their ideas and opinions.

Yapı Kredi’s Strategy:

Yapı Kredi’s strategy is based on sustainable growth and profitability, value creation and operational efficiency. The Bank’s objective for the period ahead is to achieve the following strategic targets under five main areas while at the same time focusing on outstanding risk management and excellence in cost management:

- Consolidate the leadership in credit cards and become the leader in consumer loans
- Become the leader in asset gathering (deposits, mutual funds and assets under custody) and first choice of High Net Worth Individuals
- Bring mass segment towards profitability
- Selective growth in Commercial and Corporate Banking
- Growth in Small Business through a profitable business model

Chairman's Message

Dear Shareholders,

2006 was characterized by a series of significant political and macroeconomic developments for the world economy and the Turkish economy that has increasingly become much more integrated with the global economy. The Turkish economy demonstrated a substantially positive performance in the last four years, as particularly compared to pre-2001 period. Economic growth was boosted with the expectations towards starting full membership negotiations with the European Union (EU) in the last quarter of 2005, accelerating as a result of positive expectations in the first half quarter of 2006.

In line with recovering inflation expectations, Turkey attracted significant amounts of foreign direct investment and maintained the inflation rate around 8% with continuously decreasing real interest rates. In the second half of the year, our country was influenced by the global market trends and entered into a fluctuation period impaired by liquidity recession in the international markets and the rocketing oil prices. The financial markets and our economy in general passed a challenging test against spiking interest rates and foreign exchange rates, amidst the concerns due to soaring foreign trade deficit and current deficit.

Despite such trends and fluctuations, the Turkish economy continued to grow in 2006, preserved stability in internal and external policies, and harvested the benefits of its IMF-backed program as well as the reforms conducted in terms of EU harmonization process. The privatization activities geared up to cash out USD 8 billion, while foreign capital inflow was at record heights with USD 19 billion, a vital resource to finance current deficit.

All those developments throughout 2006 had profound impacts on the banking sector; the sector preserved its strength despite frequent fluctuations during the year, realizing a series of milestones, not only in terms of profitability and asset size, but also with foreign investments and acquisitions. In line with the new regulations, the sector pursued its rapid pace of improvement ranging from risk management to corporate governance, and the competition became tougher following the new comers and the increasing foreign capital.

Yapı Kredi, as a landmark institution of the Turkish banking sector, has undergone a significant transformation process in 2006, considering both the history and the future of the sector. In 2005, Yapı Kredi was acquired by Koç Financial Services, a joint venture of Koç Holding and UniCredit, and in 2006 a thorough restructuring process was completed not only in the Bank but also within the entire Group. Following the decision to merge the two Group companies, Yapı Kredi and Koçbank, a comprehensive and detailed integration process was deployed. Upon completion of the integration, legal merger was realized on October 2, 2006, combining these two banks which played significant role in the growth of the Turkish economy as well the development of private financial capital.

The new entity formed after the merger of the two landmark organizations decisively maintained its operations under Yapı Kredi name. As of October 2, 2006, the new Yapı Kredi positioned itself in the sector with a new identity and vision. The new entity changed the rankings of the sector, reflecting the merger of two distinguished banks whose clients have been used to receive superior service quality. The two banks have maintained a consistent growth during the year, thus Yapı Kredi recovered its profitability base before the merger, not compromising any of its commercial activities.

As of the end of 2006, Yapı Kredi became the fourth largest private bank in Turkey with YTL 48,9 billion of total assets, effectively addressing its customers' needs with its product range during the year, and substantially increasing its business volume as compared to previous year. Reinforced by the legal merger with Koçbank, Yapı Kredi's commercial activities were rewarded with its customer base increasing to 13,5 million, branch network to 608 branches and total ATM's to 1.715, establishing its leadership position in many products and services. Yapı Kredi ranked among the leading banks in the sector with 23% market share in mutual funds, 10,4% in deposits and 9,4% in cash loans, and also carved its long-standing leadership in credit cards with 26,3% market share in outstanding balance. Despite a demanding restructuring process, Yapı Kredi continued its support to the real sector, fulfilling its responsibilities as a leading financial organization in the Turkish banking sector, while also realizing a series of international capital market transactions after a long pause, thanks to its financial strength and robust shareholder structure.

On behalf of the Board of Directors, I would like to take this opportunity to thank our clients for being with us at all times; to all my colleagues for their devoted efforts and contributions; our correspondent banks for their ongoing strong reciprocity over the years and to our shareholders for their unfailing support.

Regards,
Dr. Rüşdü Saraço¤lu
Chairman

CEO's Message

Dear Shareholders,

Our country has left behind a year of busy agenda in political and financial terms and of countless changes in the financial system. The year 2006 has certainly been a year when Turkey had the opportunity to recognize its economic power, current position and future issues which will require special attention. Turkey demonstrated a favorable economic performance in the first few months of the year, whereas the rest of the year was dramatically characterized by efforts to stabilize the market conditions influenced from domestic and external factors, and maintaining the growth and improvements achieved in recent years.

As one of the leading economies of the world, Turkey has become a point of attraction worldwide with recent structural reforms, economic and political stability and international policies. Consequently, foreign direct investment has significantly increased in 2006. The banking sector, representing the largest stake in the financial sector, experienced remarkable developments in terms of growth potential and with a more solid financial structure as compared to previous years, became a substantial market for foreign investments.

The mergers and acquisitions performed throughout the year have created a more competitive environment in the rapidly growing and restructuring Turkish financial sector, while the banks have continued to grow despite economic fluctuations and the sector signaled recovery from its inherit volatility. This situation was undoubtedly driven by the importance attached to the solid asset structure, real banking oriented revenue generating strategies, strict cost control mechanisms and efficient risk management approach.

Despite such substantial developments and against challenging competition, Yapı Kredi accomplished the greatest merger of the Turkish banking history in 2006, as the leading actor of the sector and without compromising the financial needs of its customers. Throughout the year, Yapı Kredi streamlined its entire operations and deployed profound changes to accommodate a more effective and efficient service model, and finally realized the legal merger with Koçbank, completing a unique process ever to be accomplished in the sector again. In this regard, 2006 began with a series of integration projects and our organization was completely rebuilt to achieve a more powerful and effective position. Our 2006 financial results proved that we have simultaneously achieved multiple targets, reinforcing our financial structure through various operations, developing a sales and service oriented organization and continuing to open new branches despite the challenges of the integration process.

Today, the new Yapı Kredi is stronger than ever, and aims to be the best and the leader, after this intensive period that brought plenty of benefits to the Turkish economy, banking sector and over thirteen million customers; increased our market capitalization and created value for our shareholders, customers and employees. To this end, our next target is to become the first choice of our customers in all segments and to offer the best and the newest with our long-established experience and financial power.

I would like to take this opportunity to thank our customers for their trust and support, and for standing at our side during every phase in the history of Yapı Kredi; to our shareholders and to our employees for their dedicated efforts.

Cordially,
S. Kemal Kaya
Chief Executive Officer

Overview of the Turkish Economy

The Turkish economy demonstrated a fairly high annual average growth rate of 7,5% between 2002 and 2005. Turkey became a more attractive business environment for foreign investors as a result of the political stability achieved in this period, the success of the economic program implemented with the International Monetary Fund's (IMF) support and the membership process initiated after challenging negotiations with the European Union (EU). Thus, privatization accelerated, while foreign capital inflows hit record high levels. In the same period, the Central Bank obtained successful results in its struggle against inflation; while interest rates and exchange rates decreased rapidly.

However, the capital outflows triggered by global uneaseness in May and June 2006 caused significant fluctuations in domestic financial markets; exchange and interest rates increased sharply, while the growth rate slowed down due to the contraction of domestic demand in the second half of the year. As of July, financial markets regained a certain level of stability and the impact of exchange and interest rate increases on the economy remained relatively limited.

Exports displayed strong performance in 2006. Despite this, the foreign trade deficit continued to expand due to the rapid increase in imports. Record levels of current account deficit remained on the agenda as another factor of uneasiness. On the other hand, the continuance of fiscal discipline brought success in the public finances in 2006.

The Gross Domestic Product (GDP), which grew by 7,2% in the first half of 2006, dramatically slowed down and achieved an increase of only 3,4% in the third quarter of the year due to fluctuations in May and June. Production-wise, no significant change was noted in the growth rates of industry and construction sectors in the third quarter of the year, while the slowdown in the GDP stemmed from the decline in the growth rate of the services sectors. Expenditure-wise, private consumption expenditures, which grew by 9,4% in the first half of the year, increased by only 1,3% in the third quarter and it was observed that this was mainly due to the 8,9% decline in consumer durable expenditures. While the public consumption expenditures continued to contribute positively to growth, the private investment's growth rate declined in the third quarter of the year.

As a consequence, the GDP grew by 5,6% and the GNP by 5,7% in the first nine months of the year. In the same period, growth in the industrial sector was 7,3% and growth in the construction sector was 20,1%. On the other hand, private consumption expenditures grew by 6,2%. As for investments, a remarkable increase of 18,8% was observed in private sector investments despite the 2,2% contraction in public sector investments.

The improvement in the unemployment figures was rather limited in 2006. The unemployment rate, which was 10,3% in 2005, decreased slightly to 9,9% in 2006.

Export volume climbed up by 16,9% over the previous year, on account of the price advantage created by the depreaciation of YTL against foreign currencies and the strong growth in the Euro region. A higher growth rate, namely 17,6% was observed in imports, as a result of domestic economic growth and increase in the international oil prices. This rapid growth in imports brought an increase of 20,2% in foreign trade deficit. Consequently, exports rose to USD 85,3 billion and imports to USD 137,3 billion in 2006. In the same period, the foreign trade deficit was noted as USD 52,0 billion.

The widening trade deficit continued to influence the current account deficit in 2006. As a result, the current account deficit, which was USD 22,8 billion in 2005, rose to USD 31,3 billion at the end of 2006. In the same period, unlike previos years, a remarkable decrease was observed on the net service revenues, which stand among the other sub-components of the current account balance. The decline of 7,2% in tourism revenues played an important role on this decrease.

Meanwhile, there was an inflow of USD 44,7 billion through the financial accounts in 2006. With the influence of privatization and especially of domestic asset sales in the financial sector, USD 18,9 billion of the total capital inflow was realized in the form of foreign direct investments. When the components of capital inflows were analyzed, it was observed that 42% of the total inflow consists of direct investments; 18% consists of purchases of public debt instruments issued in domestic markets and shares traded on the Istanbul Stock Exchange (IMKB) by non-residents; and 56% consists of loans provided by the banking and corporate sectors from abroad. On the other hand, the public sector continued to reimburse foreign debt. If the repayments to IMF are also taken into consideration, there was an increase of USD 6,1 billion in official reserves and the reserves of the Central Bank closed 2006 at a record level of USD 60,8 billion.

Successful results were obtained in the consolidated budget in 2006. General budget revenues increased in real terms by 4,4% and were noted as YTL 166,6 billion while the central administration expenditures reached YTL 175,3 billion with an increase of 0,5% in real terms. In the same period, interest expenditures decreased by 8,2% in real terms and the increase in total budget expenditures mainly arose from the 4% real increase in non-interest expenditures. As a result of these developments, the central administration budget registered a deficit of YTL 4 billion in 2006, while the primary surplus was recorded as YTL 42 billion, with a considerably high increase of 19,1% in real terms. Consequently, the targeted primary surplus of YTL 32,3 billion was largely exceeded in 2006.

Secondary market interest rates of Government Domestic Debt Instruments (GDIs), which remained around 13,5% until May owing to the positive atmosphere at the beginning of 2006, rapidly increased during the global fluctuations experienced in May and June and reached 22,8%. Similarly, compared to the end April, the foreign currency basket consisting of USD 1 and Euro 0,77 depreciated by 29% as of June 23. In such unfavourable circumstances, expectations were negatively influenced and the annual inflation around 8%, exceeded the 10% level, while a rapid slowdown was observed in consumer loans.

Due to the unsettled fluctuations in domestic financial markets, the Central Bank intervened and initiated strict measures as of June. Within this framework, short term interest rates were raised from 13,25% to 17,5%. The excess liquidity in the market was withdrawn so as to preclude foreign currency demand; while, on the other hand, the decrease in the foreign currency liquidity was prevented through foreign currency sales. As a result of these measures, the financial markets calmed down, interest rates in the bill and bond markets started to decrease and the YTL appreciated, also helped by improving expectations in the international markets. Consequently, when the highest figure observed in exchange rates during the fluctuations was taken as a basis, the exchange rates rose by 15% in terms of the basket and hereby the previous depreciation was partially recovered. The benchmark interest rate decreased to 20% in the secondary market at the end of the year.

Another striking development of the year was the increase in the Euro/USD rate. The rate, which was around the 1,21 level at the beginning of 2006, fell to 1,185 at the end of February, before exceeding 1,30 in November as a result of the strong economic growth of the Euro region and the stabilization of FED interest rates in the second half of the year. On the last day of 2006, the Euro/USD rate was 1,32.

In 2006, the Central Bank ended implicit inflation targeting, which was implemented during 2002-2005, and adopted open inflation targeting. The Central Bank announced the consumer price index (CPI) targets as 5%, 4% and 4% respectively for 2006, 2007 and 2008 and used the short term interest rates as an effective means in the struggle against inflation. The floating exchange rate regime was maintained in 2006 as well, and foreign currency purchases through tenders continued in the first half of the year with the aim of accumulating reserves against the intensive capital inflows.

The Central Bank contributed to the stability in financial markets by adopting the aforementioned urgent measures against the unfavourable developments in May and June. The Central Bank, which suspended the tenders for foreign currency purchases during the fluctuations, resumed these purchases in November. Consequently, Central Bank overnight interest rates, which stoodat 13,5% in the beginning of 2006, were decreased to 13,25% at the end of April and then raised to 17,5% until the end of July. Central Bank overnight interest rates closed 2006 at this level.

The fluctuations in financial markets resulted in an inflation figure considerably above the 2006 inflation target. The CPI, which was 7,72% in 2005, increased to 9,65% at the end of 2006; while the producer price index (PPI), which stood at 2,66% in 2005 rose to 11,58%, mainly due to the increase in international oil prices and the depreciation of the YTL.

2006	January	February	March	April	May	June	July	August	September	October	November	December
Monthly CPI(%)	7,93	8,15	8,16	8,83	9,86	10,12	11,69	10,26	10,55	9,98	9,86	9,65
Benchmark Bond Rate (Compound, %)	13,49	13,40	13,96	13,66	17,05	20,99	19,44	19,16	21,81	21,55	21,24	21,15
Central Bank Overnight Interest Rate (%)	13,50	13,50	13,50	13,25	13,25	17,25	17,50	17,50	17,50	17,50	17,50	17,50
YTL/$	1,326	1,312	1,348	1,322	1,568	1,577	1,488	1,455	1,504	1,461	1,453	1,412
YT/Euro	1,606	1,559	1,633	1,659	2,018	2,006	1,899	1,870	1,906	1,855	1,917	1,860
ISE (İstanbul Stock Exchange)-100 Index	44.590	47.016	42.911	43.880	38.132	35.453	36.068	37.286	36.925	40.582	38.169	39.117

Overview of the Global Economy

The revival of the global economy, which was observed as rapid growth in many countries and regions for the last four years, continued during 2006 and even enabled some economies to accomplish higher-than-expected growth rates.

As for developed countries, the economic growth in the USA slowed down despite a rapid increase in the first quarter of 2006, whereas growth accelerated in the Euro region and preserved its pace in Japan. Despite the problems experienced in global financial markets, other developing countries and emerging market economies had a successful year in terms of growth with the contribution of high commodity prices. Taking these developments into consideration, it was predicted that the world economy with a growth rate of 4,9% in 2005, would stand at 5,1% in 2006 and 4,9% in 2007.

On the other hand, in some countries where a rapid growth process is experienced, there was a possibility for inflationary pressures to re-emerge. Signals for the increase of core inflation drew attention in developed countries, especially in the USA, while the data obtained indicated the ending of a deflationary process in Japan.

Like the previous years, significant increases were observed in oil and metal prices in 2006 as a result of the vibrant world economy. However, the oil prices showed a declining trend since August. This trend is expected to continue in 2007.

Inflationary concerns and tight monetary policy caused fluctuations in some of the security markets of emerging market economies and the stock markets of developed countries in May and June; however these fluctuations settled as of July.

The high current account imbalance between large economies was again among the significant problems of the previous year. The current account deficit of the USA approximated to 7% of total GDP despite the increase in exports. On the contrary, the current account balance of China resulted in a surplus above 7% of total GDP.

Economic growth in the USA is predicted to slow down in 2007, especially as a result of an expected recession in the housing sector. The Fed is expected to continue its tight monetary stance on the back of continuing concerns on inflation.

Since Japan has not yet faced an inflation threat, the interest rates are expected to increase gradually. If the recovery process turns out to be as strong as expected in the Euro region, the most likely development is that the European Central Bank will continue to increase the interest rates as in recent months.

The increases in GDP in real terms, which were observed in the Euro zone in the first half of 2006, resulted from the increases in domestic demand, especially in investments. Domestic demand growth stayed active in Germany, France and Spain. It is expected in the next period that the revival of private investments will continue in Germany, which has the highest profitability rates and most intensive corporate restructuring, and that this trend will extend its influence, spreading to France and Italy.

In 2006, emerging market economies and other developing countries carried on their noteworhty performance of previous years. Asian countries, especially China and India headed this group with their high growth rates. High increases in metal prices and especially in commodities other than oil played a significant role in many developing countries' accomplishment of high growth rates.

Economic growth gained momentum in Latin American countries in the first half of the year. This growth stemmed from higher public spending and lower interest rates as well as the increase in prices of some commodities. The fluctuations, observed in financial markets in May and June, affected the region to a limited extend owing to the adoption of a more flexible exchange rate system, significant foreign currency reserves and the improvement in public sector indicators.

Central and Eastern European countries, which recently joined the EU, accomplished high economic growth in 2006 on account of the net capital inflow and domestic demand fed by loans. Economic growth in the mentioned countries is expected to continue in the upcoming periods.

It is expected that countries of the Commonwealth of Independent States, where 2006 data signal active growth and positive expectations, will continue to experience the strong effects of the economic growth rate achieved so far. As for Middle Eastern countries, the high oil prices especially in the first half of 2006 led to a surplus in current accounts.

As for emerging market economies and other developing countries, those countries that were unable to maintain financial discipline and control inflation expectations and with a considerable current account deficit, stood in a riskier position than other countries. They were also afftected by the narrowing liquidity and by the increasing interest rates in the international financial markets. Within this framework, the said countries are expected to give political priority to measures which will maintain the current growth rate and decrease their vulnerability against external shocks.

The world economy is expected to grow at a considerable rate in 2007. It is predicted that the high growth rate will be maintained in the emerging market economies, especially in China, and that a higher-than-expected investment rate will be achieved in some developed countries. However, developments that may negatively affect the global economy should not be ignored. The main risks regarding the upcoming period are the adoption of tighter monetary policies due to the increase of inflationary pressures; possible bottlenecks in demand of commodities except oil and basic commodities other than oil; potential sudden decreases in the housing sector of developed countries, especially in the USA; and the possibility that the increase in private consumption will stay below the expectations in Europe and Japan.

Overview of the Turkish Banking Sector

In the previous years, growth of the financial sector was mainly hindered by the low level of savings resulting from low incomes; high inflation lasting a long time; and the low demand for financial assets due to high taxation on financial instruments and services. However, there is a substantial growth trend in the loan portfolio of the sector in recent years. This growth was triggered by the positive macroeconomic atmosphere as well as the reductions applied especially in 2004 to several burdens on lending.

On the other hand, the new business environment has attracted significant number of foreign banks. The analyses on foreign capital inflows to Turkey since 2005 reveal that the number of private banks with foreign partnerships increased dramatically. According to the calculations made by the BRSA, share of foreign investment in the Turkish banking system stood at 20,2% as of December 2006. Therefore, in the following period the possible privatization of public banks will stand out as an important issue affecting ownership structures in the sector.

The impacts of the fluctuations experienced in the financial markets in May and June should be taken into account in order to correctly evaluate the Turkish banking sector in 2006. The rapid growth trend in loans, which was the most prominent development in asset structure of the sector recently, continued during the first five months of the year and increased to 25% with the contribution of a growth rate of 42% in individual loans. In this period, housing loans reached 57%, having an overriding effect on the growth of individual loans. However, along with a relative decline in domestic demand, the growth rate of individual loans decreased considerably due to the increase in interest rates and to the depreciation observed on the TRY in midyear with the influences of both the domestic and foreign markets. Within this framework, during the June - November period individual loans increased by only 7%, while the expansion of total loan stock remained at 5%. Housing loans, which have been a trigger for growth since mid-2005, rose by a mere 6%. In the said period, corporate loans in YTL grew remarkably with an increase of 14%. On the other hand, the sectorwide NPL ratio continued at a stable level after dramatically decreasing in the first two quarters of the year.

The growth rate is expected to gradually accelerate in 2007, after it has slowed down as a result of relatively high interest rates despite the fluctuations were stabilized in the financial markets in July and August. According to BRSA data, as of November 2006 the total assets of the Turkish banking sector, excluding participation banks, reached YTL 469 billion with an increase of 18% compared to the previous year. The total assets of the Turkish banking sector to GDP ratio is 88,2% while the loans to GDP ratio is 36,4%.

Between January and November 2006, the total net profit of the sector (excluding participation banks) stood at YTL 10,3 billion. Compared to the same period of the previous year, this amount revealed a significant increase of 82%. However, the said high increase also resulted from the base impact, which stemmed from the decrease in 2005 profitability as a result of the high amount of provision allocated for loans last year. On the other hand, in 2006, the increase in the sector profitability was affected by the decrease in tax provision following the reduction of corporate tax from 30% to 20%; and by 11% increase in banking revenues as well as the decline in operating expenses.

As for the general trend in the sector, the contribution of net interest income to operating income has increased in recent years, which mainly results from the high volume growth observed despite the relative contraction in net interest margin. The latest figures in 2006 approve the trend as net interest income generation performance of the sector enhanced by 11%, despite narrowing net interest margin to 5% in January-November, from 6% a year ago. In the breakdown of interest income, the share of interest income obtained from loans tended to grow as evidenced by an improvement to 51% to 47%. Although the funding costs of the banks increased due to higher interest rates experienced following fluctuations in the financial markets, the sector managed to curb the impact of this development on net interest income through re-pricing policies.

The contribution of capital market transactions to operating income has been decreasing as observed by a slippage in the ratio to 4,3% from 5%. However, net fee and commission income contributed more to operational income owing to the increase of demand for financial services and the pricing of services previously provided free of charge. Accordingly, 17% rise in net fee and commission income paved the way for a 12% expansion in total non-interest income. Meanwhile, coverage of operating expenses by net fees and commission income improved to 37% from 29%. Banks endeavour greatly to lessen operational expenses, thus attaching more importance to improving cost-effective joint actitivities. As a result, operational expenses registered around 7% contraction in the considered period. Banks courageously continued to set aside provisions for problematic loans.

2006 Business Review

Credit Cards

In 2006, Worldcard, the first and biggest credit card platform of Turkey, reinforced its leadership position in the market that it has maintained since 1998, the year of its first launch.

Despite the intensive integration efforts within the scope of Yapı Kredi – Koçbank merger, Worldcard completed the year successfully as the sector leader with a total of 6.5 million cards, about 5 million customers, a turnover of YTL 28 billion and a 26% market share based on issuing volume in December 2006. As of end 2006, Yapı Kredi's market share in terms of number of credit cards was 19.7%.

Along with developing new products and services that match customer needs and expectations, the credit card portfolios were integrated last year within the scope of Yapı Kredi and Koçbank merger.

After deciding to keep Worldcard as the credit card of the combined entity, a great deal of effort was put to replace the Koçbank credit cards with Worldcard. The renewal activities were completed by October 1 when Koçbank credit cards were terminated.

Within the scope of integration activities, KoçAilem credit cards used by current and retired Koç Group employees were renewed and endowed with Worldcard features. This card has been renamed KoçAilem Worldcard. In the same way, Koç Group dealers, owners and shareholders were offered the opportunity to get a KoçAilem credit card.

Card programs bearing the joint brand of KoçAilem and Fenerbahçe Sports Club were also endowed with Worldcard features and included in the Yapı Kredi card portfolio. In the same period, Fenerbahçe Worldcard, which combines the privileges of fan cards and features of Worldcard, was created following the agreement signed with Fenerbahçe Sports Club. As a result, Fenerbahçe Worldcard holders started to contribute to the income of the Fenerbahçe Club as they used their cards, as well as being able to pay the regular fan donation fees to Fenerbahçe Sports Club via Worldcard.

A brand new strategic partnership was formed between Yapı Kredi and Millennium Bank in May 2006. This partnership enabled Millennium Bank customers to apply for Worldgold and Worldplatinum via Millennium Bank branches. The system, unlike other cooperations in the credit card market, makes it possible to utilize Worldcard merchant network and reward platform, and is structured in a way that Millenium Bank can manage receivables, as well as all operational and allocation processes of Worldgold and Worldplatinum.

In August 2006, realizing another first time in history, Worldcard introduced *Kontrollü Worldcard (Secured Worldcard)*, designed for students, freelance workers and housewives who choose to be cautious with their expenses and who cannot document a regular income. Kontrollü Worldcard requires the placement of a deposit amount determined by the holder in a 12-month deposit account in Yapı Kredi. Card holders earn interest income from the deposit account while the credit card debt is limited to the deposited amount, preventing uncontrolled expenditures. Kontrollü Worldcard, with a limit amounting to 70% of the opened account, is endowed with all features of Worldcard such as installment-based shopping, cash withdrawals, additional card acquisition and World point earning.

Like previous years, Worldcard closed the year as the leader in terms of member merchant activities with nearly 200.000 POS devices, an acquiring volume of YTL 27 billion and an acquiring market share of 25,7% as of December 2006. Within the framework of the Yapı Kredi-Koçbank merger, the former Koçbank member merchants were successfully integrated into the World system. At the end of the year, the number of member merchants reached close to 170.000; 111.225 of which are World member merchants. Yapı Kredi, having the most active member merchant network, maintained also its position as the Bank with the highest turnover per POS.

In 2006, Yapı Kredi launched significant projects targeting member merchants in addition to carrying on integration activities. World member merchants started to use Joker Vadaa, a new practice allowing customized campaigns over POS devices. Besides, all POS points and system infrastructures were aligned with EMV standards to carry out Chip&PIN transactions. The "3D Secure" security system allowing secure shopping, the product named "Kolay Ma¤aza" (online shopping software supported by Yapı Kredi) offering infrastructure support for e-commerce, and POSNET, virtual POS of Yapı Kredi were integrated so as to improve electronic commerce. The Joint POS Project, which makes it possible for member merchants to perform transactions over one single POS, was launched following agreements signed with different banks. The jointly used POS number reached 13.500 as of the end of 2006.

Worldcard reinforced its member merchant network by continuing to add large retail chains in the World system in 2006. Petrol Office joined the World member merchant chain in March; Arçelik, Beko and Shell in April; and Aygaz in November.

In 2006, Yapı Kredi completed the infrastructure necessary for enabling Worldcard holders to make payments from World member merchants. Arçelik and Beko dealers started to accept Worldcard payments as of September while some of the other merchants started to provide this service in November. Yapı Kredi is carrying on its activities in order to popularize this service.

As a result of the cooperation among Migros Club Card, Opet Card and Worldcard in August 2006, Worldcard holders were able to benefit from advantages such as earning points, discounts and shopping cheques from Migros and Opet shops via one single card after having the features of Migros and Opet cards defined to Worldcard.

Worldcard celebrated its 15th anniversary through a range of activities. In the organization held in Abdi Ipekçi Sport Center, 15 thousand people, using Worldcard since the first day of Worldcard, listened to the songs of Sezen Aksu and Sertab Erener and watched the live performance of Ata Demirer. Moreover, with the contribution of the documentarist and modern traveller Coşkun Aral, Worldcard friends of 15 years were presented with a set comprising the holy water of Ganges River, the pure air of Everest Peak and the sand of Sahara Desert, the cradle of civilizations.

Worldcard, the leader credit card platform of Turkey, was the main sponsor of the Brand Conference in 2006. Believing in the corporate and social importance of playing an active role in and supporting social responsibility projects as big brands, Worldcard continued to support AÇEV (Mother Child Education Foundation). Yapı Kredi continued to act as a sponsor of the Retail School in 2006 and contributed to the training of the employees of nearly 1.200 member merchants.

Retail Banking

Yapı Kredi Bank provides Individual Banking and SME Banking services within the scope of retail banking.

13,4 million retail banking customers are gathered under three groups as mass, upper mass and SME (small and micro enterprises) customers. Yapı Kredi provides its customers with retail banking services and products via nationwide branches with an objective to acquire new customers, to improve customer relations through cross sales and to create customer loyalty.

Individual Banking

In 2006, significant improvements took place in Yapı Kredi in the area of Individual Banking with its nearly 12,7 million customers.

Benim Param, Turkey's largest-scale customer loyalty program with more than 650.000 members, was introduced in June 2004 and had attracted great interest. The program continued to be the first choice of consumers with its renewed scope involving many new facilities and privileges.

With regard to consumer loans, Yapı Kredi provides a wide range of products such as YTL or USD/Euro indexed auto loans, housing loans, general purpose loans, home improvement loans and education loans with competitive interest rates and maturities. In this framework, Yapı Kredi continued its effectiveness in the housing sector in 2006 with a growth of 68% compared to previous year by offering new products in line with customer needs through flexible payment methods and campaigns.

In the scope of CRM (Customer Relations Management) activities, the customers with high probability to use new Yapı Kredi products and services were determined via data mining and contacted. A total of 7 million proposals were prepared in 2006 via campaign management system. New campaign management system screens and infrastructure activities were completed in October 2006; while all sales forces were given trainings and seminars on CRM-Campaign Management.

Yapı Kredi customers using University Account or Youth Account were included into the University and Youth Banking package that was created in October 2006. In this way, both University and Youth sub-groups were gathered under one umbrella while the new system made it possible to watch the consumption trends of customers closely and comparatively. Within the scope of University Banking, Yapı Kredi organized several activities apart from banking operations such as the Film gezgini (Film Festival) and the !F Istanbul 2006 Independent Film Festival, reinforcing its close relationship with dynamic customers. In the framework of the fourth traditional Film Festival organized in 2006, over 15.000 students in ten different universities enjoyed the free entry to all films on campus. During the activities, applications for University Telecard were accepted and the information of account holders were updated after necessary permission was obtained from the universities. Besides, the card holders were granted the option of buying products from Yapı Kredi Publication stores in installments while University Telecard holders benefited from the privilege of purchasing the tickets of !F Istanbul 2006 Independent Film Festival with a 50% discount.

SME Banking

During 2006, Yapı Kredi continued to offer services to its approximately 700.000 customers with a customer-focused and innovative approach in the broad SME market, which in itself involves many different sectors. Yapı Kredi laid the ground for different future service models as well as launching the automation system that enables to perform application and evaluation processes of SME loans via one single system.

Another significant development in 2006 was to draw the first results of investment projects supported by the European Union Local Development Program within the framework of Kobiline initiative formed with the cooperation of Yapı Kredi and Koç.net. In order to increase the employment opportunities, to boost economic growth and competitive strenghts of selected SMEs, this program provides grants to SMEs that operate in provinces identified by the State Planning Organization and Central Finance and Contracts Unit according to local development priorities. Yapı Kredi informed the SMEs in the selected regions about the advantages of the program, thus as a consultant and mediator, contributed to the preparation of investment projects which have sufficient feasibility but require financial support. As a successful implementation of this program, in 2006 around 5 million Euros for 50 companies were allocated as a grant to these projects. The number of approved projects among all applications was 3/10, above the 1/10 acceptance average of EU projects, a promising and sublime improvement. Following successful implementations in South Eastern Anatolia, Eastern Anatolia and Central Black Sea regions, the objective for the first half of 2007 is to grant funds in Eastern Black Sea region with an aim to make the system more widespread. Within this framework, Yapı Kredi aims to continue guiding and informing SME customers as the official calendars regarding the regions are announced.

Installment-based commercial loans were another practice that attracted the interests of many Yapı Kredi SME customers in 2006. In the same period, new products such as franchising loans were introduced along with the improvements on the existing products.

As a result of its features such as eliminating short term cash shortages and providing collection guarantee to member merchants, a rapid increase was observed on the holder number of TRIO, a Yapı Kredi debit card that facilitates purchasing goods in flexible terms by combining all services related to cash payment, cheques, promissory notes and letters of guarantee.

Commercial and Corporate Banking

Increasing its strength in the markets through its customer-focused financial management options and cash management solutions offered to its 54.000 customers, Yapı Kredi maintained its close position to the real sector in 2006.

The Bank continued to meet customers' requirements for investment, operating capital and project finance, while on the other hand offering advanced solutions for collections and payments with a win-win principle.

2006 was a significant year since it witnessed the merger of Yapı Kredi and Koçbank, two big financial institutions supporting the real sector continuously. This merger highlighted the power of the new brand and reinforced the financial trust felt for the franchise. As a result, with the contribution of the synergy created with UniCredit and foreign and domestic subsidiaries of Koç Financial Services, Yapı Kredi spent the year very efficiently and achieved a positive acceleration in terms of both loan and deposit volumes.

Corporate Banking

Under the umbrella of Koç Financial Services, Yapı Kredi continued to offer alternative solutions to its 6.000 customers comprised of corporate and multinational companies through the advantages resting on its customer focused approach, high quality service, prestigious corporate identity and advanced technology. Being the financial partner of companies operating in the leading sectors of Turkey and the world such as household appliances, construction and textiles, Yapı Kredi preserved its leadership in 2006 with the breakthroughs that guided the sector.

In 2006, corporate banking activities, excluding credit cards, constituted 16% of the Bank's total deposits, 30% of its cash loans and 50% of its non-cash loans.

Commercial Banking

The merger of Yapı Kredi with Koçbank, a bank with a strong commercial customer focus, enabled the combined entity to offer the highest quality service especially to commercial enterprises.

Thanks to the increased number of branches following the merger, Yapı Kredi benefited from the opportunity of providing its nearly 48.000 customers with commercial banking services via a broad branch network.

Besides the commercial and corporate enterprises, Yapı Kredi developed solution focused products and services for supplier industry companies, suppliers and dealers of major corporate customers and managed to become the first choice of customers in this field.

In 2006, commercial banking activities, excluding credit cards, constituted 20% of the Bank's total deposits, 35% of its non-cash loans and 32% of its cash loans.

In the fields of commercial and corporate banking, Yapı Kredi aims to consistently continue its activities in the next period so as to meet the needs of customers in the best way with its specialized staff.

Cash Management and E-Banking

As the market leader with a determinant role in cash management, Yapı Kredi continued to effectively offer services and products related to payment and collection based cash management of its corporate and commercial customers in 2006. For this purpose, Cash Management and E-Banking department was restructured to be comprised of two sub-units as Sales and Product Development. Experienced sales forces developed customized solutions for cash management as well as supporting the branches to access new customers.

Direct Debiting System that mainly offers reliable and consistent collection management; Electronic Cheque-Promissory Note Collection and Reconciliation System that aims at optimum efficiency and cost improvement during operational activities; electronic account summary (mt940 and other versions) reconciliation and account integration; and BANKO™-Ohes, an integrated banking automation platform that simultaneously provides high security and high processing speed during all current account transactions such as EFT, remittance and receipts were all among the high value-added solutions developed during 2006, acting in line with the principle of reliable, fast and powerful banking.

With its market share of over 10%, Yapı Kredi also reinforced its leadership in mass collection and payment operations such as tax, SSK and Ba¤-Kur premium collections, EFT, cheque drawing and clearing. The Bank continued to renew and diversify its cash management products and practices on the basis of feasibility, efficiency, added value, profitability and transaction volume, considering the active financial markets, changing market trends and new needs and demands of customers.

Project Finance

Yapı Kredi raised its business volume in project finance to USD 560 million in 2006, utilizing financial information and the latest technology in the high value-added projects such as energy, telecommunication, transportation, construction, privatization, company acquisitions, treasury transactions and shopping mall finance. Of this amount, 70% was provided as financing for company acquisitions and mergers, 26% for treasury transactions and the rest for other projects.

In 2006, Yapı Kredi's experienced foreign trade personnel, providing service at Yapı Kredi branches in İstanbul and other big cities via a broad correspondent network, continued to offer customers solutions that turn risks and challenges into opportunities in the field of foreign trade finance. Consolidating the importance it attaches to foreign trade with UniCredit's prestige and knowledge, Yapı Kredi accomplished a market share of 15% in 2006 through services and products such as ECA loans, letters of credits, forfeiting operations, structured foreign trade loans and export insurances.

Private Banking and Wealth Management

Yapı Kredi Private Banking and Wealth Management serves about 40,000 private banking customers via an integrated structure involving banking, portfolio management and investment services.

While producing the most efficient solutions in accordance with different needs and expectations of private banking customers in terms of banking and capital markets, Yapı Kredi benefits from the power stemming from the knowledge and experience of KFS and international prestige and expertise of UniCredit.

Thanks to its successful activities in Private Banking, Yapı Kredi was awarded by Euromoney, one of the prominent finance magazines, for being the "Bank providing the best Private Banking service in Central and Eastern Europe". With its customer focused and differentiated service model as well as its experience in investment products, Yapı Kredi Private Banking obtained the first place in 28 categories, thus reinforcing its leadership in this field in Turkey.

Private Banking services were gathered under one umbrella after Yapı Kredi - Koçbank merger. Private Banking and Wealth Management was restructured to offer the most suitable products and services to its affluent and high net worth individual customers through a new service model.

Private Banking Sales Management, which offers nationwide services to affluent and high net worth individual customers, comprises a centralised Sales Support Management and Strategic Customer Management as well as four Regional Managements. Providing service via a broad service network, the private banking team spread its banking services further in Turkey as a result of Yapı Kredi - Koçbank merger. Yapı Kredi Private Banking offers distinctive products and services pertinent to customer expectations via its specialized personnel and 12 Private Banking centres and branches in big cities with their privileged atmosphere. Besides, as of the end of 2006, 136 Yapı Kredi branches started to render private banking services. Affluent and high net worth customers, having an account in one of Yapı Kredi branches, are offered "distant service" opportunity via Yapı Kredi's Private Banking Centers and Investment Centers. Through calling 444 0 446 VipLine, Private Banking customers can perform several banking transactions in any time without visiting a branch.

Sales Support Management focused on the improvement of knowledge and skills of the specialized personnel so as to increase customer satisfaction and to properly implement the new service model that was completed in 2006, at the same time continuing comprehensive activities for continuous improvement and maintenance of the quality standards at the service points.

Again in 2006, Yapı Kredi customers, with savings that are within the scope of the affluent group or those with a significant social status, have been defined as strategic customers. Thereby, the aim is to monitor the assets and risks, to follow the service quality and the relations with the Bank and subsidiaries in cooperation with regional managements, to effectively promote services and products and in short to have the highest customer satisfaction in terms of banking operations.

Investment Centre continues to support the Private Banking team in the fields of investment products, economy, finance and markets, as a consulting and information sharing unit. Moreover, mainly investment products and activities related to domestic and international markets, products and services are managed in coordination with Yapı Kredi Yatırım (investment banking/brokerage subsidiary) and Yapı Kredi Portföy Yönetimi (asset management subsidiary).

Marketing and Product Management is responsible for bank-wide product management and marketing activities related to mutual funds, pension funds, other fund-based products, discretionary portfolio management, portfolio and investment consulting, intermediary services for securities, private pension, life insurance and other wealth management products.

The Bank closed 2006 as the leader in mutual funds with 23% market share. In line with the target of being the first choice of customers in terms of investment products, Yapı Kredi put special emphasis on the training of relationship managers on investment products in 2006.

Yapı Kredi offers "Çalışan Hesap" (Working Account), a liquidity management product, to instantly meet cash management needs of customers. Pusula is another mutual fund-based investment product that enables customers to make medium term investments in accordance with their expectations and risk preferences. Similarly, Discretionary Portfolio Management is another Yapı Kredi investment product provided by the Bank's portfolio management subsidiary to private banking customers and enterprises. Pioneer funds with different investment strategies have been offered by Yapı Kredi since March 2005. As of end of 2006, the market share of Yapı Kredi reached 26,5 % in foreign mutual funds offered in Turkey. In the scope of agency activities, Yapı Kredi offers private pension plans to meet the return expectations of customers in line with their risk preferences.

Yapı Kredi distinguishes itself through its customer focused approach in private banking. In 2006, private banking funds became the most preferred investment instrument of Yapı Kredi in the field of mutual funds with a high market share of 51%.

Marketing and Product Management develops marketing activities destined to private banking customer segments by identifying the changing needs and expectations of Yapı Kredi customers in advance and aims to be a pioneer as well as a reliable guide for customers with its products and services. In this framework, regular customer analyses play a significant role in monitoring customer sub-groups with different needs and in developing appropriate solutions.

Yapı Kredi Private Banking continued to have a distinguished position in terms of competition in 2006 by offering special non-financial advantages and opportunities. In this frame, it shared financial information and data such as daily market comments, monthly economy reports, mutual fund bulletins, tax booklets and wealth management surveys with customers on a regular basis in 2006. Furthermore, Yapı Kredi Private Banking, in the scope of tax consulting, a wealth management service, addressed the needs of private banking customers about taxes through a strategic partnership with Ernst&Young. The 'Unique' magazine published once every two months and the free of charge Medline Emergency Aid Package were among other additional services offered by Yapı Kredi.

In the frame of social responsibility, Yapı Kredi Private Banking became once again one of the main sponsors of Geyre Foundation, which carries on activities to support ongoing scientific researches in the antique city of Afrodisias. In terms of sports, the Bank organized various activities supporting the development of golf and horse-riding.

Treasury Management

In the framework of its treasury management activities, Yapı Kredi preserved its leadership in the markets owing to its experienced staff and robust technological infrastructure and fortified its position by integrating the sectoral and technological experiences of Yapı Kredi and Koçbank.

The positive impact of the merger was directly reflected on 2006 data. Customer foreign currency transaction volume exceeded USD 70 billion. According to the Central Bank data, Yapı Kredi achieved a very high market share in terms of derivative transactions (without carrying a position risk) performed by customers. Including the interbank transactions, the total transaction volume of the Bank was noted as USD 153 billion. This transaction volume corresponds to a figure 22% higher than the total 2005 transaction volumes of two banks before the merger.

Maintaining its determinant role in the official market in terms of fixed income security transactions, Yapı Kredi reinforced its active position both in YTL government bonds and treasury bills and Eurobond markets through the synergy created by the merger.

Treasury Marketing Department greatly contributed to the increasing transaction volume. In 2006, approximately USD 25 billion of the total transaction volume was realized under the control of this department.

During all these transactions, Yapı Kredi was not affected by the financial fluctuations experienced in the markets in May and June 2006 by not compromising its commitment to risk management principles.

Relations with Financial Institutions and Foreign Subsidiaries

Owing to its entrepreneurial culture, Yapı Kredi is among the first Turkish banks to start operating in the field of correspondent banking. Over 2.000 correspondent contacts at present, signifying close relations developed in international markets as a result of years of experience, have become an indispensable element for Yapı Kredi and its customers.

2006, the year of Yapı Kredi - Koçbank merger, was a year in which correspondent relations were further reinforced and many foreign financing activities were conducted with financial institutions. The Bank continued to be a major portal of world's leading finance institutions to the Turkish market, thanks to its effective, professional and accurate approach in correspondent relations. Thanks to this distinguished position, Yapı Kredi went on offering high value added services in terms of both foreign trade and cash finance alternatives.

Yapı Kredi continued to support its customers in traditional foreign trade finance operations during this period when international banking changed its face due to foreign investments in Turkish banking sector, while on the other hand producing new options in compliance with customer requirements through alternative solutions suitable for changing market conditions. The dedicated efforts of Yapı Kredi's experienced and dynamic staff in financial support provided to small and medium size enterprises as well as large institutions, contributed to an advanced correspondent bank network and consolidated the Bank's determinant position in the market.

In terms of access to international funding, Yapı Kredi received a USD 650 million one-year syndicated loan with the participation of 25 foreign banks in the third quarter of 2006; and a USD 700 million two-year syndicated loan with the participation of 21 foreign banks in the last quarter of 2006. As a result of these fundings, Yapı Kredi continued to support export companies while reinforcing its solid position in the finance markets of the world through extended maturities and lower costs.

In the last quarter of 2006, Yapı Kredi achieved a record success in terms of structured finance activities. The bank obtained a 7-8 year securitization loan amounting to USD 1,2 billion, marked as the highest Diversified Payment Rights securitization ever obtained at one single shot in the world. Through securing this funding, Yapı Kredi gained a significant advantage especially in the field of project finance and long term loans.

In line with the measures taken to restructure the balance sheet since 2005, Yapı Kredi obtained two separate subordinated loans amounting to Euro 500 million and Euro 350 million with a ten-year maturity respectively in March and April 2006 so as to improve its capital adequacy ratio. Thus, the capital adequacy ratio of the Bank surged from 7,2% at the end of 2005 to 12,3% at the end of 2006.

Moreover, Yapı Kredi continued to support the Turkish companies that conduct projects abroad by developing its international banking activities. In addition to serving individual and commercial customers in cooperation with Yapı Kredi Nederland NV, Yapı Kredi became the first choice of customers in terms of all relevant banking products and services by increasing its financial support to the projects of Turkish companies in Russia and Azerbaijan via Yapı Kredi Moscow and Yapı Kredi Azerbaijan.

Alternative Distribution Channels

In the frame of Yapı Kredi - Koçbank merger project in 2006, an intensive working scheme involving integration of the two banks' Call Centers and ATMs under Yapı Kredi brand and employment of new generation internet banking was successfully completed. Alternative Delivery Channels (ADC), with their infrastructure improved in the scope of the merger and renewed frontal ends, continued to offer Yapı Kredi Online Banking, Yapı Kredi Telephone Banking, Tele24 and Yapı Kredi Mobile Banking services under the name of Limitless Banking.

Yapı Kredi Online Banking

Uniting the experience, information pool and technological wealth of Koçbank and Yapı Kredi during the merger process, the new Yapı Kredi set off with new projects. Reflecting the identity and the vision of the new brand, Online Banking started providing services full of new and improved functions, on the new address – www.yapikredi.com.tr.

Individual Online Banking service was renewed in the light of ever changing Internet trends. OTM products using One Time Password technology (OTP SMS, OTP Token, OTP Mobile) were launched to ensure extra security while 24-hour support projects were implemented to provide direct communication with relationship managers on the Internet via chat function.

For corporate customers, Yapı Kredi started Smart Banking application, unique in Turkey, providing the highest level of security. Another pioneer project in Turkey, E-mail Banking was presented through Qualitative Digital Signature Project. The renovation works, performed during the merger process, increased the demand for Yapı Kredi Limitless Banking services while the number of corporate banking customers climbed up to 85.000, the same figure reached almost one million (including 400.000 WorldOnline customers) in individual banking customers.

Yapı Kredi Telephone Banking

Being the largest call centre in the Turkish financial sector with a staff of 650 people, Yapı Kredi Call Center completed its development into Customer Contact Centre in 2006. The Center enjoys a daily average respond capacity of 100 thousand calls, 15 thousand external calls, 5 thousand chats and 2 thousand e-mails.

The Call Center was completely renewed in 2006. Following the merger, call centers of Yapı Kredi and Koçbank were united in Yapı Kredi Operations Center in Gebze; the technical infrastructure in the Center and the graphic interfaces used by relationship managers were renewed. Furthermore, the service model of the Call Center was replaced with the new service model Smart Directing that enables Upper Mass and Private Banking customers to receive prioritized service. The Chat application was also initiated. This function provides worldwide online customer services via chatting in the virtual world without requiring any phone calls.

Some renovations were also made on the audio response system so as to enable Yapı Kredi customers to perform transactions fast and easily when they call Telephone Banking at 444 0 444. Thanks to the system utilizing voice recognition technology, customers gained access to real time stock market, mutual fund and foreign exchange information 24 hours a day, seven days a week. 40% of the calls to Telephone Banking was responded via the audio response system.

Intensive telemarketing activities were carried out to sell strategic products (private pension funds, cross product sales, Worldcard) in 2006. Until the end of the year, over 500 thousand potential customers were called, more than 100 thousand private pension interviews were realized and credit cards were sold.

In the scope of 2006 Istanbul Call Center Awards, Yapı Kredi Call Center was honored with the “Best Call Center Environment Award” due to the distinguished physical environment and working conditions provided to employees, and also won the “Most Praiseworthy Call Center Improvement Award” thanks to its performance in 2006.

Tele24

In 2006, a monthly average of over 2 million 300 thousand customers heavily used Yapı Kredi ATMs (Tele24), and the number of transactions exceeded 130 million at the end of the year. 91% of cash withdrawals from Yapı Kredi accounts were done over Tele24s.

Having joined the Golden Point ATM sharing in March 2006, Yapı Kredi held the second place in Golden Point ATM Sharing that constitutes 42% of the total number of ATMs in Turkey. As a result, Yapı Kredi customers started to inquire their balances and draw cash from ATMs of other Golden Point member banks as well as Tele24s. Similarly, the customers of other Golden Point member banks started to use ATM network of Yapı Kredi, which ranks second among private sector banks with a market share of 11%.

In 2006, the system installations of advanced ATMs (Tele24 Plus) with cash deposit functions were rapidly completed so as to alleviate the burden on tellers and to serve customers faster. As of year-end, the number of Tele24 PLUSes reached 312.

Along with these projects, Tele24s detached from the branches were also renewed. In this scope, new Tele24 cabins were designed to reflect the new identity of Yapı Kredi and to provide more convenience to customers. The replacement of old Yapı Kredi and Koçbank cabins with the new ones is planned to be completed by the end of 2007.

Yapı Kredi Mobile Banking, TV Banking and Unlimited Banking Corners

In 2006, activities were carried out to expand and integrate the delivery channels based on the new technology with the aim of enabling Yapı Kredi customers to get service any time via any channel wherever they are. In this scope, delivery channels were diversified, offering service over TV Banking and secure SMS Banking (SimPlus) and WAP-GPRS Banking channels which make Mobile Banking possible to do.

Limitless Banking Corners, comprised of Internet and telephone banking service units, are being constructed in branches to reduce their operational burden.

Organization Management

Organization department of the new Yapı Kredi was built up after the decision of merger has been made, joining the staff of two banks pertinent to the new department’s concept. The objective of the department is to promote the organizational development, supporting the Bank’s management for the introduction of strategic changes and supporting all organization functions in achieving operational improvements.

Before, during and after the merger process in 2006, Organization Department has been involved in and contributed to the establishment of the new Yapı Kredi with the following activities:

- Integration process has been coordinated by the "Integration Office" after the merger which became Demand and Project Planning Unit aiming to collect and plan implementation requests and manage Bank's overall project portfolio and their budgets.
- Organizational structures of the two banks have been aligned and a new, effective and efficient organizational structure for the new Bank has been formed, supported by the issuing of "Bank Regulation Book" which defines corporate governance principles and basic units of the new Bank. In this new structure, efficiency expectations from head office departments have been defined and put into practice with the agreement of management.
- New business models of the Bank have been defined with all business units and contributing departments. Processes for the transition period and for the new Bank have been designed and implemented.
- A general revision of all procedures of the Bank has been accomplished in order to provide continuity of the business.
- A new branch network development plan has been started to be implemented by the establishment of a new section; 20 new branch openings and the relocations of 12 branches have been accomplished in 2006.
- Customer satisfaction and loyalty have been assessed with internationally recognized methodologies and tracking models have been defined in order to spread the customer satisfaction culture throughout the Bank.
- In order to improve engagement level of the personnel, People Survey has been applied concurrently with all UniCredit Group.
- Service quality level of the branches has been analysed with mystery shopping researches. Customer complaints have been handled and managed in accordance with legal requirements and internal processes, and analysed in order to create awareness on the opportunities to improve service quality.

Technology

2006 was a critical year for Yapı Kredi in terms of technological developments and innovations. Following the comprehensive situation analysis and reviews in 2005, the Board of Directors of Yapı Kredi decided in November 2005 to implement a cutting edge Open Platform in accordance with the Bank's business model, enabling a swift and cost effective transition for the Bank. The System Technology (ST) Integration Project, the largest system technology integration project of the Turkish banking sector, was completed in less than eight months, providing transformation of all Yapı Kredi data into a format recognized by the new system and enabling all branches and the entire personnel of the merged bank to work on a single system.

The ST migration was accomplished between 21-25 October. In principle, it was decided to simultaneously deploy the new system at all branches and the Head Office, same day, same hour. Around 1 billion data was migrated; more than 12 million customer information forms (CIF) and over 11,5 million accounts were transferred to the Open Platform from the mainframe systems. The Head Office units and the branches started operating on the new system as of October 26, 2006. The system performance was improved rapidly, users got used to the system and the applications within a few weeks.

The new Bank started to provide services to all existing (Yapı Kredi and Koçbank) customers simultaneously with its renewed standards through all front office personnel at the branches and the alternative delivery channels. During this challenging process, the ST integration budget was carefully managed. Preparations were also made for the merger of the four core financial subsidiaries of the two banks operating in the same field and the merger of their close-by branches as well as for customer segmentation and classification.

All mission critical data and applications have been backed up against any risk of emergency, interruption of services or system failures in order to assure maintaining operations smoothly from the Disaster Recovery Center.

Operations

In 2006, the operational infrastructure of the two banks began to integrate along with the merger of Yapı Kredi and Koçbank.

Within this framework, the operational centers of Yapı Kredi operating in Adana, Ankara, Bursa and İzmir were consolidated at Yapı Kredi Operations Center in Gebze in order to centralize delivery of services to the entire branch network. Furthermore, the differences in structure, execution and business allocation were inspected in detail and projects were undertaken to minimize them prior to the date of legal merger.

The new service model (based on customer segmentation aimed at providing more effective and higher quality service by customer relationship managers specialized in their own fields) adopted in line with the integration of the two banks addressed the principle of swift service to the customers without compromising quality. In this context, standard, clear, easy-to-understand processes were established for branch services; the job allocations of the sales and operation teams in the branches were changed. The adoption of the new service model by the branches was supervised by a dedicated team in the Operations department and thus the process was monitored centrally.

Yapı Kredi's operations were restructured in line with the new strategies of the merged bank. Accordingly:

- Central operations were restructured to address all target customer segments in compliance with the new service model. This ensured customer focused, timely, accurate and swift services while measures were taken to protect the Bank's assets while serving internal and external customers.
- A specialist team was established responsible for designing and coordinating the operations related projects as well as monitoring and guiding the operation teams in the Head Office and the branches through a system based on regular analyses in order to ensure that the desired level of efficiency and impact is obtained.
- The regional operation management structures were preserved for efficient and effective management of the branch network; the existing responsibilities were redefined in line with the new strategies. Similarly, a central support team was built to ensure standardization in the branches and coordination between the Head Office teams and the regional and branch teams.
- A team was established to develop centralized control mechanisms in order to minimize operational risks for Head Office and branch operations; and to ensure that measures are taken on transaction/project basis or in general, and thus to build efficient monitoring and supervision systems.
- Central Registry Agency (MKK) Mutual Funds dematerialisation was successfully completed.
- The Gendex software was adopted for stock applications in consideration of the changing needs of Yapı Kredi.
- Within the framework of restructuring, the Nostro Management that was conducted by the Treasury department was taken over by the Treasury Operation Department.
- The Paygate software was adopted as a more efficient and functional solution to access the Swift archive records.
- The operational transactions of the mutual funds co-founded by Yapı Kredi and Yapı Kredi Yatırım (investment banking and brokerage subsidiary) were centralized under the Bank, effective as of 2007.

In addition to these successfully completed projects, there are ongoing renewal activities in 2007 including:

- Communication between branches and customers as well as between branches and the Head Office have been transferred to the digital platform through a workflow system and will be implemented at all branches in 2007 within the framework of the new service model.
- Advanced customer ranking system and efficient lobby management activities are continuing in line with the new service model.
- The Bank targets to archive all commercial documentation in electronic format through the electronic archiving and documentation management and transfer all customer signatures to the electronic media until the end of 2007.
- A branch monitoring mechanism is being established in order to provide efficient and centralized monitoring of the risk level, quality of services and operational targets at the branches as well as to help taking the correct actions for the branches.
- The Loans Project designed to enable automated controls for loan utilization is expected to be finalized within 2007, which will consequently help minimizing operational risks and costs.
- The centralization efforts for operational services of the mutual funds founded by Yapı Kredi Sigorta, Yapı Kredi's insurance subsidiary, are aimed to be completed in 2007.

Human Resources

Following the merger, the new Yapı Kredi aims at further strengthening its success through its solid vision, customer focused leadership approach, the importance attached to its values, strong capital structure and worldclass corporate organization.

The Human Resources (HR) departments of both banks were integrated after the merger. The new HR department continued its commitment to the fact that human factor is fundamental in high quality service, and improved its practices in line with corporate strategies and targets, changing conditions as well as with suggestions collected from the employees.

With the merger, the total number of employees increased to 13.478; while 1.372 new people were recruited in 2006. In order to reinforce the sales focus at branches, additional 450 employees were shifted to branches from back office due to HQ rationalization, leading to an improvement in front office ratio of +3 percentage points (up to 54%). The gender distribution of the personnel indicates that women are the majority with 59%. The education level statistics reveal that 36% of the total personnel have undergraduate or graduate degree and that 13% of all Yapı Kredi employees speak at least one foreign language.

During the integration period, the required compliance activities in HR were finalized swiftly so as to prevent employees from experiencing operational problems with the services they provide. All personnel were briefed about the functioning of the new system.

All titles were re-evaluated and re-arranged through job assessment methodology in order to re-position the Bank's human resources and adjust the renumeration scheme fair for the job they deliver and comparable with the sector. During this process, each position in the Bank was assessed separately and the HR level was determined according to the scale of the job performed. This assessment was presented to the KFS Management and the Basisen Trade Union for their approval and put into effect upon approval. In this regard, the renumeration is based on market averages and managed in connection with the HR level determined.

In order to provide new opportunities for the employees after the merger, appropriate training opportunities were created and the employees were moved to new positions in accordance with their skills and competencies.

In 2006, the "Management by Objectives" (MBO), results-driven compensation scheme, was launched in order to reward corporate performance and success, to increase job motivation, to stimulate the employees towards more efficient and qualified service and also to increase corporate work efficiency.

The employees were provided with the opportunity to participate in training programs to develop their knowledge and skills so as to pursue an international career. In order to provide additional means of security for employees after their retirement, a Group Pension Plan, in which the Bank partially contributes to the premium payments, was initiated, another indication that the corporation highly values its employees. In addition, the employees of the Bank, along with their spouses and dependant children were insured under a package of Group Health Insurance.

In 2006, besides launching training programs to address the needs arising from the merger, other training activities were also conducted to optimise the performance of the existing employees by improving their knowledge and skills, and to prepare the new recruits for their new jobs. The majority of such training programs were delivered by 212 in-house trainers, each being experts in their fields. More than 41 thousand participations were realized in 1.881 training programs and seminars throughout the year. Besides the classroom training, distant learning sessions were organized on system infrastructure and application changes with the participation of 8.900 employees. In summary, a total of 512.115 person/hour training was delivered, of which 47.280 person/hour was distant learning. A total of 12.400 employees participated the trainings.

Corporate Identity and Communication

In Yapı Kredi, Yapı Kredi-Koçbank merger was the most striking development in terms of communication in 2006. As the most significant merger in the history of Turkish banking, the story received extensive media coverage and indicated the restructuring of the corporate identity of Yapı Kredi with the power of this new formation behind it.

This new structure built through the integration of the power and experience of two premium corporate brands in the Turkish banking sector also required successful steering of a grand scale operation of change. Within this context, the corporate values and brand identities of both banks were constructed on common values, identified through indepth studies, including quantitative researches via individual customer interviews and processes to collect the views of the executives from both banks.

The new logo and corporate identity of Yapı Kredi were designed by the world famous designer Ivan Chermayeff. Along with the new logo, the visuals of Yapı Kredi were also completely renewed in only two months. The new website of the Bank was also launched with a completely new interface and content in Turkish and English to match the new corporate identity on October 2, 2006. On the same day, branch fascias were renewed with the new Yapı Kredi logo across the country.

Yapı Kredi strengthened the communications side of the merger preparations with an intensive nationwide advertisement campaign. The advertisement campaign was launched by announcing on the evening of October 2 that all boundaries would be removed in banking and after this historic merger a brand new era has begun not only for the banking sector but also for the Turkish economy. The committed and justified legacy of "No limits to service" motto was reclaimed and the strategy of the campaign was constructed on the power arising from the merger.

Promotions were the main focus of the advertisement activities of World (Turkey's leading credit card platform and loyalty program by Yapı Kredi) in 2006, along with a couple of new product announcements communicated in the scope of opportunities. In this period, the most important new product launch by World was the "Kişiye Özel İşlem" (Personalized Transaction) model, which enabled the consumers to freely use their Worldtaksit (Worldinstallments) and Worldpuan (Worldpoints) opportunities as they wish for any purchase. This service was communicated as JokerVadaa carrying the message; 'create your own campaign'.

Another new implementation was the Kontrollü Worldcard (Secured Worldcard) campaign launched by World as the first of its kind in the sector. The campaign carried the message; 'the credit card for those who are a little afraid to go too far out' to people who would wish or need to control their expenditures, in line with a strategy that includes individuals who do not or cannot hold credit cards due to various reasons, let aside current credit card holders.

Besides intensive advertisement campaigns, World also signed many sponsorship agreements which strengthened brand values in 2006. As in the previous year the main sponsorship was to the Brand Conference. The corporate event with Bob Geldof as the guest performer, exclusive to World member merchants was organized to strengthen their relationships with the Bank just before the Brand Conference and received great coverage in the press, positively contributing to the brand image of World. Furthermore, the preschool education was supported via the Mother Child Education Foundation (AÇEV) campaign and funds were raised for AÇEV via the motto 'multiply your donations to AÇEV with World'. The campaign provided large scale financial contribution to AÇEV by a corporate donation from World as well as multiplying donations made through World. The socially responsible brand image of World was invested in through the theme, 'We know the responsibility of being a brand'.

Worldcard celebrated its 15th anniversary together with the card holders through a series of activities. In the framework of these activities, customers of 15 years were sent specially designed gifts. A free-of-charge concert was held for 12 thousand Worldcard holders where Sezen Aksu and Sertab Erener flourished the event with their songs and Ata Demirer with his animated show. Furthermore, in order to make everyone feel a part of World's anniversary joy and enthusiasm, special World cakes were distributed accompanied by music and shows in all crowded avenues and big shopping malls of the three major cities.

2006 was also an active year for individual banking. The first few months of the year hosted the marketing of housing loans titled "Kendi Evim" (My Home). The campaign developed under the motto 'There's no place like home' and at the year-end, it was supported by the message 'If you can't fit into your current house'.

Another campaign carried for the individual banking was the private loans with special interest rates offered to Benim Param (customer loyalty program) members. The campaign invested in the perception 'Benim Param members always win' and upheld the theme towards the year-end by defining Benim Param users as people who are used to winning awards via the message 'What is the latest award you won?'

Another banking services product communicated in the main channels was the range of installment based commercial loans. A second campaign towards the year-end addressed the SMEs through the motto 'You're the boss!' relaying the message that Yapı Kredi is a bank that knows the SMEs, understands their expectations and needs, and will provide the best service to them.

In 2006, Yapı Kredi Private Banking focused on one-to-one communication activities towards their customers. The first issue of the bimonthly life style magazine Unique reached the readers with its renewed look right after the Yapı Kredi - Koçbank merger. A press tour was made in May to the antique city of Aphrodisias to raise funds for the activities of Geyre Foundation and to create a collective awareness in society. Private Banking also sponsored sports events such as the European Jumping Championship for Children Riders hosting the development of the equestrian sport in Turkey and Europe and discovering young talents of the future; and the KG&CC Golf Tournament in August. The new logo of Yapı Kredi Private Banking after the merger was introduced to the target group through magazine advertisements.

In the investment instruments area, the focus has been mainly on mutual funds communication in 2006. The joined forces after the merger, expertise in fund management and fund diversity were the emphasized strengths.

In the field of corporate social responsibility, various activities were carried out on topics such as archaeology, culture and arts, youth and education and environment. Yapı Kredi continues to support since 1998 the excavations in Çatalhöyük, which is one of the oldest human settlements in the world with its 9000 years of history and which earned a significant place on the world heritage list. The most comprehensive exhibition about Çatalhöyük in Turkey titled 'Çatalhöyük: From Earth to Eternity' was held in the Vedat Nedim Tör Museum, a first in Turkey, with the cooperation of Yapı Kredi Kültür Sanat Yayıncılık (culture, arts and publishing subsidiary of Yapı Kredi). A catalogue was published within the framework of the exhibition, featuring articles by senior archaeologists.

Within the scope of the longstanding cooperation with the Istanbul Foundation for Culture and Arts (IKSV), Yapı Kredi contributed to the International Istanbul Music Festival by sponsoring the concert of Cecilia Bartoli accompanied by the Freiburg Baroque Orchestra held in Hagia Irini. And within the scope of another longstanding cooperation with the Sevda-Cenap And Foundation, Yapı Kredi contributed to the International Ankara Music festival, which celebrated its twenty second anniversary previous year, by sponsoring the farewell concert of the Festival performed by the Bilkent Symphony Orchestra.

Yapı Kredi also continued its traditional support to the activities of the Educational Volunteers Foundation of Turkey (TEGV) in the previous year. Within this context, the 'Reading Time', implemented in all education parks and educational units of TEGV, was sponsored for a period of five years. It was decided that the content of the activity shall be enhanced under the name 'I read, I play', the venues shall be re-arranged and the program shall be enriched with additional activities.

Yapı Kredi decided to support the Blue Unlimited project to be carried out mutually with the Deniz Temiz Association /TURMEPA and the Ministry of National Education in order to raise the awareness among the elementary school students, the grown-ups of tomorrow. The framework of the project aims at raising the awareness level of all elementary school students concerning the dangers the seas are in and establishing an early environmental awareness in young people. Approximately 6 thousand students have been reached until the end of the year through classes conducted by teachers.

Other activities of 2006 included annual meetings of various departments, informative meetings on the Yapı Kredi - Koçbank integration, 'Happy Anniversary All Together' evenings, the Sports Festival and the Managers Meeting held in Antalya on September 21-23 with the participation of all managers and directors from the Head Office and the branches. Also a celebration party was organized to bring together 16 thousand Yapı Kredi employees to celebrate the merger together with the approaching new year.

The Yapı Kredi Kültür Sanat Yayıncılık (YKY) continued to be the pioneering institution of culture & arts agenda in Turkey with activities throughout 2006. YKY published 217 new books bringing the total number of books published since its foundation to 2.424. Across the year, fourteen exhibitions were organized, all at the Yapı Kredi Cultural Center except for one held in the Dolmabahçe Palace. The scope of other activities included musical performances, plays, cinema, discussion meetings and local events adding up to a total of 126 shows and performances.

Yapı Kredi's Subsidiaries

YapıKredi Leasing

Yapı Kredi Finansal Kiralama A.O.
Field of Activity: Leasing
Capital: YTL 389.927.705
Participation: YTL 100.088.677,69 (25,67%)
2006 Activities: In 2006, the leasing sector had a total of USD 5.270,7 million transaction volume. Yapı Kredi Finansal Kiralama realized USD 962,3 million transaction volume, making it the sector leader with 18,3% market share, 2,7% higher than its closest competitor. Yapı Kredi Finansal Kiralama continued to provide services to the customers in every region of Turkey through all Yapı Kredi branches as well as its nine branches. Yapı Kredi Finansal Kiralama merged with Koç Finansal Kiralama on December 25, 2006 and the shares of the merged company are traded on ISE (Istanbul Stock Exchange).

YapıKredi Faktoring

Yapı Kredi Faktoring A.Ş.
Field of Activity: Factoring
Capital: YTL 16.802.326
Participation: YTL 6.801.303 (40,48%)
2006 Activities: Yapı Kredi Faktoring A.Ş. and Koç Faktoring Hizmetleri A.Ş. merged under the legal entity of Koç Faktoring Hizmetleri A.Ş as of December 29, 2006. Following this merger, the Company changed its title to Yapı Kredi Faktoring A.Ş. under the new formation. The company completed 2006 in a leading position with its EUR 2,8 billion turnover (according to the Factoring Association data) and around 23% market share while its total trading volume comprised 60% domestic transactions and 40% international transactions. In 2006, Yapı Kredi Factoring increased its market share in international transactions up to 53% through continuing to support the exporters at foreign markets with 54 correspondents in 28 countries.

The members of Factoring Chain International (FCI) selected the company as "The Best Factoring Company Worldwide" in 2006. In addition, the company's export volume reaching EUR 765 million was another indication of its continuing international success.

YapıKredi Portföy Yönetimi

Yapı Kredi Porföy Yönetimi A.Ş.
Field of Activity: Asset management, discretionary portfolio management, investment advisory, private pension fund management, management of private funds
Capital: YTL 2.349.442,78
Participation: YTL 113.733,73 (4,84%)
2006 Activities: Yapı Kredi Portföy Yönetimi was restructured due to the merger between Yapı Kredi Portföy Yönetimi and Koç Portföy Yönetimi under the title of Yapı Kredi Portföy Yönetimi A.Ş. as of December 29, 2006. The company sustained its leadership position in the Turkish mutual funds market as of the end of 2006 with its 23% market share corresponding to YTL 5 billion portfolio size consisting of 30 A and B Type Mutual Funds. Yapı Kredi Portföy Yönetimi continued to manage 8 Koç Allianz Private Pension Funds and 11 Yapı Kredi Emeklilik Private Pension Funds. The total private pension funds together with the assets managed under the discretionary portfolio management have reached YTL 6,1 billion.

Yapı Kredi Portföy Yönetimi targets to become the indispensable business partner of its customers in asset management through its innovative financial solutions exclusively developed to meet the needs of private and corporate investors. Its corporate investment decision making process, the principle to yield optimum benefits from the products under management and wide selection of choices to match different risk profiles in investment products are the main enablers of the company's success.

YapıKredi Yatırım

Yapı Kredi Yatırım Menkul De¤erler A.Ş.
Field of Activity: Brokerage of all kinds of capital market instruments in Turkey and abroad, corporate finance, portfolio management, future/forward transactions, investment advisory
Capital: YTL 98.918.083,46
Participation: YTL 63.997.499 (99,99%)
2006 Activities: Yapı Kredi Yatırım provides the best solutions to meet the needs of its customers for the investments included in its activity field. The company has been a leading intermediary institution in the capital markets since its establishment and has maintained its leading position in 2006. 2006 data showed that Yapı Kredi Yatırım has risen one step up to the second position in the capital markets total transaction volume with YTL 136,5 billion. The company has reached 4% market share in the equity market as of year-end through achieving YTL 2,4 billion transaction volume. Its solid capital, specialized personnel, know-how and experience, sound technical infrastructure and wide product range were the key factors of the company's rising success despite intense competitive atmosphere. This success was confirmed by high customer satisfaction and customer loyalty.

On January 12, 2007, Yapı Kredi Yatırım and Koç Yatırım merged under the Yapı Kredi Yatırım brand. With this new structure, the company became the leader of the sector with YTL 99 million capital; YTL 180 million equity and YTL 248 million total assets.

YapıKredi Yatırım Ortaklığı

Yapı Kredi Yatırım Ortaklı¤ı A.Ş.
Field of Activity: Securities portfolio management
Capital: YTL 31.425.000
Participation: YTL 3.485.661 (11,09%)
2006 Activities: Yapı Kredi Yatırım Ortaklı¤ı A.Ş. was established in October 1995 within the framework of Capital Markets Law and declarations of Capital Markets Board in order to manage portfolios through trading capital market instruments in national and international stock markets. The company ranks among thirty institutions operating in the sector as an investment trust of A type securities.

Yapı Kredi Yatırım Ortaklı¤ı A.Ş. was the third largest company in the sector as of the end of 2006, becoming the best performing company with a 10,3% increase in its portfolio size. The company's shares are traded on ISE (Istanbul Stock Exchange).

YapıKredi Sigorta

Yapı Kredi Sigorta A.Ş.
Field of Activity: All kinds of non-life insurance activities
Capital: YTL 80.000.000
Participation: YTL 59.206.358 (74,01%)
2006 Activities: Established in 1943, Yapı Kredi Sigorta has become the fifth company in the sector as of the end of 2006, with YTL 585 million turnover and 7% market share realized through 738 agencies and

600 Yapı Kredi branches. Yapı Kredi Sigorta, operating in every field of insurance, strengthened its leading position in the sector in 2006 through new implementations particularly in the health sector. Positive results were obtained from the auto insurance project launched in 2005 while significant improvement was achieved in damage/premium ratio. The company is aiming to expand the actuarial studies in the coming period in order to cover all fields of insurance.

Yapı Kredi Sigorta continued to improve its software base for non-health elementary fields in 2006, anticipated to significantly contribute to the future initiatives of the company while a similar new software project was initiated for health insurance. Both projects are planned to become operational within 2007.

Yapı Kredi Sigorta has become the sector leader in 2006 for health insurance as a result of the substantial growth in private/individual and corporate health insurance as well as major corporate groups signing in. Yapı Kredi Sigorta's net total assets reached YTL 570 million at the end of the same period and its shares are traded on ISE (Istanbul Stock Exchange).

YapıKredi Emeklilik

Yapı Kredi Emeklilik A.Ş.
Field of Activity: Private pension and life insurance
Capital: YTL 58.000.000
Participation: YTL 406 (100%*)
2006 Activities: The year-end figures reveal that the total amount of private pension funds managed by Yapı Kredi Emeklilik exceeded YTL 480,6 million while the number of contracts surpassed 190 thousand. In the field of life insurance, YTL 111,8 million premiums have been generated as of the end of 2006 while the total savings of 385.338 life insurance holders (as calculated by their life insurance policies) reached YTL 518,6 million.

Yapı Kredi Emeklilik is the first Turkish company ever to prove its quality by receiving "Excellent Customer Management Certificate". In addition, the company was awarded CMSAS 86:2000 (Complaints Management System Assessment Specification), a certificate similar to ISO 9000 in the field of customer services management, by the British Standards Institution (BIS), an independent international organization.

(*) Through Yapı Kredi Sigorta (99,93%), Yapı Kredi Faktoring (0,04%) and Yapı Kredi Yatırım (0,04%).

YapıKredi Moscow

Yapı Kredi Moscow
Field of Activity: International banking
Capital: Rouble 478.272.000
Participation: Rouble 477.520.000 (99,84%)
2006 Activities: Yapı Kredi Moscow has been operating in its 1.350 m^2 building in Moscow since 1994. The company successfully completed 2006 with the aim of contributing to the improvement of Turkish-Russian commercial relations and particularly providing banking services for high caliber customers in construction, undertaking, trade and tourism sectors. The total assets of Yapı Kredi Moscow reached USD 214,6 million as of the end of 2006.

YapıKredi Nederland

Yapı Kredi Bank Nederland N.V
Field of Activity: International banking
Capital: Euro 35.000.000
Participation: 100%*
The Bank is a 100% subsidiary of Yapı Kredi Holding and operates in the fields of international trade finance, corporate banking and deposit taking. Within the framework of the restructuring of foreign subsidiaries of Koç Financial Services, the Board of Directors decided on December 5, 2006 to merge Yapı Kredi Bank Nederland NV with Koçbank Nederland NV.

(*) Through Yapı Kredi BV Holding, a 100% subsidiary of Yapı Kredi.

Yapı Kredi Bank (Deutschland) A.G.
Field of Activity: International banking
Capital: Euro 48.000.000
Participation: Euro 30.200.000 (97,5%*)
2006 Activities: Established as the foreign branch of Yapı Kredi in 1990, Yapı Kredi Deutschland continued its operations as a subsidiary since January 1998. The Bank, with its headquarters located in Frankfurt, is active in international trade finance, corporate and retail banking.

(*) Through 62,92% direct share of Yapı Kredi and 34,58% share of YK Holding BV which is 100% owned by Yapı Kredi.

Banque de Commerce et de Placements S.A.
Field of Activity: International banking
Capital: Swiss Franc 75.000.000
Participation: Swiss Franc 23.000.000 (30,7%)
2006 Activities: Based in Geneva, Banque de Commerce et de Placements S.A. was established in 1963. The Bank has branches in Luxembourg and Dubai and a representative office in Istanbul. European countries, Turkey, Turkic states, Middle Eastern and North African countries constitute the target markets of the Bank which particularly focuses on commercial and private banking, treasury products and correspondent banking. In 2006, the total assets of the Bank reached 1,6 billion Swiss Francs.

Yapı Kredi-Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş.
Field of Activity: Real-estate investment trust, management of portfolios consisting of real-estate and real-estate backed capital market instruments
Capital: YTL 40.000.000
Participation: 12.179.872 YTL (30,45%)
2006 Activities: With its year-end net total assets amounting nearly USD 88 million, the portfolio of Yapı Kredi-Koray included Beyo¤lu Narmanlı Han and Yapı Kredi Plaza office floors, in addition to Riva, Esenyurt, Çankaya, Elit Residence, Kemer Country Yalıkonaklar Residence/Beyazkonaklar, Istanbul Zen, Istanbul Bis, Evidea housing projects with 50% partnership and Ankara Ankara housing projects with 53% share on revenues.

The construction of Neo shopping center, the first commercial project of Yapı Kredi Koray continued in 2006. The Istanbul Zen project was totally sold out and generated USD 17,8 million revenues from 74 units. The Istanbul Bis project consisting of 112 units generated USD 19,3 million revenues out of sales of 91 units. The Evidea project consisting of 473 units was totally sold out to generate USD 75 million revenues. The Ankara Ankara project generated USD 31,9 million within the framework of shared revenues, through the sales of 126 units out of 145.

Yapı Kredi Kültür-Sanat Yayıncılık Tic. ve San. A.Ş.
Field of Activity: Culture, art, publishing and marketing services
Capital: YTL 600.000
Participation: YTL 599.960 (99,99%)
2006 Activities: The company maintained its leading role in pioneering the culture and arts agenda of Turkey in 2006. The 140 new books that have been published during the year increased its total number of published books to 2.424. Thirteen exhibitions were held at Yapı Kredi Cultural Center. The 126 events organized by the company included concerts, plays, movies, discussion panels and certain local activities.

Other Subsidiaries
1. Bankalararası Kart Merkezi A.Ş. (Interbank Card Center)
2. Kredi Kayıt Bürosu A.Ş. (Credit Bureau of Turkey)
3. Mastercard Incorporated
4. Visa Europe Limited
5. Vadeli İşlem ve Opsiyon Borsası A.Ş. (Turkish Derivatives Exchange)

PART 2: INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

FAIRNESS TRANSPARENCY FREEDOM TRUST RESPECT

Board of Directors

Dr. Rüşdü SARAÇOĞLU
Position: Chairman of the Board of Directors
Term of office: Since 28 September 2005
Rüşdü Saraço¤lu graduated from Middle East Technical University, Department of Economics and Statistics, then earned his Ph.D. from the University of Minnesota, Department of Economics, USA. He worked in the research department of the Federal Reserve Bank of the United States between 1975 and 1977 and as a lecturer on economy at the Boston College, Massachusetts from 1977 to 1979. Then, he joined the economist cadre of the International Monetary Fund (IMF), based in Washington between 1979 and 1984. Upon his return to Turkey in 1984, he worked at the Central Bank of the Republic of Turkey, initially as the General Director of the Research, Planning and Training Division, then, following his post as Deputy Chairman for a period of one and a half years in 1986, he served as the Chairman of the Bank for six years. After that, he worked as a Founding Partner in Makro Danışmanlık Company for more than two years until the end of 1995. In 1995 he entered politics and was elected as the İzmir deputy, and served as the Minister of State in the 53rd Government. He was appointed as Chairman of the Finance Group of Koç Holding in March 2002, and later as the Chairman of Banking and Insurance Group. Since October 2, 2006, Saraço¤lu had served as the Chairman of the Board of Directors of both banks until the legal merger of Koçbank and Yapı Kredi; and is currently the Chairman of Banking and Insurance Group in Koç Holding besides being the Chairman of the Board of Directors Yapı Kredi since September 28, 2005.

Andrea MONETA
Position: Vice Chairman of the Board of Directors
Term of Office: Since 28 September 2005
Graduating from Federico II University Faculty of Economics and Political Sciences in Napoli, Andrea Moneta started his career in the Pentole Moneta Company in Italy and then served at several positions in MEC.CA and Maiello Consultancy Companies. Between the years 1990-1998 he worked as a Manager in Financial Services and a Senior Engagement Manager in Andersen Consulting Co. Following this, he held the position of Head of Strategic Planning at the European Central Bank in Frankfurt for one and a half years. In 2000, he joined UniCredit Group as CFO, and in 2002 he was appointed Group Assistant General Manager and Head of the Private & Asset Management Division. In 2004, he started to serve as Head of the New Europe Division. Moneta has been serving as Head of Poland's Markets Division within UniCredit and Managing Board Member for CEE within the Management Board of BA-CA and continues his post as Vice Chairman of the Board of Directors of Yapı Kredi since September 28, 2005.

Seyit Kemal KAYA
Position: Member of the Board of Directors and General Manager
Term of Office: Since 28 September 2005
Seyit Kemal Kaya graduated from the University of Kansas, Department of Business Administration. He started working at Yapı Kredi as of September 1985. Starting as an expert at Yapı Kredi, he was promoted to Assistant Manager (1990) and Department Head (1991). He was appointed Assistant General Manager responsible for Financial Institutions and Investor Relations in April 1996. After occupying this post for four years he became a member of the Board of Directors in Koçbank in June 2000 and appointed as the General Manager of Koçbank in August 2003. Apart from filling the position of General Manager in Koçbank, Seyit Kemal Kaya also assumed the post of General Manager in Yapı Kredi following the acquisiton of Yapı Kredi by Koç Financial Services in 2005.

Federico GHIZZONI
Position: Member of the Board of Directors/COO (Chief Operating Officer)
Term of Office: Since 28 September 2005
Federico Ghizzoni is a law graduate from the University of Parma, Italy. After graduation, he started working as a customer relations manager in Picenza branch of UniCredit in 1980. Ghizzoni, worked in this branch until 1988 and continued his post as the manager responsible for loans, he then served as branch manager in Trieste branch between the years 1988 and 1990. After working as the branch manager in the Seriate branch between 1990-1992, he was appointed the Assistant General Manager to the London office of UniCredit. As of 1995 he became the General Manager of the Singapore office. Between 2000 and 2002, Ghizzoni became an authorized manager in the Corporate and International Banking Department of Bank Pekao S.A, a subsidiary of UniCredit. In 2003, he started his duty in Koç Financial Services following the 50%-50% partnership established by Koç Holding and UniCredit. Ghizzoni, who has been working as Koç Financial Services member of the Board of Directors since the beginning of 2003 also occupied a post in Koçbank as member of the Board of Directors. He was elected as a member of the Board of Directors of Yapı Kredi in the Extraordinary Shareholders' meeting dated September 28, 2005 and he is still continuing this post as well as serving as the Chief Operating Officer (COO) for the Bank.

Halil Sedat ERGÜR
Position: Member of the Board of Directors
Term of Office: Since 28 September 2005
Halil Sedat Ergür earned his undergraduate and graduate degrees at Middle East Technical University, Department of Mechanical Engineering. He continued his academic studies with a post-graduate degree in business administration in Ankara Economic and Commercial Sciences Academy and another post graduate degree at the University of Manchester Institute of Science and Technology (UMIST), UK. Ergür served as the Assistant General Manager of Citibank in 1984 and continued his career as the Assistant General Manager of Impexbank and Yapı Kredi, respectively, from 1989 to 1991 and from 1994 to 2000. For the following three years he filled the position of General Manager at Koçbank and also served as member of the Board of Directors at Koçbank after 2003. Ergür was appointed as Yapı Kredi member of Board of Directors following the acquisition of Yapı Kredi by Koç Financial Services in 2005.

Fatma Füsun AKKAL BOZOK
Position: Member of the Board of Directors
Term of Office: Since 28 September 2005
F. Füsun Akkal Bozok, earned her post-graduate degree in business administration from Bosphorous University Administarive Sciences Faculty and Ph.D. from Istanbul University, Faculty of Business Administration. Following her graduation, she started her professional life in 1980 at Arthur Andersen, the auditing company. After joining the Koç Group in 1983 she worked firstly in the Audit and Finance Group Department, and then as an audit expert and a group assistant coordinator. She was appointed Audit and Finance Group Coordinator in 1992 and worked in that post for eleven years. Between 2003 and 2006 she served as the Coordinator of the Finance Group. She is still working as a professor at Koç and Sabancı Universities and since September 28, 2005 she occupies her post in Yapı Kredi as member of the Board of Directors.

Ahmet Fadıl ASHABOĞLU
Position: Member of the Board of Directors
Term of Office: Since 28 September 2005
Ahmet Fadıl Ashabo¤lu graduated from the Mechanical Engineering Department of Tufts University, followed by a post-graduate degree from Massachusetts Institute of Technology (MIT), Department of Mechanical Engineering, USA, where he also worked as a Research Assistant for over a year. Ashabo¤lu served as an FX-Options Trader and Risk Manager at UBS AG from 1996 to 1999, and then as a consultant at McKinsey & Company consultancy firm from 1999 to 2003 in New York. After he came back to Turkey, he joined Koç Holding as the Finance Group Coordinator in 2003. Ashabo¤lu is working as the Chief Financial Officer (CFO) of Koç Holding since January 2006 and holding his post as member of the Board of Directors in Yapı Kredi since September 28, 2005

Ranieri de MARCHIS
Position: Member of the Board of Directors
Term of Office: Since 28 September 2005
Ranieri de Marchis earned his post-graduate degree from INSEAD (European Business Administration Institute) based in Fontainebleau, France, following his graduation from L.U.I.S.S. University Department of Economics in 1985. Between 1990 and 1997, he worked for General Electric as the Chief Auditor for Europe and Head of the Finance and Commercial Development Department. He then joined Nuovo Pignone based in Florence, where he served as General Manager for four years. In 2001 he was promoted to Vice President for Oil and Gas Products and the Chief Financial Officer at General Electric. Marchis, who joined UniCredit as Head of Planning and Finance, has been serving as member of the Board of Directors in Yapı Kredi since September 28, 2005.

Henning Herbert Gerhard GIESECKE
Position: Member of the Board of Directors
Term of Office: Since 31 March 2006
Henning Herbert Gerhard Giesecke graduated from Munich University, Department of Economics in 1985, and later earned his post-graduate degree from Business Administration Department of Clemson University. He started his professional career in the Department of Economics of Munich University. Since 1985, he served as Corporate Banking Relations Manager, Head of Representative Office, Corporate Director, Credit Risk Manager, Head of Risk Management, Head of Central Restructuring and Head of Corporate Restructuring and Training, respectively, in the branches of Hamburg, London, Dresden, Berlin, Munich, Rhein, Main, Saar region of Hypo-Bank. He worked as the member of senior management and Head of Credit Risk Management in HVB Group between 2004 and 2006. Giesecke, who was appointed the Head of Risk Management and Member of the Board of Directors of UniCredit in 2006, is also a member of Board of Directors in Yapı Kredi since March 31, 2006.

Marco IANNACCONE
Position: Member of the Board of Directors
Term of Office: Since 31 March 2006
Marco Iannaccone graduated from Universita degli Studi di Venezia, Department of Business Administration in 1993, and earned his masters degree from Clemson University Department of Business Administration. He started his career in Applied Economics and Finance Department of Clemson University as a Research Assistant in 1994. He worked as International Sales Management Assistant in 3B S.p.A. and consultant in KPMG S.p.A. between 1995 and 1997. Iannaccone also served as a Senior Consultant in Andersen Consulting S.p.A. from 1997 until 1999. Between 1999 and 2002, he worked as Research and Strategic Planning Manager, Project Manager, Head for Italy Partnership Banking and Commercial Planning Manager for Private-Corporate Banking, respectively, in Deutsche Bank S.p.A. He served as Marketing and Advertisement and Business Development Manager and Private Wealth Consultant at UniCredit from 2002 to 2005. Mr. Iannaccone is the Head of New Europe Department's Strategy/Planning and Control and Poland Markets Department's Planning and Change Management Head at the UniCredit since March 2005, and also a Member of the Board of Directors in Yapı Kredi since March 31, 2006.

Statutory Auditors

In the Ordinary Shareholders' Meeting on March 31, 2006, Mr. Erkan Özdemir and Mr. Adil G. Öztoprak were elected as the legal auditors of Yapı Kredi until the General Assembly which will be held in order to examine the financial results of 2006.

Erkan ÖZDEMİR
Graduated from Middle East Technical University, Department of Economics in 1989, Özdemir served as a Sworn Bank Auditor within the Banking Regulation and Supervision Agency (BRSA) from April 1994 until August 2001. Having joined Koç Holding in August 2001, Mr. Özdemir continues his post at the Holding as Coordinator in charge of Audit.

Adil G. ÖZTOPRAK
Graduated from Ankara University, Faculty of Political Sciences Department of Finance and Economics, Öztoprak worked in the Inspection Board of Ministry of Finance between 1966 and 1975. In 1975, he was promoted to Assistant General Manager of Budget and Financial Control. From 1976 on, he served for various companies as Financial Coordinator and General Manager. Between 1997 and 2000, worked as Sworn Financial Advisor in Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PriceWaterhouseCoopers). Öztoprak continues his professional life as an Independent Sworn Financial Advisor since 2000.

The term of office of the Members of the Board of Directors and auditors is one year. The elections and task allocation for the related positions are performed in the Annual Shareholders' Meeting.

General Manager and Assistant General Managers

Seyit Kemal KAYA
Please see page 68 for the résumé.

Stefano PERAZZINI
Position: Assistant General Manager / Chairman of the Board of Auditors
Term of Office: Since 16 March 2006
Area of Responsibility: Internal Audit
Stefano Perazzini earned his graduate degree from Torino University, Faculty of Business Administration in Italy and started his business life in IMI Bank San Paolo branch in 1987. He worked in Finance Department of Honeywell Bull (Computer and Printer Manufacturer) between 1989 and 1992. As from 1992, he served as Information Technologies Auditor in Banca CRT Head Office and as an Internal Auditor in London and Paris branches. Perazzini has worked for UniCredit as an Internal Auditor since September 1999, and later was appointed the Assistant General Manager of Internal Audit Department of Bank Pekao within UniCredit. Perazzini served as the Assistant General Manager responsible for Internal Audit in Koç Financial Services since March 2003, and was appointed as the Assistant General Manager responsible for the Internal Audit Management at Yapı Kredi on March 16, 2006.

Kemal SEMERCİLER
Position: Assistant General Manager
Term of Office: Since 28 February 2006
Area of Responsibility: Compliance Officer
Kemal Semerciler graduated from Uluda¤ University Faculty of Economics and Administration and started his career at Yapı Kredi as an intern inspector in 1981. In 1985, he was promoted to inspector and continued this post for four years. In February 1989, he was appointed Assistant Manager at the Financial Management Department, then Function Manager at the same department (1990-96) and finally the Department Manager (1996-2004). Semerciler was assigned the Chairman of the Board of Auditors at Yapı Kredi in May 2004, and began serving as the Compliance Officer in Yapı Kredi since February 28, 2006.

Carlo VIVALDI

Position: Assistant General Manager / CFO (Chief Financial Officer)

Term of Office: Since 30 November 2005

Area of Responsibility: Financial Planning and Control and Subsidiaries Management

Carlo Vivaldi graduated in Business Administration from the University of Ca' Foscari, Venice, Italy. Mr. Vivaldi started his career in 1991 in Cassamarca, one of the four banks which merged into UniCredit in 1998. At that time he moved in Group's Planning and Control and then after a brief experience in contributing to the development of Group's internet strategy, in 2000 he moved under the newly established New Europe Division as responsible for Planning & Control contributing to the expansion of UCI in the region. At the end of 2002 he moved to Turkey and since then he covers the position of Chief Financial Officer and Executive Vice President at KFS and Yapı Kredi. He is also member of the Board of Directors of some Group subsidiaries namely, Yapı Kredi Yatirim, Yapı Kredi Emeklilik, Yapı Kredi Sigorta, Yapı Kredi Holding BV. Mr. Vivaldi is also a member of the Audit Committee of Yapı Kredi Yatırım, Yapı Kredi Portföy Yönetimi and Yapı Kredi Faktoring.

Zeynep Nazan SOMER

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Credit Cards and Consumer Loans Management

Nazan Somer graduated from Bosphorous University, Department of Business Administration and worked as Executive Vice President at Pamer Ltd. from 1985 to 1988. In 1988, she joined Arthur Andersen, the audit company, and worked as a team leader and senior manager. Between1999 and 2000, she became a partner in the company. Somer joined Yapı Kredi as Assistant General Manager responsible for individual banking and credit cards in September 2000. In June 2004, Nazan Somer became responsible for credit cards and individual and SME banking. She continues her post at Yapı Kredi as Assistant General Manager responsible for credit cards and consumer loans since February 2006. She is also a Director of the Visa Europe Board.

Mehmet SÖNMEZ

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Retail Banking Management

A graduate of Bosphorus University Department of Management, Mehmet Sönmez began his career as a sales manager in Eternit and continued as marketing manager in 3M, respectively. He served as General Manager in Eczacıbaşı-Avon Cosmetics. Mr. Sönmez entered banking sector in 1998 and worked as Executive Vice President first in Citibank, and later in Osmanlı Bankası and finally in Türk Ekonomi Bankası. Sönmez was appointed Assistant General Manager in Koçbank in October 2003, and became Assistant General Manager responsible for retail banking at Yapı Kredi on February 28, 2006.

Muzaffer ÖZTÜRK

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Retail Sales Management

A graduate of Uluda¤ University Department of Business Administration, Muzaffer Öztürk began his career in 1984 as an intern inspector at Yapı Kredi. After becoming an inspector in 1988, he continued this post for three years. He was appointed assistant head of the Board of Auditors in 1991 and served as the manager of Beyazıt and Plaza branches, between 1995-97 and 1997-99, respectively. In the same period he also worked as corporate banking coordinator (1997-99) and later became corporate banking coordinator of the Esentepe branch (2000). He was appointed second group Assistant General Manager of retail & commercial banking in October 2000, and became Assistant General Manager for the sales management of individual banking and corporate banking in August 2003. Öztürk continues his post at Yapı Kredi as Assistant General Manager responsible for retail sales management since February 28, 2006.

Hamit AYDOĞAN
Position: Assistant General Manager
Term of Office: Since 28 February 2006
Area of Responsibility: Corporate and Commercial Banking
Hamit Aydo¤an graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Political Sciences and Public Administration Department. He started his professional career in Yapı Kredi on June 1981. He first served as an inspector in the Board of Auditors and then as a branch manager. He was appointed the Assistant General Manager responsible for corporate marketing in September 1993. Later, he became executive director and general manager, respectively, in Yapı Kredi Faktoring and Yapı Kredi Finansal Kiralama (Leasing) . Within the Koç Group, Aydo¤an served as General Manager in Koç Finansal and Assistant General Manager in Koçbank, and continues his post at Yapı Kredi as Assistant General Manager responsible for Corporate and Commercial Banking since February 2006.

Mert GÜVENEN
Position: Assistant General Manager
Term of Office: Since 6 February 2006
Area of Responsibility: Commercial Banking
Mert Güvenen earned his post graduate degree from the Management Department of West Georgia University and started his professional career at Yapı Kredi in 1990. He was appointed to Esentepe branch in 1999 as corporate branch manager. Güvenen continued his career at Körfezbank as central branch manager; he then served as corporate marketing manager in Koçbank between 2001 and 2003 and as General Manager in Koç Faktoring between 2003 and 2006. Mert Güvenen continues his post at Yapı Kredi as Assistant General Manager responsible for Commercial Banking since May 2006.

Didem GORDON
Position: Assistant General Manager
Term of Office: Since 28 February 2006
Area of Responsibility: Private Banking and Wealth Management
Didem Gordon earned her post graduate degree from Finance Department of San Diego University, USA and started her career in Mitsui Manufacturers Bank in 1989 and served there for three years as corporate banking specialist. Later, she assumed the manager post in project finance and marketing group in Interbank. From 1995 to 1998 she served as Research Department senior analyst in Global Menkul De¤erler; member of the Board of Directors and member of the Executive Committee in Strateji Menkul De¤erler. She served as member of the Board of Directors and Executive Vice President for one year in Inter Yatırım ve Portföy Yönetimi. Didem Gordon worked for Garanti Bank as investor relations manager in 1999 and 2000. She served at Finans Yatırım ve Portföy Yönetimi as member of the Board of Directors and General Manager from 2000 to 2002. In 2002, Didem Gordon joined Koç Holding as General Manager and Executive Director in Koç Portföy Yönetimi. Later, she became Assistant General Manager in Koçbank, and continues her post at Yapı Kredi as Assistant General Manager responsible for Private Banking and Wealth Management since February 28, 2006.

Erhan ÖZÇELİK
Position: Assistant General Manager
Term of Office: Since 28 February 2006
Area of Responsibility: International Relations and Foreign Subsidiaries Management
Erhan Özçelik studied Marketing at Evansville University (Indiana- USA) and started his career as an account officer in Yapı Kredi in 1988. In 1991 he was appointed as a representative in Moscow. Following this position he worked as Executive Vice President of Yapı Toko Bank starting from 1993. Having served there for four years he was then assigned as Managing Director at Yapı Kredi Moscow between 1997-2000. In 2001, Mr Özçelik became Assistant General Manager responsible for Corporate Banking at Yapı Kredi. He continues his post at Yapı Kredi as Assistant General Manager responsible for International Relations and Foreign Subsidiaries since February 28, 2006.

Mert YAZICIOĞLU
Position: Assistant General Manager
Term of Office: Since 28 February 2006
Area of Responsibility: Treasury
Mert Yazıcıo¤lu earned his post graduate degree from Department of Management, Istanbul Technical University and started his career at the S. Bolton & Sons as International Relations Officer in 1987. He joined banking sector in 1989 at Koçbank, and served as customer relations manager, dealer, senior dealer and assistant manager, respectively. He was appointed the Group Manager for TL/FX Management under Treasury in 1996, and Assistant General Manager in 1999. Yazıcıo¤lu continues his post at Yapı Kredi as Assistant General Manager responsible for Treasury since February 28, 2006.

Mohamed Hishem LAROUSSI

Position: Assistant General Manager

Term of Office: Since 28.02.2006

Area of Responsibility: System Technology Management

Mohamed Hishem LAROUSSI earned his graduate degree from, Institut de Pragrammation, Université de Paris VI Major Informatics. He began his career at Ecole Polytechnique as Physics Operator. He then served as Physics Assistant in Hamburg University in 1971. Mr. Laroussi assumed the posts system analyst in NCR-Germany and marketing support manager in NCR-Tunisia respectively between 1972-1975 and 1975-1978. In the following two years, he provided consultancy services on Electronic Data Processing (E.D.P) to Citibank Tunisia and Morocco. He entered banking sector in 1981 with his duty in Automation Department at Citibank. Mr. Laroussi served as E.D.P. Consulting and Senior Manager in Alarko Holding from 1982 to 1983 and in Garanti Bank from 1984 to 1985. He became Automation Unit Manager first in Anadolu Bank and later in Emlak Bank between 1986-1988. He served as Executive Vice President of Egebank from 1988 to 1991. Mr. Laroussi was appointed the Assistant General Manager responsible for System Technology Management in Koçbank in 1991, and continues his post at Yapı Kredi since February 28, 2006.

Marco ARNABOLDI

Position: Assistant General Manager

Term of Office: Since 28.02.2006

Area of Responsibility: Risk Management

Marco Arnaboldi studied Economics in L. Bocconi University. He worked as a financial consultant for Euro Consult from 1989 to 1992. Starting from 1992 for eleven years he served various posts at Banka Popolare Commercio Industria Group, including currency market and fixed income desk, internal control, foreign currency bonds manager in Treasury Department, manager of asset and liability management project in Planning and Control Department, manager of market risk management and asset and liability management in Treasury and Head of Group Market Risk Management, respectively. Mr. Arnaboldi worked at Risk Management in UniCredit in May-June 2003, and following this post he has been Head of Market and Operational Risk Management of Koçbank. Arnaboldi became Head of Risk Management in January 2006, and continues his post at Yapı Kredi as Assistant General Manager responsible for Risk Management since February 28, 2006.

Mehmet Güray ALPKAYA

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Credit Management

Mehmet Güray Alpkaya earned his MBA from Koç University and a MS in Finance from Istanbul University. He started his banking career at Import and Export Bank of Turkey in 1989 where he served as assistant manager in the Credit and Marketing Department before moving to Istanbul branch of the Chase Manhattan Bank N.A, in 1991. He was Vice President and Head of Corporate Client Management Group at Chase before moving to Koçbank in 1999 to establish and develop the project and structured finance function. In Koçbank between 1999 and 2003, he served as head of project and structured finance group and then served as head of credit underwriting division between 2003 and 2006. Mr. Alpkaya continues his post at Yapi Kredi as Assistant General Manager responsible for Credit Management since February 28, 2006.

Tülay GÜNGEN

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Corporate Identity and Communication

Tülay Güngen earned her masters degree from Bosphorous University, Department of Computer Engineering and started working at TÜBİTAK (The Scientific and Technological Research Council of Turkey) Marmara Research Center, Electronic Research Department in 1979. In 1985, she entered banking sector and worked as ICT and operations manager in Interbank. In 1991, she became Executive Vice President of Intertech and in 1994 manager of the Project Implementation Management Department at Yapı Kredi. She then served as the Vice President at the Call Center between 1997 and 1998. Between 1999 and 2003 she served as Assistant General Manager of Yapı Kredi responsible for Alternative Delivery Channels Management. In 2003 and 2004 apart from ADC Management, she also became responsible for Individual and Corporate Banking Tülay Güngen continues her post at Yapı Kredi as Assistant General Manager responsible for Corporate Identity and Communication since February 2006.

Süleyman Cihangir KAVUNCU

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Human Resources

Cihangir Kavuncu earned his masters degree from Bridgeport University and started his career in Arthur Andersen as an auditor in 1983. He served as foreign currency funds manager at Interbank Treasury Management from 1985 to 1989. Following this post, he worked as financial controller and treasurer of the region and then human resources director in Coca-Cola between 1989 and 1993, and later as administrative affairs coordinator in Çukurova Holding between 1993 and 1994 and finally as human resources and logistics director in Colgate Palmolive between 1995 and 2004. Mr. Kavuncu was appointed Assistant General Manager at Koçbank in August 2004, and continues his post at Yapı Kredi as Assistant General Manager responsible for Human Resources since February 28, 2006.

Luca RUBAGA

Position: Assistant General Manager

Term of Office: Since 07 April 2006

Area of Responsibility: Organization Management

Luca Rubaga graduated from Cattolica University Management Department in Italy and worked in Andersen Consulting as finance department consultant/senior specialist between 1995 and 1999. He assumed the post project application manager in Allstate Italy insurance company in USA from 1999 to 2000. He served as manager in Banca Popolare di Verona Banking Group as from 2000; and as online business unit director in Banca Primavera between 2001 and 2003. Rubaga who has been the operations director at UniCredit since September 2003, joined Koçbank as the Chairman responsible from integration and continues his post at Yapı Kredi as Assistant General Manager responsible for Organization Management since April 7, 2006.

Mahmut Tevfik ÇELİKEL

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Central Procurement Management

Mr. Çelikel graduated from Journalism and Public Relations Department of Istanbul Economics and Commercial Sciences Academy. He worked as a teller and assistant line manager in İş Bank from 1975 to 1981. In American Express International, he assumed the posts assistant supervisor, assistant manager and manager, respectively. Later, he served as Izmir branch manager, Istanbul regional manager and business unit manager in Koç-Amerikan Bank. In the following years, he was appointed group manager and Assistant General Manager in Koçbank. Çelikel continued his career within Koç Holding becoming Assistant General Manager of Koç Finansal Kiralama in 1997. Between 1999 and 2006, he served at Koçbank as Chairman of the Board of Auditors and the Executive Vice President responsible for Operations Management and Administrative Affairs. Mr. Çelikel continues his post at Yapı Kredi as Assistant General Manager responsible for Central Procurement since February 28, 2006.

Alpar ERGÜN

Position: Assistant General Manager

Term of Office: Since 28 February 2006

Area of Responsibility: Legal Affairs

Alpar Ergün graduated from Istanbul University Faculty of Law, started his career as an attorney at law in 1974 and became an intern judge in 1976. He joined Yapı Kredi in January 1977 and served respectively as attorney at law, assistant legal advisor and legal advisor at Legal Department. He was later appointed as unit head and department head of Legal Follow-up Department. Mr. Ergün became Chief Legal Advisor for Koçbank in 2000, and continues his post at Yapı Kredi as Assistant General Manager responsible for Legal Affairs since February 2006.

Senior management information as of end-2006.

Mr. Ali Bahadır Minibaş, Assistant General Manager responsible for Logistics and General Procurement, Mr. Ahmet İlerigelen, Assistant General Manager responsible for Corporate Banking Management have left their posts respectively as of January 31, 2007 and February 1, 2007. Mr. Hüseyin İmece, Assistant General Manager responsible for Financial Institutions and Strategic Capital Movements Management has left his post on March 31, 2007.

Executive Committees

Credit Committee

The Credit Committee, in accordance with the credit policy, economic targets and general risk profile of the Bank's credit portfolio, is responsible for building guidelines for the credit allocation activities of the Bank; allocating credits within the authorized limits or reporting its opinion to the Board of Directors for the credits that are over the delegated limits; determining the restructuring conditions for the non-performing credits within its authorized limits; reporting its opinion to the Board of Directors regarding the restructuring of credits that are over the delegated limits; setting the parameters related to credit rating and monitoring systems; and fulfilling the duties assigned by the Board of Directors regarding credits. The Committee consists of five principal members; four Members from the Board of Directors and the General Manager (or a deputy), and three alternate members; Head of Corporate and Commercial Banking Management and two Members from the Board of Directors in accordance with relevant laws and legislations. Group Credit Risk Manager attends the meetings upon invitation.

Principal Members of the Credit Committee

Chairman	Federico GHIZZONI	Member of the Board of Directors and COO
Member	Halil Sedat ERGÜR	Member of the Board of Directors
Member	Henning H. G. GIESECKE	Member of the Board of Directors
Member	Marco IANNACCONE	Member of the Board of Directors
Member	Seyit Kemal KAYA	Member of the Board of Directors and General Manager

Alternate Members of the Credit Committee

Member	Dr.Rüşdü SARAÇOĞLU	Chairman of the Board of Directors
Member	Ahmet Fadıl ASHABOĞLU	Member of the Board of Directors
Member	Hamit AYDOĞAN	Head of Corporate and Commercial Banking

Audit Committee

The Audit Committee supports the Board of Directors for managing the company in accordance with local laws and legislations; monitors the performance of Internal Audit, Internal Control and Risk Management; evaluates the ethical condition of the company and monitors the effective ethical compliance of the processes; fulfils the duties determined for the Audit Committees in the frame of banking legislation and capital market legislation. The Audit Committee consists of three non-executive members, as specified in the legislation in force, from among the Board members,and at least one member being a specialist in accounting and/or auditing.

Members of the Audit Committee

Chairman	Andrea MONETA	Vice Chairman of the Board of Directors
Member	Ranieri de MARCHIS	Member of the Board of Directors
Member	Fatma Füsun AKAL BOZOK	Member of the Board of Directors

Executive Risk Committee

The Executive Risk Committee is responsible for determining the risk management strategies and policies that the Bank needs to follow in consolidated and unconsolidated basis; presenting the identified strategies and policies to the approval of the Board of Directors and monitoring their implementations; representing the risk management activity at the Bank's Board of Directors; analyzing the risk level evaluation matrix drawn up in accordance with related laws and legislation and the contingency plans and presenting them to the approval of the Board of Directors. As set by the related laws and legislation, the Committee members are Member of the Board of Directors responsible for Internal Audit and Internal Control, General Manager, Chairman of the Credit Committee, Chairman of the Bank Risk Committee, Chairman of Executive Risk Committees of subsidiaries or similar bodies in the scope of consolidation.

Members of the Executive Risk Committee

Chairman	Andrea MONETA*	Vice Chairman of the Board of Directors
Member	Seyit Kemal KAYA	General Manager
Member	Federico GHIZZONI	Chairman of Credit Committee
Member	Marco ARNABOLDI	Chairman of Bank Risk Committee

** Member of the Board of Directors responsible for Internal Audit and Internal Control.*

Assets and Liabilities Committee

The Assets and Liabilities Committee is responsible for determining the structural risk management rules and policies of the Bank; identifying market risk profile management strategies and the interest rates of Yapı Kredi products; optimizing the market risk level that the balance sheet is exposed to in the frame of the policies determined by the Board of Directors; setting the market and liquidity risk limits; determining the operational principals of risk management; approving the risk measurement and controlling models; approving new commercial products; besides, reviewing the credit, market and operational risks. The Committee is structured as follows:

Members of the Assets and Liabilities Committee

Chairman	Federico GHIZZONI	Member of the Board of Directors and COO
Member	Seyit Kemal KAYA	Member of the Board of Directors and General Manager
Member	Marco ARNABOLDI	Head of Risk Management
Member	Carlo VIVALDI	Head of Financial Planning and Control / CFO
Member	Mehmet Güray ALPKAYA	Head of Credit Management
Member	Mert YAZICIOĞLU	Head of Treasury
Member	Hamit AYDOĞAN	Head of Corporate and Commercial Banking
Member	Mehmet SÖNMEZ	Head of Retail Banking
Member	Didem GORDON	Head of Private Banking and Wealth Management

Bank Risk Committee

The Bank Risk Committee is responsible for monitoring the risk management process in accordance with Basel II, Group Strategies, related laws and regulations (identifying, classifying, analyzing, measuring and reporting the credit, market and operational risks); determining the principals regarding risk measurement in association with Advisory and Consultative Boards and discussing with them on the approval of risk policies, specifying actions to manage risk gaps; coordinating and determining the risk management activities of individual risk committees. The Committee is structured as follows:

Members of the Bank Risk Committee

Chairman	Marco ARNABOLDI	Head of Risk Management
Member	Seda İKİZLER	Head of Market Risk Management
Member	U¤ur AKBAŞ	Head of Operational Risk Management
Member	Atilla KURBAN	Head of Credit Risk Management

Market Risk Committee

The Market Risk Committee develops the market risk measurement and management models in accordance with Group strategies; analyses the efficiency of VAR (value at risk) measuring model by monitoring the retrospective test results; determines the market risk policies; prepares proposals for investment limits to be presented to the Board of Directors; and monitors appropriate utilization of the limits determined by Bank Risk Policies. The Committee is structured as follows:

Members of the Market Risk Committee

Chairman	Marco ARNABOLDI	Head of Risk Management
Member	Seda İKİZLER	Head of Market Risk Management

Operational Risk Committee

The Operational Committee is responsible for building operational risk management and measurement models in accordance with Basel II norms, Group Strategies, and laws and legislation; utilizing alternative methodologies to assure compliance with Basel II norms, and to evaluate and manage operational risks. The Committee is structured as follows:

Members of the Operational Risk Committee

Chairman	Marco ARNABOLDI	Head of Risk Management
Member	U¤ur AKBAŞ	Head of Operational Risk Management

Credit Risk Committee

The Credit Risk Committee is responsible for building credit risk management and measurement models in accordance with Basel II norms, Group Strategies, and laws and legislation; assuring compliance with Basel II norms and local legislation; defining credit risk policies; monitoring appropriate utilization of the limits determined by Bank Risk Policies; preparing and reporting the Credit Tableau de Board tool in order to assess the Bank's credit risk on the portfolio level. The Committee is structured as follows:

Members of Credit Risk Committee

Chairman	Marco ARNABOLDI	Head of Risk Management
Member	Atilla KURBAN	Head of Credit Risk Management

Member of the Board of Directors responsible for Internal Audit and Internal Control
Andrea MONETA

Information on the Board and Committee Members' Participation in Relevant Meetings

The Board of Directors convenes upon the request of the Chairman as deemed necessary for the Bank's business requirements and in accordance with the relevant article of the Articles of Association of the Bank. In 2006, The Board of Directors convened once a month, a total of 11 times in 2006 in line with the Bank's requirements. The Board reviews and decides on the corporate agenda as authorized by the Articles of Association of Yapı Kredi, laws and regulations. If necessary, the Chairman may invite the Board for an ad-hoc session. Members committed regular attendance to the Board meetings and satisfied the required majority and the quorum in 2006.

The Credit Committee, established in accordance with the formation, working and decision making principles determined by the Banking Regulation and Supervision Agency (BRSA), convened once a week in 2006; the members committed regular attendance to the Committee meetings and satisfied the required majority and the quorum.

The Audit Committee convened on a quarterly basis, and discussed and finalized its agenda as authorized. The members committed regular attendance to the Committee meetings and satisfied the required majority and the quorum.

The Executive Risk Committee convenes once a year; however it may convene more frequently when necessary. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

The Assets and Liabilities Committee convenes once a month; however it may convene more frequently when necessary. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

The Bank Risk Committee convenes once a month; however it may convene more frequently when necessary. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

The Market Risk Committee convenes once a month and is responsible for feeding the necessary information to the Bank Risk Committee. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

The Operational Risk Committee convenes once a month and is responsible for providing the necessary information to the Bank Risk Committee. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

The Credit Risk Committee convenes once a month and is responsible for providing the necessary information to the Bank Risk Committee. The members committed regular attendance to the Committee meetings in 2006 and satisfied the required majority and the quorum, finalizing the related items of the agenda.

Summary of the Board of Directors' Annual Report

Dear Shareholders,

The year 2006, which was somewhat intensive both for the Turkish economy and the banking sector, was also a very important period for Yapı Kredi. Yapı Kredi has undergone a significant transformation process after the change to its shareholder structure. Within the framework of the transformation process that commenced with the transfer of 57.4 % of Yapı Kredi shares to Koçbank on 28 September 2005, our Bank has streamlined itself in every way and has been restructured at every level by implementing many projects across a wide spectrum; from its financial standing to its organizational structure; from human resources to cost and risk management; from commercial activities to products and services delivered to our clients.

Today Yapı Kredi is stronger than ever, with its new brand, vision, financial strength, shareholder structure, organization and experience; and has carried the transformation process towards creating a substantial landmark for our country and the finance sector following its legal merger with Koçbank on October 2, 2006. As the first of its kind in Turkey's banking sector, this process, which had been carefully monitored not only in our country, but also by international markets and investors, is undoubtedly the outcome of our mission of creating a great institution of exemplary quality, committed to serving the country and its people. Following the completion of the legal merger process, the new Yapı Kredi was created as one of the leading banks in Turkey, with 80.27 % shares held by Koç Financial Services, the remaining 19.8 % being publicly owned and having a paid-in capital of YTL 3 billion 143 million. Additionally, the new Yapı Kredi has ascended to become the fourth largest private bank of the sector with its YTL 48.9 billion total assets as of year end.

In 2006, our Group maintained its performance, delivering services and introducing innovations to its clients thanks to the efforts of our more than 16,000 employees, fully committed to creating the number one financial services group. On the one hand, our bank strengthened its workflow, management policies, human resources, technology and infrastructure by implementing more than 200 integration projects and launching multiple initiatives, while on the other hand, it continued to execute its commercial activities to generate YTL 512 million net profit as of year end. Our bank confirmed its consistent commercial growth this year and achieved a total loan volume of YTL 22.5 billion corresponding to 21% increase compared to 2005. This increase was mainly driven by the 66% growth in housing loans and the 34% expansion in credit cards. At Group level, we sustained our leadership position in many fields (such as credit cards, leasing, factoring, private pension funds and insurance) and in the said period Yapı Kredi's market share in credit card issuing volume reached 25% (annually). As per deposits collected, Yapı Kredi reached the level of YTL 31.1 billion, indicating a 17% annual increase.

2006 results prove precisely that our institution has compromised neither its commercial activities nor its principle to effectively serve the customers throughout the year despite undergoing an intensive period of integration and legal merger. Our future aim is to take our institution up to a point that will make our shareholders, clients and employees proud, in line with our vision and corporate culture, and to continue elevating Yapı Kredi's position.

On behalf of the Board of Directors, I would like to take this opportunity to thank our clients for being behind us at all times; to all my colleagues for their devoted efforts aimed at achieving positive results and their contributions to the transformation process we have undergone; our corresponding banks for their ongoing strong reciprocity over the years and to our shareholders for their unfailing support.

Cordially,
Dr. Rüştü Saraço¤lu
Chairman

Human Resources Implementations

During recruitments and promotions, following the specification of exact requirements candidates are searched through intra-bank announcements, the Internet and press advertisements. Applications are assessed on the basis of pre-determined criteria such as age, education, spoken foreign languages and work experience indicated in the scope of the position for which recruitment will be done. All applicants possessing the characteristics sought are invited for interviews.

The recruitment process consists of test, interview and job offer meetings:

- Tests relevant for the position are applied for the purpose of determining the competence required for the positions for which the candidates are applying (ability to learn tasks, adaptability, problem solving, perceiving details in words and figures, performing rapid numerical calculations, visual, numeric and verbal memory, etc.).
- The interview stage is carried out through role plays about team work and observations throughout the process and is aimed at determining certain abilities required by the position to which they will be assigned (performing numerical procedures, communication, teamwork, etc.). Questions focusing on behaviour are asked during the interview to assess whether the characteristics required by the job match the qualities and expectations of candidates.
- At the end of these stages, suitable candidates are offered jobs, candidates who respond positively are invited for job offer meetings. During the job offer meeting, the candidates are informed about Yapı Kredi's principles, job descriptions, employee rights, articles of the contract they will sign and other relevant subjects and their questions are addressed. Contracts are signed with candidates who accept the job following the meeting.

For the newly formed positions requiring expertise or technical know-how, candidates with work experience in the relevant field are preferred. The process of hiring experienced staff has two steps including individual interviews and job offers.

Two methods are applied for promotions:

- Horizontal promotion is carried out without fundamental changes in tasks and responsibilities, by rewarding success with a change in title and an increase in pay. Along with the planning and budgeting of human resources and based on annual performance evaluations, employees who fulfil penalty and length of employment terms and who successfully complete their career training are promoted to a higher level.
- Vertical promotion is carried out throughout the year without any time limitation in case of a need for a specific position arises, wherein the tasks and responsibilities of individual change. These promotions are carried out taking into consideration the performance evaluation, advancement test, advancement interview, training results and penalties and length of employment.

Information on the Bank's Risk Group Transactions

Balance with related parties ('000 YTL)	2006		2005*	
	Total	Percentage in Total (%)	Total	Percentage in Total (%)
Loans and advances to customers	782.443	3,0	387.176	3,4
Credit related commitments	817.717	5,0	491.534	5,2
Deposits	3.280.383	10,0	287.137	1,7
Derivative financial instruments	215.469	4,0	10.641	5,8

Transactions with related parties (000 YTL)	2006		2005*	
	Total	Percentage in Total (%)	Total	Percentage in Total (%)
Interest income	51.648	1,0	19.283	1,0
Fee and commission income	2.039	2,0	1.727	2,0
Interest expense	245.600	8,0	3.336	0,2
Trading losses on securities	1.810	1,0	3.959	11,5

(*) Summary financial information of 31 December 2006 is presented in comparison to the pre-merger Yapı Kredi financial statements.

Information on Support Services

Yapı Kredi receives support services for cash and valuable goods transportation as well as security activities.

Security services as well as the cash and valuables transportation within Koçbank were outsourced to Group-4 Securicor company since July 2005. Following the Yapı Kredi - Koçbank legal merger in October 2006, 30% of the cash and valuable goods transport services of the merged bank has been outsourced to the aforementioned company.

Feasibility studies on outsourcing the transportation and security services fully to private companies have been ongoing. Yapı Kredi has approximately 220 employees and 121 armed vehicles for cash transportation in 30 provinces.

The services carried out by Group-4 Securicor are as follows:

- Cash and precious metal transportation between the branches and the Head Office,
- Valuable document transportation between the branches and the Head Office,
- Cash collection in sealed bags from addresses provided by the Bank customers,
- ATM cash deliveries using closed and sealed tapes,
- Intervention for ATM failures,
- Security and transportation for cash and precious metal imports and exports,
- Cash transfer between the Central Bank of the Republic of Turkey and Yapı Kredi branches.

Group-4 Securicor, one of the leading security companies in Turkey with a foreign shareholder, provides services such as security staffing, supervision, electronic security systems, intruder alarm centers, cash and valuables transportation and security consultancy to a large customer base including multinational corporations. The company with an experienced security staff of over 2,500 individuals and a distinguished administrative team provide security solutions for more than 250 customers. Group-4 Securicor has a total of ten affiliate offices in various cities countrywide and provides cash transportation services for Yapı Kredi with 40 armed vehicles and 80 personnel.

Group 4 Securicor is active in 108 countries around the world with its security staff of over 460 thousand people. Other services of the company include manufacturing of security systems, cash transportation, prison administration and central monitoring station services. Group-4 Technology is renowned for manufacturing the first card entrance system to be adopted in Europe in 1970 and later by the USA Department of Defence (the Pentagon) and the EU.

Corporate Governance Principles Compliance Report

1. Declaration of Compliance with Corporate Governance Principles

It has been decided to accept in principle the Corporate Governance Principles published by the Capital Markets Board (CMB) during the Board of Directors meeting of Yapı Kredi No. 61/51 dated December 9, 2004. Yapı Kredi has implemented the corporate governance principles detailed below during the period that ended December 31, 2006 in line with the explanations in this report. Within the scope of the merger and integration process, the Bank has renewed the content and design of its annual report and its websites in Turkish and in English in the same period. Such actions provided the shareholders with faster and on-time access to accurate and complete information about Yapı Kredi.

Section I - Shareholders

2. Investor Relations Division

Yapı Kredi manages relations with its shareholders through two special units. The first unit is the Shareholder Relations, whose structure and organization are organized in line with CMB's Corporate Governance Principles. The other is the Investor Relations, which is in charge of the strategic management of financial communication and relations with local and foreign institutional investors, shareholders, analysts, credit rating agencies and the media. The Investor Relations Unit is responsible for the transparent, on-time, objective, accurate and consistent information flow to the market in order to contribute to the accurate evaluation of the Bank by the financial analysts and to ensure sustainable value creation.

Shareholder Relations

Name	Title	E-mail address	Telephone No
Mehmet ÇAKICI	Head of Shareholder Relations	mehmet.cakici@yapikredi.com.tr	(212) 339 73 78
Muharrem BULUT	Manager	muharrem.bulut@yapikredi.com.tr	(212) 339 73 79
Canan KARAKAYA	Official	canan.karakaya@yapikredi.com.tr	(212) 339 63 40
Şensin ÖCAL	Official	sensin.ocal@yapikredi.com.tr	(212) 339 63 43

Investor Relations

Name	Title	E-mail address	Telephone No
Hale TUNABOYLU	Head of Investor Relations	hale.tunaboylu@yapıkredi.com.tr	(212) 339 76 47
Seçil AKDEMİR	Associate	secil.akdemir@yapıkredi.com.tr	(212) 339 70 47

The key roles and responsibilities of the Shareholders Relations Unit include:

- Acting for the exercise of shareholders' rights and maintaining communication between the Yapı Kredi Board of Directors and the shareholders,
- Ensuring that the records related to the shareholders are kept in a proper, secure and up-to-date manner,
- Addressing written information requests from shareholders except for confidential commercial information regarding Yapı Kredi that is not disclosed,
- Executing capital increase transactions,
- Carrying out the exchange of previously issued shares and replacing them with the new ones,
- Ensuring that the Annual Shareholders' Meeting conforms with the legislation in force and the Articles of Association,
- Issuing entrance cards to shareholders who shall participate in the Annual Shareholders' Meeting,
- Preparing lists of partners and attendees,
- Preparing ballot slips for shareholders who received their entrance cards,
- Preparing, registering and publishing the minutes of the Annual Shareholders' Meeting and sending documents to the authorities concerned,
- Conforming to and following all issues related to informing the public, including the legislation and Yapı Kredi's information policy.

The key roles of the Investor Relations Unit include:

- Establishing and managing relations with the Bank's main shareholders, existing and potential local and foreign institutional investors, financial analysts, credit rating agencies and the financial media
- Ensuring the transfer of objective, informative, accurate and up-to-date information about Yapı Kredi, banking sector and economic highlights to investors and shareholders,
- Informing the investors and analysts regularly through quarterly earnings releases and financial statements on Yapı Kredi, recent developments, tele-conferences, press bulletins, announcements and presentations, as well as through responding to their questions,
- Organizing and participating in local and international investor meetings, roadshows and other informational meetings.

Following its merger with Koçbank on October 2, 2006, Yapı Kredi participated in 7 international investor conferences under the leadership of Investor Relations Unit. One-on-one and/or group meetings were organized with approximately 225 individuals from local and foreign institutional investors through the active participation of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Head of Investor Relations.

3. Exercise of Right to Obtain Information by Shareholders

The Shareholders Relations Management and the Investor Relations Team established within Yapı Kredi inform shareholders regularly through telephone calls, e-mails, the Internet, media announcements and one-to-one and/or group meetings.

Yapı Kredi has two separate investor relations websites, prepared in Turkish and in English and updated regularly.

The investor relations website in Turkish is accessible through http://www.yapikredi.com.tr. The site aims at informing the shareholders and publishes the following: the Bank's history, shareholder structure, trade registry information, articles of association, organisational structure, member lists of senior management, Board of Directors, Board of Auditors, as well as introductory information on committees, a detailed presentation on the merger process with Koçbank, announcements and introductory information, the bank's ratings assigned by credit rating agencies, information regarding the corporate governance and Ordinary Shareholders' Meeting meetings, voting proxy form, Bank's periodical financial statements and annual reports, special event disclosures, Ordinary Shareholders' Meeting minutes and news and articles about Yapı Kredi published in the press. In addition, announcements made to the public are sent to media institutions in accordance with CMB's directive No. VIII/39 via ISE (Istanbul Stock Exchange) and shareholders are appropriately informed.

The investor relations website in English, with content and design completely renewed following the merger, is accessible through http://www.yapikredi.com.tr/en-US. The site includes detailed information about Yapı Kredi's shareholder structure and share performance, as well as a comprehensive presentation on the merger process with Koçbank, newsletter and introductory information, Bank's corporate profile and organisational structure, information about the senior management and the Board of Directors, periodical financial statements, annual reports, presentations for investors, answers to frequently asked questions, announcements regarding the developments within the Bank and the calendar that announces the Bank's activities destined for investors, the list of analysts from investment institutions which regularly monitor the Bank and the financial performance forecasts for the following period and corporate governance principles.

The appointment of special auditors has not been regulated as an individual right in the Articles of Association of the Bank; however, Article 348 of the Turkish Commercial Code and Article 11 of the Capital Markets Law allow shareholders to exercise this right. In 2006, shareholders did not make any requests for the appointment of special auditors.

4. Information on Annual Shareholders' Meetings

The last Annual Shareholders' Meeting was held on March 31, 2006. Shareholders attended this meeting with a 58.07 % majority, while stakeholders and the media representatives did not attend. Pursuant to the related legislation and the Articles of Association, the invitation to the meeting was announced by publishing the date and the agenda of the meeting in the Turkish Trade Registry Gazette of March 16, 2006, and in Referans and Vatan daily newspapers.

Two Extraordinary Shareholders' Meetings were held in 2006 regarding the merger of two banks through the transfer of Koçbank to Yapı Kredi with all its rights, receivables, liabilities and obligations.

The first meeting was held on June 29, 2006. Shareholders attended this meeting with a 68,06% majority, while stakeholders and the media representatives did not attend. Pursuant to the related legislation and the Articles of Association, the invitation to the meeting was announced by publishing the date and the agenda of the meeting in the Turkish Trade Registry Gazette of June 14, 2006, and in Sabah and Vatan daily newspapers.

The second Extraordinary Shareholders' Meetings on the merger was held on September 21, 2006. Shareholders attended this meeting with a 68,82% majority, while stakeholders and the media representatives did not attend. Pursuant to the related legislation and the Articles of Association, the invitation to the meeting was announced by publishing the date and the agenda of the meeting in the Turkish Trade Registry Gazette of August 24, 2006 and in Sabah and Hürriyet daily newspapers of August 23, 2006 and August 24, 2006. The announcements prepared for Yapı Kredi shareholders within the scope of the Communiqué for Principles of Merger Transactions numbered I/31 of the Capital Markets Board (CMB) were also published in Sabah and Vatan daily newspapers of August 21, 2006. 30 days prior (as of August 21, 2006) to this Extraordinary Shareholders' meeting held for the approval of the merger agreement between Yapı Kredi and Koçbank, the full text of the merger agreement, the financial statements and the related independent audit reports of the last three years of both banks, the annual reports of the same period, the expert's report dated June 26, 2006 and the supplemantary expert's reports dated July 11, 2006 and of July 21, 2006, the reports of specialized institutions on the merger dated June 15, 2006 and June 16, 2006, the Board of Directors report stipulating the legal and economic grounds for the merger, the texts of the announcements, interim financial statements for the 6 (six) month period between the date of the financial statements taken as a basis for the merger and the date of the Ordinary Shareholders' Meeting for the approval of the merger agreement, financial statement forecasts setting forth the three year targets as of the transfer or merger as well as the post-merger opening balance sheet forecast were submitted to the attention of the banks' shareholders at the Yapı Kredi and Koçbank headquarters and branches. All this information was also made available on the Yapı Kredi website.

In the case of shareholders not registered in the share book, they were invited to apply the Shareholder Relations Management one week prior to the meeting date to receive their entrance cards. Shareholders have used their rights to ask questions on the agenda items in the Ordinary Shareholders' Meeting and these questions were answered. The Articles of Association of the Bank does not contain any separate clauses about the major decisions of the Ordinary Shareholders' Meeting with regard to the sale, purchase or lease of assets of a substantial value; however, this information was communicated to shareholders through annual reports and financial statements.

As in previous years, shareholders were informed through the ISE and the media so as to facilitate their participation in the Ordinary Shareholders' meetings; and the Annual Report, Balance Sheet, Profit and Loss Statement and Auditors Reports including the date and the agenda of the Ordinary Shareholders' meeting were made available for the inspection of shareholders at Yapı Kredi branches 15 days prior to the date of the meeting.

5. Voting Rights and Minority Rights

Yapı Kredi has no privileged or preferential shares. Minority shares are not represented in the management. According to paragraphs b and c of article 12 of the Banking Law, there is no reciprocal ownership between the Bank and its subsidiaries. Cumulative voting method is not included in the Articles of Association of Yapı Kredi.

6. Dividend Policy and Dividend Distribution Date

The dividend right, as an indispensable part of shareholdership, has always been granted utmost importance at Yapı Kredi.

Under the light of the investment and financing needs of Yapı Kredi, taking into account also the growth of Yapı Kredi toward its targets within the sector, and in accordance with the provisions of the Banking Law, Turkish Code of Commerce and Capital Markets Law and the related legislations as well as the Articles of Association of Yapı Kredi a dividend policy on the basis of the principle that at least 20% of the distributable profit is paid in cash or the distributable dividend is added to the capital, and the shares to be issued thereby are distributed to the partners as bonus shares or both methods are employed by certain ratios, and that the distribution is carried out in the times provided within the legislation was set out.

This policy is subject to revision by the Board of Directors whenever necessary as the national and international circumstances and the projects and the funds in the agenda are observed.

7. Transfer of Shares

There are no clauses in Yapı Kredi's Articles of Association that restrict share transfers.

Section II – Public Disclosure And Transparency

8. Company Disclosure Policy

Information disclosed to the public by Yapı Kredi is presented for public use in a way to assist the decision making processes of persons and establishments to benefit from the disclosure; and the information is submitted on time, fully and accurately, clearly, in a manner that is easy to interpret, low in cost and easily accessible, by maintaining the equality principle.

The Board of Directors has assigned Kemal Semerciler, Assistant General Manager and Mehmet Çakıcı, Head of Shareholder Relations to manage the disclosure activity as authorized signatories. Additionally, Mehmet Çakıcı has been assigned the task of monitoring and following all issues regarding disclosures. Hale Tunaboylu, Head of Investor Relations, is responsible for informing the existing and potential local and foreign shareholders, investors and financial analysts in a fair, transparent and complete manner about the Bank and the sector through holding regular informational meetings and by publishing the said information in the form of presentations and announcements on the Investor Relations web site. All types of questions and requests of investors and similar parties are responded by these officials by phone and e-mail on a daily basis.

9. Special Event Disclosures

During 2006, 48 special event disclosures were issued in accordance with CMB notifications. For one of the disclosures an additional clarification was requested by CMB and ISE.

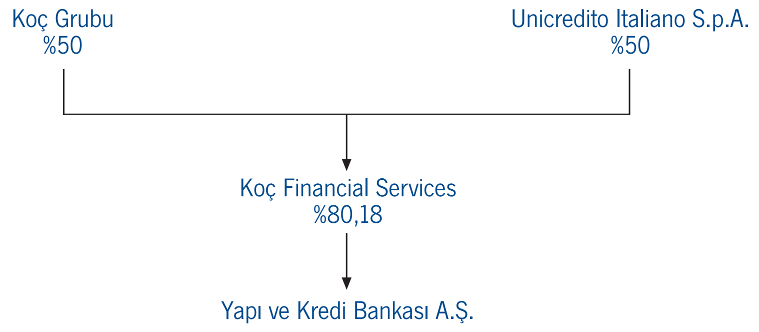
10. Company Internet Site and Its Contents

The newly updated Yapı Kredi Internet site is accessible through www.yapikredi.com.tr. The web site contains the information listed in the Corporate Governance Principles section II/1.11.5.

11. Disclosure of Real Person(s) Holding Ultimate Controlling Shares

The financial statements of both banks dated April 30, 2006, independently audited and taken as the basis for the transfer of Koçbank to Yapı Kredi; the merger of two banks through the transfer of Koçbank to Yapı Kredi with all its rights, receivables, liabilities and obligations and the subsequent dissolution of Koçbank; as well as the Merger and Transfer Agreement signed between Koçbank and Yapı Kredi on July 31, 2006, which was ratified by the BRSA decision No. 1957, dated August 18, 2006 and with CMB decision No. 34/956 dated August 3, 2006, were all approved at the Extraordinary Shareholders' Meeting held on September 21, 2006.

The BRSA approval of the merger of the two banks by transfer of Koçbank with all rights, receivables, liabilities and obligations to Yapı Kredi and the consequent dissolution of Koçbank as well as the increase of the capital of Yapı Kredi from YTL 1.896.662.493,80 to YTL 3.142.818.454,10 through the transfer of all assets and liabilities, and all other rights and privileges of Koçbank to Yapı Kredi in accordance with the related legislation and the provisions of article 19 of the Banking Law, was promulgated in the Official Gazette dated October 1, 2006 and registered by the Istanbul Trade Registry Office on October 2, 2006. Subsequent to the merger, the share of Koç Financial Services in Yapı Kredi capital increased to 80,18%.



12. Disclosure of People in a Posisition to Acquire Insider Information

Due to the fact that Yapı Kredi operates through an extensive range of departments organised at the Head Office, it is not possible to identify the people who are in a position to acquire insider information. Detailed information on senior level officials of Yapı Kredi is listed on the Bank's web site.

Section III - Stakeholders

13. Informing Stakeholders

Yapı Kredi employees are duly informed about the activities of the Bank through the use of internal communication systems within the Bank by the General Manager and Assistant General Managers. In addition, managers at Yapı Kredi Head Office and branches are informed regularly about the relevant developments at meetings. Yapı Kredi's stakeholders are informed about matters that concern them through special notifications sent to ISE, media announcements and meetings.

14. Participation of Stakeholders in Management

Yapı Kredi is a joint stock company and is managed by various executive organs within the Bank. The subjects on which these organs need to make decisions are initially evaluated by the relevant management and then submitted for the approval of the related decision-making body.

15. Human Resources Policy

Human resources policy and implementations in Yapı Kredi are communicated fully to the entire staff including the newly recruited employees.

Yapı Kredi acknowledges the fact that human resources is a key aspect in order to perform and improve the activities in the best way possible. Human resources policy and implementations are based on the following principles:

- Selecting and recruiting employees with qualifications suitable for the vacant position,
- Ensuring that all Yapı Kredi employees work in an environment wherein they can utilize and develop their skills and capabilities,
- Creating and providing in-house and external training opportunities for Yapı Kredi employees within the framework of career management in order to develop them professionally, improve their success and prepare them for higher positions
- Preparing a foundation for the creation and suggestion of new ideas and to find solutions to problems in an environment of mutual respect, trust, understanding and effective communication,
- Contributing to career developments of employees through supporting them in their performance, motivation and determination in light of an approach that considers training an investment, rather than an expense, while at the same time adopting an open, objective and participation based performance evaluation system; developing and implementing systems that encourage and reward success,
- Monitoring the values of the Bank and making sure that these values are embraced by each and every employee; and taking precautions for the improvement of processes,
- Ensuring that equal opportunities are offered at all of the above applications.

It is only possible for businesses to advance consistently in the stated way forward if all employees act in line with the same principles and values. In this direction, Yapı Kredi has prepared the “Yapı Kredi Bank Rules of Ethic and Working Principles” and shared it with all its employees.

In addition to the Human Resources Directive, Yapı Kredi employees can always access internal human resources teams by message, telephone or face-to-face meetings in areas of employee personal information, social rights, retirement, appointments, orientation, career planning and private issues. Yapı Kredi employees that are members of trade unions have the right to elect representatives at their branches or departments.

16. Information on Customer and Supplier Relations

Supported by “no limits in service” discourse since its foundation, Yapı Kredi’s basic service concept is to ensure customer satisfaction. The service quality is constantly improved in line with customer expectations and all Yapı Kredi teams contribute to this target. Customer satisfaction and expectations are measured in comparison with the service provided. Training is organized and performance is constantly monitored so that the mutual support among all teams in the service chain becomes effective and sound and so that customer satisfaction focused concepts turn into work habits. Service provided at Yapı Kredi branches and Call Centers are being audited through mystery shopper surveys. Besides, customer expectations and satisfaction surveys aimed at different customer groups are conducted periodically. General complaints, acknowledgements, suggestions and information requests regarding Yapı Kredi and its branches received from customers are handled by the Quality Group Complaint Management and issues are resolved in a way to maintain positive relations with customers. The necessary precautions are taken to prevent repetition of problems and to eliminate deficiencies in customer services; customer complaints are reported in order to create a database for further improvement.

17. Social Responsibility

Ever since its foundation, apart from its core activity of banking, Yapı Kredi has always been conscious of its social responsibility and has set itself the task of contributing and adding value to society through culture, art, environment and education related activities.

Yapı Kredi has decided to support the Unlimited Blue project that will be carried out in cooperation with the Deniz Temiz Association (Clean Sea Association)/TURMEPA and the Ministry of National Education in order to raise the awareness among elementary school students regarded as grown-ups of the future. The project aims at raising awareness among all elementary school students about the dangers that seas are facing today and at establishing an early environmental consciousness in young people. Six thousand students have been trained by teachers until the end of the year.

Yapı Kredi, being among the donors of the Educational Volunteers Foundation of Turkey (TEGV) for long years, continued to support the Foundation’s activities in 2006 as well. In this scope, the “Reading Hour”, implemented in all education parks and educational units of TEGV, was adopted for a period of five years. It was decided that the content of the activity should be enhanced under the name “I read, I play” and supported through additional activities.

As in previous years, Yapı Kredi has been renowned for numerous significant cultural and art activities in 2006. The Yapı Kredi Kültür Sanat Yayıncılık A.Ş. (YKY - Yapı Kredi Culture Art Publishing) maintained its success as the best selling publishing house with the largest market share in the publishing market. In 2006, 138 first editions and 323 reprints were published; a total of 461 books, bringing the total of books published since the foundation of the company to 2.424.

Adding many new authors to its repertoire, YKY bought the publishing rights of Kazım Karabekir Pasha and the greatest Turkish poet of our time Fazıl Hüsnü Da¤larca in 2006 and introduced Turkish readers to many local and foreign editions never published before through a meticulous editing process.

YKY conducted a total of 15 major exhibitions throughout the year. Some of these exhibitions are From Soil to Eternity: Çatalhöyük, based on Çatalhöyük, a very important settlement for the enlightenment of the history of humanity, the excavations which the Bank has been sponsoring since 1997; My Dear Daughter Hamide: The Adventure of Communication From Yesterday until Today, presenting the communication adventure of humanity before all eyes; the exhibition of Leonardo de Mango, who travelled to Istanbul during the reign of Abdulhamid II and lived there until the end of his life held in the Dolmabahce Palace,in 2005. In 2006 the exhibition of Leonardo de Mango was moved to the city of Bari in Italy, the birth town of the artist. Among the most charming activities were the exhibitions of The Mysterious Women of the Bronze Age, depicting the five thousand year adventure of women in Anatolia; Sabri Berkel Periods (1930-1955 and 1955-1990), focusing on the art life of one of the most important figures of Turkish painting; and Painting, Sculpture: A Whole Life, in the honour of the 100th Anniversary of the birth of Zühtü Mürido¤lu.

The exhibition titled Architect, Archaeologist, Painter and Traveller, which attracted keen interest of art lovers, displayed the never before published works and photographs of the artist Albert Gabriel, the name behind unparalleled achaeological works in Anatolia. The exhibition titled To and From in the Space in Between of Ömer Uluç also won the Sedat Simavi Foundation award besides the appreciation of the visitors.

Also, Yapı Kredi Culture center hosted a total of 127 organizations including concerts, plays, as well as literature, photography and history activities. Discussions on Freud, Science and Technology Conversations, Words on History and Contemporary Art attracted great interest.

18. The Structure and Formation of the Board of Directors and Independent Members

Dr. Rüşdü SARAÇOĞLU	Chairman
Andrea MONETA	Vice-Chairman
Federico GHIZZONI	Board Member
Halil Sedat ERGÜR	Board Member
Fatma Füsun AKKAL BOZOK	Board Member
Ranieri DE MARCHIS	Board Member
Ahmet Fadıl ASHABOĞLU	Board Member
Marco IANNACCONE	Board Member
Henning H. G. GIESECKE	Board Member
Seyit Kemal KAYA	Board Member and CEO

The Board of Directors of the Bank is composed of minimum seven and maximum ten individuals. The members are appointed by the General Assembly for a term of office of maximum three years and serve until the appointment of their successors. A member whose term of office has ended may be re-elected. Members of the Board of Directors are authorized signatories in the first degree.

19. Qualifications of the Members of the Board of Directors

Members of the Board of Directors should fulfil the educational requirements stated in the legislation and legal arrangements in force. The appointed board members are expected to possess the qualifications indicated in the Banking Law. The official documentation stipulating the presence of the required qualifications stated in article 23 of the Banking Law are presented to BRSA within seven work days following the appointment. Each Board member is obliged to take an oath of duty and submit a statement of assets.

20. Mission and Strategic Objectives of the Company

Yapı Kredi's mission is to become the perceived leader of the finance sector through sustainable growth and value creation and be the first and only choice of customers and employees.

Yapı Kredi's strategy is based on sustainable growth and profitability, value creation and operational efficiency. The Bank's objective is to achieve the following strategic targets under five main areas for the period ahead while at the same time focusing on outstanding risk management and excellence in cost management:

- Consolidate the leadership in credit cards and become the leader in consumer loans
- Become the leader in asset gathering (deposits, mutual funds and assets under custody) and first choice of High Net Worth Individuals
- Bring mass segment towards profitability
- Selective growth in Commercial and Corporate Banking
- Growth in Small Business through a profitable business model

21. Risk Management and Internal Control Mechanism

The credit policy guideline reflecting the Bank's risk appetite in the context of corporate governance has been updated and approved by the Board of Directors in 2006. The guideline includes organization, wide common standards, limitations and principles to be followed throughout the lending activities to improve the asset quality and ensure effective risk management in credits.

The main policies to be implemented throughout 2007 in the credit and risk management areas will continue to be focused on properly assessing potential risks, calculating the cost of credit for each customer segments. The main strategies to be followed throughout 2007 will be:

- Effective implementation of the credit policy guidelines to strengthen the common risk management approach in the organization
- Better diversification of portfolio towards less risky sectors
- Focus on low/average risk profile companies

- Avoid excessive concentration in Group exposures while strictly obeying statutory limits
- Minimize transactions bearing high and/or reputational risk
- Measurement of cost of risk by business segments while applying generic provisioning in line with cost of risk

The responsibility of market risk department is to measure the effects of the changes in the volatility of interest rates, foreign exchange rates and equity prices on the Bank's trading book, to perform the follow-up of the risk limits in the market risk policy and report the results to top management and the relevant departments. In the market risk policy, all risks under the caption of "market risk" are clearly defined, the related methodologies to measure and follow-up such risks are identified, risk limits and responsibilities of the departments involved in risk management process are determined. Additionally, the duties and responsibilities of Committees in the market risk management process are identified. Yapı Kredi trading activity is realized on FX, securities and gold and risk limits are set in terms of end-of-day and intra-day position, daily-monthly stop-loss, and Value at Risk.

In 2006, the average daily VaR for trading securities was 1,5 millions USD with a maximum usage of 61,3% and a minimum usage of 7,73% and carried an average market value position of approximately 266 millions USD. Average risk appetite for held to maturity portfolio was 0,8 % in 2006.

The regulation, which includes general standards and principles for management of operational risks totally in the corporation with the participation of personnel, was updated in 2006 and came into effect after approval of Board of Directors. With this regulation both for the Bank and for the subsidiaries operational risk framework was determined and general limits were defined. Also, regarding operational risk management, together with responsibilities of the Board of Directors and senior management, responsibilites and sphere of duties of Audit Committee, Assets and Liabilities Committee and Operational Risk Committee were renewed again. Operational risk policies were determined for managing operational risks that Yapı Kredi is exposed to and definition of operational risk which is valid for Yapı Kredi is made compliant with Basel II. Taking into consideration policies and risk appetite, operational risk limits are determined. In case a limit breach, changes in operational risk or breaches in operational risk policy, the Bank management and Assets and Liabilities Committee are informed. On the other hand, regarding for monitoring and managing realized operational risks efficiently, operational risk approval limits are defined according to hierarchical titles. Moreover, Yapı Kredi embraced advanced measurement approaches for operational risk measurement and management, with a determined minumum threshold, operational risk losses have been collected in operational risk loss database since 2003.

The Internal Control Group reports directly to the Board of Directors. The group, which executes the internal control activities of the Bank, is responsible for monitoring compliance with legal obligations, limitations, bank policies and implementation procedures. The Department operates in six major control fields: Treasury, Loans, Credit Cards, Financial and Administrative Affairs, Prevention of Abuse and Money Laundering, Branches and Operations.

All findings of the audits are delivered on time to the relevant departments and it is ensured that the managements are engaged in necessary actions.

22. Authorities and Responsibilities of Members of the Board of Directors and Executives

The authorities and responsibilities of the members of the Board of Directors and executives are indicated in the relative articles of the Articles of Association of Yapı Kredi. The said authorities and responsibilities are determined in line with the laws and regulations concerned. Members of the Board of Directors and executives of the Bank are liable for the implementation of the duties allocated to them by these laws and regulations within the scope of their authority. They are all held liable under the laws, regulations and provisions of the articles of association for the attention and prudence they exhibit during the execution of bank affairs.

23. Principles of Activity of the Board of Directors

The Board of Directors holds absolute authority on the execution of any and all agreements and transactions for the management and establishment of the bank's all business and properties. The attendance of at least one more than half of the total number of members is required for Board meetings. Decisions are taken by the affirmative (concurring) votes of at least one more than half of the total number of members. The minutes of the meeting and decisions are recorded in Turkish in accordance with the laws and regulations concerned and the Articles of Association of the Bank.

24. Non-compete and Non-transaction Rules

During the Extraordinary Shareholders' Meeting held on September 28, 2005, the right to conduct transactions was granted to the members of the Board of Directors according to articles 334 and 335 of the Turkish Commercial Code.

25. Rules of Ethic

The rules of ethic by which Yapı Kredi employees should abide are grouped under four headings:

1. General Principles

Yapı Kredi employees;

- While performing their jobs, act along basic moral and human values and in line with Yapı Kredi's strategies.
- While performing their jobs, seek the profitability of the Bank in all their actions, while at the same time protecting the interests of the society and respecting the environment.
- Act with integrity and reliability; establish and maintain relations without discrimination; cooperate with other colleagues to progress towards common goals and utilize the assets and resources of the Bank respectfully.
- While performing their duties, respect each and every law, principle, by-law and regulation stated in the Banking Law and issued by Capital Markets Board and all other official institutions and organizations of which Yapı Kredi is a member.
- Respect transparency principle for publicly disclosed information; pay attention to submit the requested information, documents and records for auditing purposes accurately, fully and on time.
- Cooperate with official authorities in the fight against money laundering, corruption and similar crimes in the framework of international norms and national legislation; act in compliance with MASAK regulations, and Know Your Customer and Customer Acceptance Policies.

2. Customer Relations

Yapı Kredi employees;

- Act in line with professionalism, courtesy, solemnity and reliability principles in their relations with customers.
- Inform customers explicitly and clearly about their rights and obligations in the transactions they perform with Yapı Kredi, and the benefits and risks of the products and services offered.
- Protect the privacy of personal and financial information of customers, suppliers and employees except for those situations where this information is requested by the authorised persons and institutions stipulated in law and other legal arrangements.
- Carefully examine customer complaints within a reasonable time, finalize them and take necessary precautions to prevent recurrence.

3. Public Relations

Yapı Kredi employees;

- In their relations with the press, avoid those situations that may lead to any kinds of speculation and negative assessments as well as actions or behaviors that may damage the reliability, reputation and stability of Yapı Kredi or the sector or those implementation or actions that may result in unfair competition.
- Act honestly and realistically in line with fair competition rules concerning the promotion and marketing of the bank's product and services.

4. Conflicts of Interest

Yapı Kredi employees;

- Avoid causing situations that may create an impression of a conflict of interest in their own benefit or that of their kin, they do not take part in the decision-making process in subjects related to their own or their kin's interests.
- Do not engage in any personal financial relationship with customers or suppliers and they do not gain any personal benefits by using their business relations.
- Do not allow proposals of gifts or benefits that may affect their own decisions or will or that may create conflicts of interest.
- Utilize Yapı Kredi's assets and resources in a productive manner only for the benefit and interest of the institution.
- Use their time and labor for the institution, they do not take on any other responsibilities that could create a conflict of interest, do not participate in profit-making activities and do not work for any other real or legal persons other than Yapı Kredi.
- Act in line with integrity and transparency principles in their relations with public institutions and establishments; they maintain a distant and unbiased relationship.
- Keep banking secrets; they do not disclose information that provides competitive advantage for the Bank and confidential data on the Bank outside the institution.
- Do not utilize the information received as a result of their job to receive unfair gains and act in accordance with the legislation and regulations of public authorities in the trading securities of Yapı Kredi and other establishments.

26. Number, Structure and Independence of Committees Formed by the Board of Directors

The aim of the committees established by the Board of Directors is to provide support during the decision-making process and/or the evaluation of proposals to be submitted for the approval of bank's related corporate structures; as well as making decisions in their own areas of responsibility in accordance with the authorities appointed to them by the Board of Directors. These committees convene at times when business and transactions require so, within the framework of provisions of Law, the Articles of Association and the related resolutions of the Board of Directors. The committees are liable for acting in compliance with the principles and methods determined by the Banking Law, the related regulations and the Board of Directors and carry out their functions in accordance with the framework of corporate governance principles.

Audit Committee:

Andrea MONETA	Chairman
F. Füsun AKKAL BOZOK	Member
Ranieri DE MARCHIS	Member

Credit Committee:

Federico GHIZZONI	Chairman
S.Kemal KAYA	Member and CEO
Halil S. ERGÜR	Member
Henning H. G. GIESECKE	Member
Marco IANNACCONE	Member
Dr. Rüşdü SARAÇOĞLU	Alternate Member
Ahmet F. ASHABOĞLU	Alternate Member
Hamit AYDOĞAN	Alternate Member

Excutive Committee:

Andrea MONETA	Chairman
S. Kemal KAYA	Member and CEO
Marco ARNABOLDI	Member
Federico GHIZZONI	Member
Dante PASQUALINI	Member

Assets and Liabilities Committee:

Federico GHIZZONI	Chairman
S.Kemal KAYA	Member and CEO
M. Güray ALPKAYA	Member
Marco ARNABOLDI	Member
Hamit AYDOĞAN	Member
Didem GORDON	Member
Mehmet SÖNMEZ	Member
Carlo VIVALDI	Member
Mert YAZICIOĞLU	Member
Dante PASQUALINI	(upon invitation)

Bank Risk Committee:

Marco ARNABOLDI	Chairman
U¤ur AKBAŞ	Member
Seda İKIZLER	Member
Atilla KURBAN	Member

Market Risk Committee:

Marco ARNABOLDI	Chairman
Seda İKİZLER	Member

Operational Risk Committee:

Marco ARNABOLDI	Chairman
U¤ur AKBAŞ	Member

Credit Risk Committee:

Marco ARNABOLDI	Chairman
Atilla KURBAN	Member

27. Financial Rights Pertaining to Members of the Board of Directors

Members of the Board of Directors of Yapı Kredi receive a profit share reserved in accordance with article 78 of the Articles of Association. In addition, they shall receive attendance fee fixed by the General Assembly for each meeting they attend.

PART 3: UNCONSOLIDATED FINANCIAL INFORMATION AND RISK MANAGEMENT ASSESSMENT

FAIRNESS TRANSPARENCY FREEDOM TRUST RESPECT

Statutory Auditors' Report

To the General Assembly of Yapı ve Kredi Bank A.Ş.

Name:	Yapı ve Kredi Bankası A.Ş.
Head Office:	Yapı Kredi Plaza D Blok Levent - İstanbul
Paid-in Capital:	YTL 3.142.818.454,10
Field of Activity:	Banking

	Name	Term of Office	Partnership
Names, terms of office, and shareholder/employee status of the auditor[s]	M. Erkan Özdemir Adil G. Öztoprak	01.01.2006 - 31.12.2006 01.01.2006 - 31.12.2006	Not employed by; or partner to the company
Number of Board of Directors meetings participated in, number of Board of Auditors meetings held	All Board of Directors meetings were participated in and 10 Board of Auditors meetings were held throughout the year.		
The scope of the examinations performed on the partnership's accounts, ledgers and documents, dates of examinations and conclusions reached	Bank's accounts, ledgers and documents were duly audited on a quarterly basis a total of five times and no irregularity was encountered. It was further concluded that the Bank's balance sheet and income statement were prepared in compliance with the records.		
Number of counts made on the partnership's cash office in accordance with article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code and the conclusions reached	The cash office at the Bank's Head Office teller was subjected to surprise counts on five different dates under our supervision, and it was determined on each occasion that the cash balance was in compliance with the records.		
Reported complaints, irregularities referred to the auditors and action taken concerning them	The Board of Auditors received one report with allegations against an employee in the said year. The claims in the report were deemed serious enough to be examined. A demand was made to the Bank's Inspection Board that they should investigate the alleged issues. Following the investigation and conclusion of the Inspection Board, the contract of the employee was terminated in line with the decision of the Disciplinary Board.		

We have audited the accounts and transactions of Yapı ve Kredi Bank A.Ş. for the period January 1, 2006 to December 31, 2006 in accordance with the Turkish Commercial Code, Banking Law, Articles of Association of the partnership and other relevant legislation, as well as generally accepted accounting principles and standards.

It is our opinion that the attached balance-sheet issued as of December 31, 2006, the contents of which we approve present a true and fair view of the financial position of the partnership, of the income statement for the period January 1, 2006 to December 31, 2006 and of the results of operations for the same period; and that the proposal for profit distribution is in compliance with relevant laws and partnership's articles of association.

We respectfully recommend a vote for the approval of the balance sheet and income statement and for discharging the liabilities of the Board of Directors.

12.03.2007

Statutory Auditor
M. Erkan Özdemir

Statutory Auditor
Adil G. Öztoprak

Assessment of Internal Audit, Internal Control and Risk Management Systems by the Audit Committee

Internal Audit department, with its 124 experienced staff, performs audits of the Bank and subsidiaries whether they are in compliance with the local laws, internal regulations and procedures, and international audit standards. Moreover, the Internal Audit department evaluates the effectiveness and adequacy of management procedures and workflow based on risk-oriented approach.

Full audits and most of the process audits to be performed each year are scheduled based on an annual audit plan. For the annual audit plan, in November before the upcoming year, business risk assessment is performed with all unit managers by the Head of Internal Audit department and Head of Internal Control unit (ICU) in order to determine the risk priorities of each unit. Furthermore, the plan includes the periodic follow-up activities to ensure that effective and corrective actions are taken. This plan is submitted to the Audit Committee/Board of Directors (BoD) for approval. Internal Audit department and Internal Control unit are structured to report directly to Audit Committee/BoD at least four times a year.

In 2006, Internal Audit department over-performed its targets by reviewing 456 branches instead of budgeted 452 branches. Moreover, 51 HQ department audits were performed by means of full/process, and the audits of all subsidiaries were completed. In addition, another 6 unplanned HQ audits were carried out by means of full/process, and 179 investigations/inquiries were performed. In 2006, the Internal Audit department and the Internal Control unit gave support to the integration projects in order for the processes to be more effective by taking into consideration credit, market and operational risks.

Internal Audit performs different types of review, among which are full audit, process audit, investigations and follow-up. The outcome of these audit activities is documented in head office and subsidiaries audit reports, investigations and inquiry reports, branch audit reports and follow-up reports. Reports with low risk coverage are also delivered to top management. In case a significant risk for the company assets is found (e.g. fraud, image risk etc.), a communication to predefined shareholders' representatives is provided.

Internal Control functions are being conducted by the Internal Control unit which directly reports to the BoD of the Bank. In 2006 the main areas of treasury, credits, financial and administrative affairs, credits cards and operations and branches have been controlled to check the compliance with the Banking Law and other regulations and obligations related with banking sector and internal policies and practices of the Bank. In 2006, Fraud Prevention and Anti Money Laundering (AML) Section started to function under the Internal Control Unit.

ICU consists of 19 staff including the Head of the unit. Within the specified main control areas and work schedule, daily, weekly, monthly and quarterly controls are being performed on-site or remotely.

As a result of these controls, the findings are being reported to the related department/personnel and follow up is being made and necessary corrections are provided.

In order to perform the most effective Anti-Money Laundering (AML) and Fraud Prevention activities, a sophisticated AML and Fraud Prevention system has been introduced.

In 2006, Internal Control unit supported the Internal Audit departments of the financial subsidiaries to improve their control mechanisms and increase the effectiveness of their internal control systems.

A new internal control management and evaluation tool was launched in order to produce standardized internal control reports and to make risk scoring calculations for Head Office units and branches.

Risk Management Department has the objective to reach risk excellence through identifying and managing effectively credit, market and operational risks, ensuring the strategic guidance and the definition of the Group risk management policies.

Yapi Kredi Bank has undertaken evolutionary steps in establishing a new credit risk management culture to implement the best market practices and embrace global trends in terms of compliance with Basel II requirements.

The credit risk of the Bank has periodically been monitored along with detailed analyses on the Bank's portfolio, in comparison with the banking system. The results of these analyses have regularly been reported to the senior management committees, to assure effective risk management in credit area.

In 2006, in addition to the existing evaluation tool for the corporate segment, the scope of the automated evaluation tools has been enlarged to cover the SME segment as well. Regarding the compliance with Basel-II advanced approaches (IRB), the planning process of a large-scale project has been initiated and completed in late 2006. The implementation of this Project which will continue throughout 2007 is aimed at establishing a "targeted data model" to automatically calculate the probability of default (PD) and the expected loss (EL) parameters at client and portfolio levels for all segments. The accomplishment of the targeted data model and the automated calculation of the risk parameters will enable the Bank to implement best market practices in credit risk management and enhance the asset quality.

The main goal of market risk department is to keep the risk-return balance at an optimum level, thereby reducing earnings volatility and producing sustainable revenue. Market risk policy provides guidelines on market risk management, defines the roles and responsibilities of the people/units involved and also provides a binding limit structure. The Policy is revised every year depending on the budget and approved by Board of Directors. Market risk is measured through Value-at-Risk, stress tests, scenario and sensitivty analyses, and the results are reported to top management, Bank Risk Committee and Assets and Liability Committee on daily and monthly basis. Market risk department performs the follow-up of risk limits through the reports prepared on daily, weekly and monthly basis. Limit breaches are immediately reported to top management with relevant explanations. Bank's risk-limit structure is reviewed in the Bank Risk Committee and ALCO meetings held monthly, and actions are taken accordingly if necessary.

Since Yapı Kredi is targeting to determine operational risk capital according to advanced approaches, a comprehensive Basel II and operational risk management project has started in 2006. Collecting operational loss data from the departments via a web based system, whenever they are realized, has been continued in 2006. According to Basel II standards, the Bank has 3 year historical data set for calculating capital requirement with advanced measurement approaches. In addition to these numerical data, regarding finding out value at risk and determining potential risks, pre-studies about determining, analysing key risk indicators and making scenario analysis has been completed. An active role was undertaken in insurance management which is a very important risk minimization technique and significant steps in risk based insurance management were taken forward. Due to Yapı Kredi - Koçbank integration, in the process of restructuring, necessary various risk analyses were made and senior management was informed beforehand. Important responsibilites were taken in the integration and management of the Business Continuity and Contingency Plan. Active responsibilities were taken in Banks Association of Turkey's risk management and Basel II studies, accomplishing ground breaking analyses that would guide the industry in the period ahead .

As a conclusion, internal audit, internal control and risk management systems are evaluated as adequate in terms of risk coverage.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.:

We have been engaged to audit the accompanying consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 31 December 2006 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Document" published on the Official Gazette No.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411 and other regulations, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional paragraph for convenience translation:

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM
Partner

İstanbul, 12 April 2007

The Unconsolidated Financial Report
Of Yapı Ve Kredi Bankası A.Ş.
As Of 31 December 2006

e-mail: erisim@ykb.com

The unconsolidated financial report includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- Section one - GENERAL INFORMATION ABOUT THE BANK
- Section two - UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- Section three - EXPLANATIONS ON ACCOUNTING POLICIES
- Section four - INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK
- Section five - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- Section six - OTHER EXPLANATIONS AND NOTES
- Section seven - EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of New Turkish Lira ("YTL"), have been prepared and presented based on the accounting books of the Bank in accordance with Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, relating appendix and interpretations on these, and are independently audited.

Rüşdü SARAÇOĞLU Chairman of the Board of Directors	S. Kemal Kaya General Manager	Carlo VIVALDI Executive Vice President	Duygu DÖNMEZ Head of Financial Reporting Unit
Andrea MONETA President of Audit Committee	Ranieri De MARCHIS Member of Audit Committee	F.Füsun AKKAL BOZOK Member of Audit Committee	

Contact information of the personnel in charge for addressing questions about this financial report:
Name-Surname / Title: H.Yeşim BİNAY / Head of Regulatory Reporting Section
Telephone Number : 0212 339 70 49
Fax Number : 0212 339 61 05

Section One

General Information About The Bank

I. Bank's Foundation Date, Start-up Statute, History About The Changes In This Mentioned Statute:

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established on 9 September 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its foundation.

II. Explanation About The Bank's Capital Structure, Shareholders Of The Bank Who Are In Charge Of The Management And/Or Auditing Of The Bank Directly Or Indirectly, Changes In These Matters (If Any) And The Group The Bank Belongs To:

The Bank's shares have been traded on the Istanbul Stock Exchange ("ISE") since 1987. As of 31 December 2006, 19,54% shares of the Bank are publicly traded (31 December 2005: 41,63%).

As of 28 September 2005, 57,4% of the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank A.Ş. ("Koçbank"). Besides, during April 2006 Koçbank purchased 9,1% of the shares of the Bank which were publicly traded on the ISE and 0,8% of the shares of an investment fund which were in the available for sale portfolio of the Bank. As a result, Koçbank increased its participation ratio to 67,3%. As explained in details in Note VII. of Section Five; all rights, receivables, debts and liabilities of Koçbank have been transferred to the Bank thereby the merger of the two banks has been registered as at 2 October 2006. After the merger, 80,18 % of the direct and indirect control of the Bank's shares has been transferred to the Koç Finansal Hizmetler A.Ş ("KFS").

KFS, was established on 16 March 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. During this re-organization process the subsidiaries of Koçbank, namely, Koç Finansal Kiralama A.Ş., Koç Faktoring Hizmetleri A.Ş., Koç Yatırım Menkul De¤erler A.Ş., Koç Portföy Yönetimi A.Ş., Koçbank Nederland N.V. and Koçbank Azerbaijan Ltd., were sold to KFS. As of 22 October 2002, Koç Group established a strategic partnership with UniCredit SpA ("UCI") over KFS. Therefore, the Bank is a joint venture of UCI and Koç Group.

III. Explanation On The Board Of Directors, Members Of The Audit Committee, President And Executive Vice Presidents, If Available Shares Of The Bank They Possess:

As of 31 December 2006, the Bank's Board of Directors, Members of the Audit Committee and Executive President and Vice Presidents are listed below:

Title	Name	Responsibility
Chairman of the Board of Directors:	Dr. Rüşdü SARAÇOĞLU	Chairman
Board of Directors Members:	Andrea MONETA	Chairman Represantative
	Federico GHIZZONI	Member/COO
	Ranieri De MARCHIS	Member
	Ahmet Fadıl ASHABOĞLU	Member
	Füsun Akkal BOZOK	Member
	Henning GIESECKE	Member
	Halil Sedat ERGÜR	Member
	Marco IANNACCONNE	Member
General Manager :	Seyit Kemal KAYA	Member and General Manager
Vice General Managers:	Süleyman Cihangir KAVUNCU	Human Resources Management
	Alpar ERGUN	Legal Activities Management
	Mehmet Gani SÖNMEZ	Retail Banking Management
	Erhan ÖZÇELİK	Foreign Relations Management
	Hamit AYDOĞAN	Corporate and Commercial Management
	Hüseyin İMECE (*)	Investor Relations, Capital Activities
	Mert YAZICIOĞLU	Treasury Management
	Tülay GÜNGEN	Corporate Identity and Communication
	Didem GORDON	Private Banking and Asset Management
	Zeynep Nazan SOMER	Credit Cards and Consumer Lendings

Title	Name	Responsibility
Vice General Managers:	Carlo VIVALDI	Financial Planning, Administration and Control/CFO
	Mehmet Güray ALPKAYA	Credit Management
	Marco ARNABOLDI	Risk Management
	Mahmut Tevfik ÇEVİKEL	Central Purchasing and Insurance Management
	Mohammed Hıshem LAROUSSI	Information Technology Management
	Ahmet İLERİGELEN (*)	Corporate Banking Management
	Mert GÜVENEN	Commercial Banking Management
	Muzaffer ÖZTÜRK	Retail Sales Management
	Ali Bahadır MİNİBAŞ (*)	General Services
	Kemal SEMERCİLER	Compliance Officer
	Stefano PERAZZINI	Internal Audit
	Luca RUBAGA	Organisation Management
Audit Committee Members:	Andrea MONETA	President
	Ranieri De MARCHIS	Member
	Füsun Akkal BOZOK	Member
Statutory auditors:	M. Erkan ÖZDEMİR	Auditor
	Adil G. ÖZTOPRAK	Auditor

(*) They have been resigned after 31 December 2006
The shares of the above individuals are insignificant in the Bank.

IV. Information on Shareholder's having Control shares:

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital(nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	2.520.014.946,03	%80,18	2.520.014.946	-

V. Explanation On The Bank's Service Type And Field Of Operations:

The Bank's core business activities include retail banking, corporate banking, private banking, foreign exchange, money markets and securities transactions (Treasury transactions) and international banking. As of 31 December 2006, the Bank has 607 branches operating in Turkey, 1 branch and 4 representatives operating abroad (2005: 415 branches operating in Turkey, 1 branch and 3 representatives operating abroad) and 13.478 employees. Additionally, as of 31 December 2005, Koçbank had 173 branches operating in Turkey, 1 branch operating abroad.

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

Section Two
Unconsolidated Financial Statements Of The Bank

I.	BALANCE SHEET							
		Note (Section Five)	(31/12/2006)			(31/12/2005) (*)		
	ASSETS		YTL	FC	Total	YTL	FC	Total
I.	**CASH BALANCES WITH CENTRAL BANK**	I-a	1.857.176	2.223.509	4.080.685	440.412	920.776	1.361.188
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	I-b	85.613	347.828	433.441	376.495	788.248	1.164.743
2.1	Trading Financial Assets		13.513	342.773	356.286	376.495	787.492	1.163.987
2.1.1	Government Debt Securities		13.513	342.773	356.286	305.009	787.492	1.092.501
2.1.2	Share Certificates		-	-	-	37.858	-	37.858
2.1.3	Other Marketable Securities		-	-	-	33.628	-	33.628
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Other Marketable Securities		-	-	-	-	-	-
2.3	Trading Derivative Financial Assets		72.100	5.055	77.155	-	756	756
III.	**BANKS AND OTHER FINANCIAL INSTITUTIONS**	I-c	7.397	1.955.988	1.963.385	6.776	1.822.102	1.828.878
IV.	**MONEY MARKETS**		-	-	-	640.480	-	640.480
4.1	Interbank Money Market Placements		-	-	-	640.480	-	640.480
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	I-d	78.803	77.431	156.234	385.579	262.315	647.894
5.1	Share Certificates		1.814	15.206	17.020	324.138	67.027	391.165
5.2	Government Debt Securities		31.457	17.258	48.715	61.441	46.413	107.854
5.3	Other Marketable Securities		45.532	44.967	90.499	-	148.875	148.875
VI.	**LOANS**	I-e	15.348.542	7.155.604	22.504.146	7.599.692	3.821.160	11.420.852
6.1	Loans		15.036.519	7.155.604	22.192.123	7.418.106	3.799.542	11.217.648
6.2	Loans under Follow-up		1.714.040	-	1.714.040	884.326	142.303	1.026.629
6.3	Specific Provisions (-)		(1.402.017)	-	(1.402.017)	(702.740)	(120.685)	(823.425)
VII.	**FACTORING RECEIVABLES**		-	-	-	-	-	-
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	I-f	6.416.628	9.463.271	15.879.899	2.105.673	2.056.728	4.162.401
8.1	Government Debt Securities		6.416.628	9.463.271	15.879.899	2.105.673	2.056.728	4.162.401
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	I-g	4.470	32.076	36.546	13.094	29.164	42.258
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		4.470	32.076	36.546	13.094	29.164	42.258
9.2.1	Financial Investments in Associates		4.470	32.076	36.546	814	29.164	29.978
9.2.2	Non-Financial Investments in Associates		-	-	-	12.280	-	12.280
X.	**SUBSIDIARIES (Net)**	I-h	532.345	187.981	720.326	459.514	160.840	620.354
10.1	Financial Subsidiaries		451.910	163.481	615.391	408.342	160.840	569.182
10.2	Non-Financial Subsidiaries		80.435	24.500	104.935	51.172	-	51.172
XI.	**JOINT VENTURES (Net)**		-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	**FINANCIAL LEASE RECEIVABLES (Net)**		-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**		-	-	-	-	-	-
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	I-i	1.159.432	-	1.159.432	1.170.728	17	1.170.745
XV.	**INTANGIBLE ASSETS (Net)**	I-j	1.152.548	-	1.152.548	27.172	-	27.172
15.1	Goodwill		979.493	-	979.493	-	-	-
15.2	Other		173.055	-	173.055	27.172	-	27.172
XVI.	**TAX ASSET**		275.664	-	275.664	447.302	-	447.302
16.1	Current Tax Asset		118.070	-	118.070	60.131	-	60.131
16.2	Deferred Tax Asset	I-k	157.594	-	157.594	387.171	-	387.171
XVII.	**ASSETS HELD FOR RESALE (Net)**	I-l	180.447	-	180.447	157.549	-	157.549
XVIII.	**OTHER ASSETS**	I-m	170.969	173.566	344.535	114.207	33.637	147.844
	TOTAL ASSETS		27.270.034	21.617.254	48.887.288	13.944.673	9.894.987	23.839.660

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

The accompanying explanations and notes form an integral part of these financial statements

I.	BALANCE SHEET							
		Note (Section Five)	(31/12/2006)			(31/12/2005) (*)		
	LIABILITIES		YTL	FC	Total	YTL	FC	Total
I.	**DEPOSITS**	II-a	16.166.969	14.960.302	31.127.271	9.432.229	7.646.957	17.079.186
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	II-b	21.061	2.603	23.664	-	1.074	1.074
III.	**BORROWINGS**	II-c	192.385	4.407.358	4.599.743	65.452	1.833.519	1.898.971
IV.	**MONEY MARKETS**		2.957.463	399.088	3.356.551	13.999	430.554	444.553
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		2.957.463	399.088	3.356.551	13.999	430.554	444.553
V.	**MARKETABLE SECURITIES ISSUED (Net)**		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**FUNDS**		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		1.844.442	467.460	2.311.902	1.507.335	66.661	1.573.996
VIII.	**OTHER LIABILITIES**	II-d	315.473	482.291	797.764	138.711	43.139	181.850
IX.	**FACTORING PAYABLES**		-	-	-	-	-	-
X.	**FINANCIAL LEASE PAYABLES (Net)**	II-e	-	18.789	18.789	-	15.741	15.741
10.1	Financial Lease Payables		2	19.455	19.457	-	16.604	16.604
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		(2)	(666)	(668)	-	(863)	(863)
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	II-f	1.395.764	208.587	1.604.351	860.762	154.406	1.015.168
12.1	General Loan Loss Provision		438.395	208.587	646.982	222.078	154.406	376.484
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		148.292	-	148.292	87.946	-	87.946
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		809.077	-	809.077	550.738	-	550.738
XIII.	**TAX LIABILITY**	II-g	144.139	-	144.139	41.506	-	41.506
13.1	Current Tax Liability		144.139	-	144.139	41.506	-	41.506
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	**PAYABLES FOR ASSET HELD FOR RESALE**		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	II-h	-	1.559.258	1.559.258	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**	II-i	3.301.297	42.559	3.343.856	1.503.784	83.831	1.587.615
16.1	Paid-in capital		3.142.818	-	3.142.818	752.345	-	752.345
16.2	Capital Reserves		48.556	42.559	91.115	2.673.712	83.831	2.757.543
16.2.1	Share Premium		45.781	-	45.781	10.781	-	10.781
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Value Increase Fund	II-j	2.775	42.559	45.334	(9.955)	83.831	73.876
16.2.4	Revaluation of Property and Equipment		-	-	-	-	-	-
16.2.5	Revaluation of Intangible Fixed Assets		-	-	-	-	-	-
16.2.6	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.7	Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.8	Value Increase of Assets Held for Resale				-			-
16.2.9	Other Capital Reserves		-	-	-	2.672.886	-	2.672.886
16.3	Profit Reserves		343.184	-	343.184	-	-	-
16.3.1	Legal Reserves		17.159	-	17.159	-	-	-
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		326.025	-	326.025	-	-	-
16.3.4	Other Profit Reserves		-	-	-			-
16.4	Income or (Loss)		(233.261)	-	(233.261)	(1.922.273)	-	(1.922.273)
16.4.1	Prior Years' Income or (Loss)		(745.500)	-	(745.500)	(379.263)	-	(379.263)
16.4.2	Current Year Income or (Loss)		512.239	-	512.239	(1.543.010)	-	(1.543.010)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26.338.993	22.548.295	48.887.288	13.563.778	10.275.882	23.839.660

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

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

II.	INCOME STATEMENTS			
	INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01-31/12/2006	01/01-31/12/2005(*)
I.	INTEREST INCOME	III-a	4.985.648	2.782.012
1.1	Interest on loans	III-a-1	3.421.406	1.926.466
1.2	Interest Received from Reserve Requirements		145.627	60.677
1.3	Interest Received from Banks	III-a-2	90.320	22.174
1.4	Interest Received from Money Market Transactions		18.131	4.077
1.5	Interest Received from Marketable Securities Portfolio	III-a-3	1.295.244	747.938
1.5.1	Trading Financial Assets		72.695	453.580
1.5.2	Financial Assets at fair value through profit or loss		-	-
1.5.3	Available-for-sale Financial Assets		40.962	169.783
1.5.4	Held to maturity Investments		1.181.587	124.575
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		14.920	20.680
II.	INTEREST EXPENSE	III-b	(3.226.351)	(1.717.858)
2.1	Interest on Deposits	III-b-3	(2.698.187)	(1.382.190)
2.3	Interest on Funds Borrowed	III-b-1	(279.013)	(51.506)
2.4	Interest Expense on Money Market Transactions		(235.644)	(282.570)
2.5	Interest on Securities Issued		-	-
2.6	Other Interest Expenses		(13.507)	(1.592)
III.	NET INTEREST INCOME (I + II)		1.759.297	1.064.154
IV.	NET FEES AND COMMISSIONS INCOME		851.816	506.871
4.1	Fees and Commissions Received		1.107.336	710.816
4.1.1	Cash Loans		59.554	87.551
4.1.2	Non-cash Loans		128.398	85.107
4.1.3	Other		919.384	538.158
4.2	Fees and Commissions Paid		(255.520)	(203.945)
4.2.1	Cash Loans		(7.434)	(105)
4.2.2	Non-cash Loans		(177)	(95)
4.2.3	Other		(247.909)	(203.745)
V.	DIVIDEND INCOME	III-c	41.758	18.898
VI.	TRADING INCOME/(LOSS) (Net)	III-d	50.029	98.374
6.1	Trading Gains / (Losses) on Securities		257.675	6.939
6.2	Foreign Exchange Gains / (Losses)		(207.646)	91.435
VII.	OTHER OPERATING INCOME		344.644	1.327.683
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	III-e	3.047.544	3.015.980
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	III-f	(339.965)	(1.290.270)
X.	OTHER OPERATING EXPENSES (-)	III-g	(1.998.077)	(3.444.979)
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		709.502	(1.719.269)
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE INCOME TAXES (XI+XII+XIII+XIV+XV)	III-h	709.502	(1.719.269)
XVI.	PROVISION FOR INCOME TAXES (±)	III-i	(197.263)	176.259
16.1	Current Tax Provision		(58.536)	-
16.2	Deferred Tax Provision		(138.727)	176.259
XVII.	OPERATING INCOME/(LOSS) AFTER TAXES		512.239	(1.543.010)
17.1	Discontinued Operations		-	-
17.2	Other		512.239	(1.543.010)
XVIII.	NET INCOME/(LOSS) (XV+XVI)		512.239	(1.543.010)
	Earnings/(Loss) per share (in YTL full)		0.0016	(0.0081)

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

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

YAPI VE KREDİ BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006 AND 2005
(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira (“YTL”).)

III.	OFF-BALANCE SHEET COMMITMENTS							
		Note (Section five)		(31/12/2006)			(31/12/2005) (*)	
			YTL	FC	Total	YTL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		17.472.597	13.141.772	30.614.369	12.868.717	5.725.364	18.594.081
I.	GUARANTEES AND WARRANTIES	IV-a-2,3	6.297.403	9.044.405	15.341.808	4.057.248	5.399.714	9.456.962
1.1.	Letters of Guarantee		5.571.632	5.534.958	11.106.590	3.901.097	3.968.795	7.869.892
1.1.1.	Guarantees Subject to State Tender Law		431.794	647.471	1.079.265	284.166	359.074	643.240
1.1.2.	Guarantees Given for Foreign Trade Operations		1.032.791	4.887.487	5.920.278	2.856.859	2.760.843	5.617.702
1.1.3.	Other Letters of Guarantee		4.107.047	-	4.107.047	760.072	848.878	1.608.950
1.2.	Bank Acceptances		-	216.649	216.649	-	164.109	164.109
1.2.1.	Import Letter of Acceptance		-	216.649	216.649	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	164.109	164.109
1.3.	Letters of Credit		325	2.535.477	2.535.802	-	1.178.128	1.178.128
1.3.1.	Documentary Letters of Credit		325	2.535.477	2.535.802	-	-	-
1.3.2.	Other Letters of Credit		-	-	-	-	1.178.128	1.178.128
1.4.	Prefinancing Given as Guarantee		143	1.884	2.027	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		4.770	583.506	588.276	-	74.387	74.387
1.9.	Other Collaterals		720.533	171.931	892.464	156.151	14.295	170.446
II.	COMMITMENTS	IV-a-1	9.514.236	586.371	10.100.607	8.761.138	-	8.761.138
2.1.	Irrevocable Commitments		9.514.236	586.371	10.100.607	8.761.138	-	8.761.138
2.1.1.	Asset Purchase Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	569.144	569.144	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Loan Granting Commitments		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		1.310.760	-	1.310.760	903.218	-	903.218
2.1.8.	Tax and Fund Liabilities from Export Commitments		39.365	-	39.365	29.753	-	29.753
2.1.9.	Commitments for Credit Card Limits		8.163.986	-	8.163.986	7.752.665	-	7.752.665
2.1.10.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		125	17.227	17.352	75.502	-	75.502
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	IV- b	1.660.958	3.510.996	5.171.954	50.331	325.650	375.981
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		1.660.958	3.510.996	5.171.954	50.331	325.650	375.981
3.2.1	Forward Foreign Currency Buy/Sell Transactions		535.769	1.464.683	2.000.452	41.295	260.584	301.879
3.2.1.1	Forward Foreign Currency Transactions-Buy		379.139	636.019	1.015.158	24.317	126.702	151.019
3.2.1.2	Forward Foreign Currency Transactions-Sell		156.630	828.664	985.294	16.978	133.882	150.860
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		579.009	1.439.889	2.018.898	6.960	63.098	70.058
3.2.2.1	Foreign Currency Swap-Buy		112.788	449.948	562.736	5.060	27.469	32.529
3.2.2.2	Foreign Currency Swap-Sell		159.236	395.911	555.147	1.900	31.014	32.914
3.2.2.3	Interest Rate Swap-Buy		-	450.968	450.968	-	1.941	1.941
3.2.2.4	Interest Rate Swap-Sell		306.985	143.062	450.047	-	2.674	2.674
3.2.3	Foreign Currency, Interest rate and Securities Options		546.180	606.424	1.152.604	2.076	1.968	4.044
3.2.3.1	Foreign Currency Options-Buy		273.090	303.212	576.302	1.005	1.015	2.020
3.2.3.2	Foreign Currency Options-Sell		273.090	303.212	576.302	1.071	953	2.024
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		60.536.429	2.527.949	63.064.378	15.423.623	3.136.498	18.560.121
IV.	ITEMS HELD IN CUSTODY		47.296.282	1.500.439	48.796.721	7.333.372	1.792.945	9.126.317
4.1	Customer Fund and Portfolio Balances		-	2.267	2.267	-	7.394	7.394
4.2	Investment Securities Held in Custody		39.229.872	1.154.620	40.384.492	4.550.479	263.029	4.813.508
4.3	Checks Received for Collection		4.669.933	49.098	4.719.031	2.179.829	11.708	2.191.537
4.4	Commercial Notes Received for Collection		3.395.301	235.461	3.630.762	588.630	433.171	1.021.801
4.5	Other Assets Received for Collection		-	58.993	58.993	-	53.692	53.692
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		11	-	11	14.241	347.094	361.335
4.8	Custodians		1.165	-	1.165	193	676.857	677.050
V.	PLEDGES RECEIVED		13.240.147	1.027.510	14.267.657	8.090.251	1.343.553	9.433.804
5.1	Marketable Securities		362.711	580	363.291	215.276	346	215.622
5.2	Guarantee Notes		291.104	363.967	655.071	253.788	738.607	992.395
5.3	Commodity		20.617	-	20.617	20.617	-	20.617
5.4	Warranty		-	-	-	-	968	968
5.5	Immovable		9.682.256	499.324	10.181.580	5.305.388	474.088	5.779.476
5.6	Other Pledged Items		2.883.210	39.853	2.923.063	2.286.689	47.552	2.334.241
5.7	Pledged Items-Depository		249	123.786	124.035	8.493	81.992	90.485
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTEES		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		78.009.026	15.669.721	93.678.747	28.292.340	8.861.862	37.154.202

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

The accompanying explanations and notes form an integral part of these financial statements

YAPI VE KREDİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF SHARE HOLDERS' EQUITY MOVEMENT AT 31 DECEMBER 2005
(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

IV. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2005 (*)	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserve	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Revaluation Differrences	Marketable Securities Value Increase Fund	Total Shareholders' Equity
I.	Period Opening Balance		752.345	2.672.886	10.781	-	-	-	-	-		(58.871)	-	-	1.262.517	4.639.658
II.	Changes in Accounting Policies according to TAS 8		-	-	-	-	-	-	-	-	-	(320.392)	-	-	-	(320.392)
2.1	Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	(320.392)	-	-	-	(320.392)
III.	New Balance (I+II)		752.345	2.672.886	10.781	-	-	-	-	-	-	(379.263)	-	-	1.262.517	4.319.266
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Available-for-sale Investments		-	-	-	-	-	-	-	-	-	-	-	-	(1.188.641)	(1.188.641)
VI.	Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Transferred Amounts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Available-for-sale Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Net Current Period Income/Loss		-	-	-	-	-	-	-	-	(1.543.010)	-	-	-	-	(1.543.010)
X.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Capital Increase															
11.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Value increase due to revaluation of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Investments in associates, subsidiaries and joint ventures bonus shares obtained		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.4	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.5	Adjustment to share capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.6	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.7	Foreign Currency Difference															
11.8	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Primary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Secondary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI)		752.345	2.672.886	10.781	-	-	-	-	-	(1.543.010)	(379.263)	-	-	73.876	1.587.615

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

The accompanying explanations and notes form an integral part of these financial statements

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

IV. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2006 (*)	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserve	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Revaluation Differrences	Marketable Securities Value Increase Fund	Total Shareholders' Equity
I.	Prior Period End Balance (*)		752.345	2.672.886	10.781	-	-	-	-	-	-	(1.922.273)	-	-	73.876	1.587.615
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	
II.	Increase/Decrease due to the Merger (**)	VII	1.246.155	-	35.000	-	17.159	-	326.025	-	-	(351.795)	-	-	1.053	1.273.597
III.	Investments in Associates, Subsidiaries and Available-for-Sale Investments		-	-	-	-	-	-	-	-	-	-	-	-	(29.595)	(29.595)
IV.	Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Transferred Amounts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Available-for-Sale Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Hedging from risky transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Net Current Period Income		-	-	-	-	-	-	-	-	512.239	-	-	-	-	512.239
VIII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX	Capital Increase		1.144.318	-	-	-	-	-	-	-	-	(1.144.318)	-	-	-	-
9.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.2	Value increase due to revaluation of the Plant and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3	Investments in associates, subsidiaries and joint ventures bonus shares obtained		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.4	Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5	Adjustment to share capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.6	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.7	Foreign Currency Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.8	Other		1.144.318	-	-	-	-	-	-	-	-	(1.144.318)	-	-	-	-
X.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the reclassification of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Primary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Secondary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Loss Transfer		-	(2.672.886)	-	-	-	-	-	-	-	2.672.886	-	-	-	-
	Period End Balance (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)		3.142.818	-	45.781	-	17.159	-	326.025	-	512.239	(745.500)	-	-	45.334	3.343.856

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

(**)Balances for increase / decrease due to the merger are explained in details in Note VII. of Section Five The accompanying explanations and notes form an integral part of these financial statements

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

V.	STATEMENT OF CASH FLOWS	Notes (Section Five)	(31/12/2006)	(31/12/2005) (*)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit before changes in operating assets and liabilities		828.220	2.042.867
1.1.1	Interest received		4.517.879	3.229.530
1.1.2	Interest paid		(3.248.665)	(1.652.896)
1.1.3	Dividend received		41.061	18.690
1.1.4	Fees and commissions received		1.107.337	710.816
1.1.5	Other income		448.334	1.580.412
1.1.6	Collections from previously written-off loans and other receivables		226.763	-
1.1.7	Payments to personnel and service suppliers		(636.866)	(413.847)
1.1.8	Taxes paid		31.214	(28.454)
1.1.9	Extraordinary Items		-	1
1.1.10	Other		(1.658.837)	(1.401.385)
1.2	Changes in operating assets and liabilities		6.536.889	1.573.711
1.2.1	Net decrease in trading securities		831.901	1.648.353
1.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		-	999
1.2.3	Net decrease / (increase) in due from banks and other financial institutions		5.314	(1.568.403)
1.2.4	Net (increase) / decrease in loans		(3.441.332)	195.603
1.2.5	Net (increase) in other assets		(1.759.537)	(2.556.756)
1.2.6	Net increase in bank deposits		2.433.831	2.522.099
1.2.7	Net increase in other deposits		4.810.750	1.018.665
1.2.8	Net increase increase in funds borrowed		2.800.000	-
1.2.9	Net increase / (decrease) in payables		-	-
1.2.10	Net increase in other liabilities		855.962	313.151
I.	Net cash provided from banking operations		7.365.109	3.616.578
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		(8.120.515)	(1.729.831)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(97.910)	-
2.2	Cash obtained from disposal of investments, associates and subsidiaries		7.400	-
2.3	Purchases of property and equipment		(85.449)	(57.745)
2.4	Disposals of property and equipments		56.116	21.763
2.5	Cash paid for purchase of investments available-for-sale		(180.656)	(97.680)
2.6	Cash obtained from sale of investments available-for-sale		715.210	754.795
2.7	Cash paid for purchase of investment securities		(9.564.840)	(2.393.706)
2.8	Cash obtained from sale of investment securities		1.632.061	42.742
2.9	Other		(602.447)	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		2.289	4.894
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Issued capital instruments		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		2.289	4.894
3.6	Other		-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		-	-
V.	Net increase in cash and cash equivalents		(753.117)	1.891.641
VI.	Cash and cash equivalents at beginning of the year	VI-a	3.715.462	1.057.864
VII.	Cash and cash equivalents at end of the year	VI-a	2.962.345	2.949.505

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

(**)The difference between period beginning balance of cash and cash equivalents as at 31 December 2006 and period end balance of cash and cash equivalents as at 31 December 2005, which amounts YTL765.957 resulted from the transfer of Koçbank to Yapı Kredi due to the legal merger.

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

VI. PROFIT APPROPRIATION STATEMENT		(31/12/2006)	(31/12/2005) (*)
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	CURRENT YEAR INCOME	709.502	(1.719.269)
1.2	TAXES AND DUTIES PAYABLE (-)	197.263	(176.259)
1.2.1	Corporate Tax (Income tax)	58.536	-
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	138.727	(176.259)
A.	NET INCOME FOR THE YEAR (1.1-1.2)	512.239	(1.543.010)
1.3	PRIOR YEAR LOSSES (-)	(745.500)	(379.263)
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	(13.940)	(1.144.318)
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A+(1.3+1.4+1.5)]	(247.201)	(3.066.591)
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES	-	-
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE	-	-
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*)The unconsolidated financial statements as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after the application of Turkish Accounting Standards) of Yapı Kredi before the legal merger as of 31 December 2005.

The accompanying explanations and notes form an integral part of these financial statements

Section Three

Explanations On Accounting Policies

I. Basis Of Presentation:

The Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No: 5411 ("Banking Act"), which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No:26333 dated 1 November 2006 by the Banking Regulatory and Supervisory Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards"("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and other decrees, notes, explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Comminuques Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No: 26430 dated 10 February 2007.

The unconsolidated financial statements have been prepared in YTL, under the historical cost convention as modified in accordance with inflation adjustments, except for the financial assets and liabilities carried at fair value.

Financial statements have been subjected to the inflation adjustment according to "Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. As of 28 April 2005, BRSA announced that the inflation accounting application in the banking sector had been terminated based on the decree No:1623 dated 21 April 2005. Therefore; the application of inflation accounting has been terminated in the preparation of the financial statements as of 1 January 2005.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effect of these corrections are reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with the TAS. Those accounting policies and valuation principles are explained in Notes II. to XXVII. below.

Additional paragraph for convenience translation into English:

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

Explanations on first-time adoption of Turkish Accounting Standards:

The Bank has prepared its financial statements in accordance with TAS as of 31 December 2006 for the first time. According to the "Turkish Financial Reporting Standard Regarding the First-time Adoption of Turkish Financial Reporting Standards" ("TFRS1") the effects of adoption of TAS are also reflected to the comparatives of these financial statements as of 31 December 2005 by adjusting the opening financial statements as of 1 January 2005. Accordingly; the effects of related adjustments are accounted in "Shareholders' Equity" under "Prior Period's Loss" account.

	Marketable Securities Value Increase Fund	Revaluation Fund	Net Income/ Loss for the Period	Prior Years' Income or Losses	Total Equity
Balances Reported as at 1 January 2005	**1.262.517**	**-**	**-**	**(58.871)**	**4.639.658**
Adjustment of reserve for employee rights	-	-	-	(46.836)	(46.836)
Adjustment of impairment on subsidiaries	-	-	-	(287.607)	(287.607)
Effect of adjustments on deferred tax	-	-	-	14.051	14.051
Adjusted balances as of 1 January 2005	**1.262.517**	**-**	**-**	**(379.263)**	**4.319.266**

	Marketable Securities Value Increase Fund	Revaluation Fund	Net Income/ Loss for the Period	Prior Years Income or Losses	Total Equity
Balances Reported as at 31 December 2005	**152.116**	**1.144.318**	**(2.996.274)**	**(58.871)**	**1.677.301**
Adjustment of reserve for employee rights	-	-	(16.110)	(46.836)	(62.946)
Adjustment of impairment on subsidiaries	-	-	293.339	(287.607)	5.732
Adjustment on currency differences of foreign subsidiaries and investments	(26.884)	-	26.884	-	-
Adjustment on sales income of investments in associates	-	(1.144.318)	1.144.318	-	-
Adjustment on valuation differences of subsidiaries and associates	(51.356)	-	-	-	(51.356)
Effect of adjustments on deferred tax	-		4.833	14.051	18.884
Adjusted balances as of 31 December 2005	**73.876**	**-**	**(1.543.010)**	**(379.263)**	**1.587.615**

II. Explanations On Strategy Of Using Financial Instruments And Explanations On Foreign Currency Transactions:

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. The Bank can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by asset-liability strategy. The currency, interest and liquidity risks on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities are held in minimum levels and exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”. Foreign currency investments which are carried at historical cost are translated with the exchange rates current at the balance sheet date and gains and losses arising from such valuations are recognised in the shareholder’s equity under “Marketable securities value increase fund”.

III. Explanations On Investment In Associates, Subsidiaries And Joint Ventures :

Based on the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TAS 27”) Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment; if exists.

Foreign currency denominated investments in associates and subsidiaries are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rate prevailing at the balance sheet date and are reflected to the financial statements after deducting the provision for impairment; if exists.

As of 31 December 2006 and 2005, the Bank has no joint ventures.

IV. Explanations On Forward Transactions, Options And Derivative Instruments:

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged. As of 31 December 2006, the Bank has no derivative instruments qualified for hedging purposes.

Certain derivative transactions, even though they provide effective economic hedges under the Bank’s risk management position, do not qualify for hedge accounting under the specific rules in “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement (“TAS 39”)” and are therefore treated as “financial assets at fair value through profit or loss”.

“Financial assets at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial assets at fair value through profit or loss” in “Trading derivative financial instruments” and if the fair value difference is negative, it is disclosed under “Trading derivative financial liabilities”. Differences in the fair value of trading derivative instruments are accounted under “trading income/loss” in the income statement.

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

V. Explanations On Interest Income And Expense:

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

The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no any income accounted until the collection is made according to the related regulation.

VI. Explanations On Fee And Commission Income And Expense:

All fees and commissions income/expenses are recognised on an accrual basis, except from certain commission income and fees from various banking services which are recorded as income at the time of collection. Fees and commissions expenses paid to the other institutions are recognised as operational costs and recorded on using the effective interest method. Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third or legal person are recognised as income at the time of collection.

VII. Explanations On Financial Assets:

The Bank classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

a. Financial assets at fair value through profit or loss:

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values can not be obtained from the fair market transactions, it is accepted that the fair value cannot be measured reliably and that the financial assets are carried at amortised cost using the effective interest method. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instrument. The principles regarding the accounting of derivative financial instruments are explained in details in Note IV. of Section Three.

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under loans and receivables and held-for-trading at the time of acquisition and, not included in available for sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity.

Held-to-maturity financial assets are initially recognised at cost which is considered as their fair values. The fair values of held-to-maturity financial assets on initial recognition are either the transaction price at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortised cost" using the "effective interest method" after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

There are no financial assets that were previously classified as held-to-maturity but can not be subject to this classification for two years due to the contradiction of classification principles.

c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, service or goods to debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised cost value calculated using "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjunction on the basis of the prudence principle are taken into consideration by the Bank in determining the estimates. General loan loss provision provided by this methodology is greater than the minimum amount required by the related regulations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in the previous years, the recovery amount is classified under "Other Operating Income". If a receivable is collected which is provisioned in the same year, it is deducted from the "Provisions for loan losses and other receivables". Uncollectible receivables are written-off after all the legal procedures are finalised.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial asset at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair value calculations, based on market prices, cannot be obtained reliably, the available-for-sale financial assets are carried at amortised cost using the effective interest method. "Unrealised gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders' equity as "Marketable Securities Value Increase Fund", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

VIII. Explanations On Impairment Of Financial Assets:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective interest method", or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and is charged against the income for the year.

The principles for accounting of provisions for loans are explained in details in Note VII. of this Section.

IX. Explanations On Offsetting Financial Assets :

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

X. Explanations On Sales And Repurchase Agreements And Securities Lending Transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Fair value difference through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the "effective interest method". Interest expense on repo transactions are recorded under "Interest expense on Money Market transactions" in the income statement.

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

XI. Information On Assets Held For Resale And Discontinued Operations:

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2001, No.26333.

XII. Explanations On Goodwill And Other Intangible Assets:

a. Goodwill

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised (ie. carry forward tax losses), intangible assets (ie. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination; if can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combination. The Bank allocated its goodwill to Retail Banking, Private Banking, Corporate Banking and Credit Card operations.

b. Other Intangible Assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Intangibles are amortised over their useful lives (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset. The rates are presented below;

Credit card, brand value, deposit base and customer portfolio	10 Years
Other tangible expenditures	5 Years

XIII. Explanations On Property And Equipment :

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over of the cost of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	20%
Special Costs (*)	Amortised over the lease period.

(*) Special costs include the expenditures for the leased immovables and amortised over the lease period if the lease period is less than the useful life and over useful life (5 years) if the lease period is greater than useful life.

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down to its “recoverable amount” and the provision for the diminution in value is charged to the income statement.

Property and equipment has not been re-valued in order to be presented at fair value in the financial statements.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, the quality of the product or to decrease the costs.

XIV. Explanations On Leasing Transactions:

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the “lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “provision for value decrease” has been recognised. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not provide financial leasing services as a “Lessor”.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. Explanations On Provisions And Contingent Commitments :

Provisions and contingent liabilities except for the specific and general provisions recognised for loans and other receivables are accounted in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets”(“TAS 37”).

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the “Matching principle”. When the amount of the obligation cannot be estimated and there is no possibility of outflow of resources from the Bank, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

Provision for Bank’s Pension Fund Deficit:

The Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandı¤ı Vakfı (“Fund”) which was established in accordance with the 20th temporary article of the Social Security Law No. 506.

According to the temporary article 23 of the Banking Law No.5411, Funds like “Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandı¤ı Vakfı” will be transferred to the Social Security Institution within three years beginning from the published date of this article without the need of any transactions. On 2 November 2005, the President of the Turkish Republic applied to the Constitutional Court of Turkey for abrogation of the relevant article in the Banking Law.

An actuarial report has been prepared by a registered actuary for the Fund in accordance with the written decree published by the Council of Ministers in the Official Gazette dated 15 December 2006 No. 26377 for the purpose of determining the principles and procedures to be applied during the transfer. The Bank will provide a full provision regarding deficit reported in the actuarial report until 31 December 2007 and the calculated provision is accounted under the “Other provisions” account as of the balance sheet date.

XVI. Explanations On Obligations Related To Employee Rights:

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

Under the Turkish or Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

XVII. Explanations On Taxation:

a. Current Tax:

“Corporate Tax Law”(“New Tax Law”) No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. Many clauses of the “New Tax Law” are effective from 1 January 2006. According to New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006 (year 2005:30%). The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 10th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least 2 years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for 5 years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred Tax:

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

XVIII. Explanations On Borrowings:

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" using the "effective interest method".

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

XIX. Explanations On Issuance Of Share Certificates:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects .

No dividend payments were announced after the balance sheet date.

XX. Explanations On Avalized Drafts And Acceptances:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXI. Explanations On Government Grants:

As of 31 December 2006, there is no government grant for the Bank.

XXII. Legal Merger:

As both the Koçbank and Yapı Kredi were the banks under common control of KFS and in order to provide the financial statement users more useful information; the legal merger has been accounted by using the "Pooling of interest" method. This application requires the combination of the financial statement items of the merged banks in the corresponding period and the formation of new unconsolidated financial statements of the merged bank. The main principle of the "Pooling of interest" method is the sharing of risks and rewards which were also applicable before the merger.

The main principles of the application are summarised below;

- All the assets, liabilities and off-balance sheet items were combined as of 31 December 2006,
- All the transactions between Koçbank and YapiKredi were eliminated,
- The goodwill resulting from the acquisition of 57,42% shares of Yapı Kredi by Koçbank as of 28 September 2005 ("acquisition date") calculated in line with TFRS 3 was recorded in the unconsolidated financial statements of the Bank (in Note I.j of Section Five).
- As of the acquisition date, the valuation of the intangible assets of Yapı Kredi has been performed and credit card brand value, deposit base and customer portfolio values are reflected to the unconsolidated financial statements of the Bank in accordance with TFRS 3 (Note I.j of Section Five).
- The difference that occurred as a result of the transactions listed above was booked in "Prior period's income and losses" under shareholders' equity.
- Profit and loss accounts of Koçbank were combined with the Yapı Kredi's profit and loss accounts, starting from the beginning of the financial year in which the legal merger realised.
- All the expenses related with the merger were accounted under the income statement.
- The financial statements of the Bank as of 31 December 2006 are presented comparatively with the publicly announced unconsolidated financial statements (after TAS corrections) of Yapı Kredi as of 31 December 2005 (Note VII. of Section Five).

XXIII. Profit Reserves And Profit Appropriation:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit.

According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and can not be used for other purposes unless they exceed 50% of paid-in capital.

XXIV. Earning Per Share:

Earning per share disclosed in the income statement is calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2006	31 December 2005
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	512.239	(1.543.010)
Weighted Average Number of Issued Ordinary Shares(Thousand)	314.281.800	189.666.300
Earning Per Share (Disclosed in full YTL)	0,0016	(0,0081)

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. As of 31 December 2006, the total number bonus shares issued is 239.047.376.092 (2005: None).

XXV. Related Parties:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by / affiliated with them, and associated companies are considered and referred to as related parties in accordance with “Turkish Accounting Standard For Related Parties” (“TAS 24”). The transactions with related parties are disclosed in details in Note VII. of Section Five.

XXVI. Cash And Cash Equivalents:

For the purposes of cash flow statement cash include cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months.

XXVII. Reclassifications:

Together with the adjustments made in accordance with the first-time adoption of TAS, which are explained in details in Note I. of this Section; reclassifications have been made on comparative figures as of 31 December 2005, to conform to changes in presentation in the current year.

Section Four

Information Related To Financial Position Of The Bank

I. Explanations On Capital Adequacy Ratio:

a. The capital adequacy ratio of the Bank is 12,31% as of 31 December 2006 (2005: 7,24%).

b. The capital adequacy ratio of the Bank is calculated in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio” and “Regulation Regarding Banks’ Shareholders Equity” (together referred as “Regulation Regarding Capital Adequacy”) published as of 1 November 2006. The following tables show the details of “Risk weighted assets” and the calculation of “Shareholders’ Equity” for the capital adequacy ratio calculation.

c. Information related to capital adequacy ratio:

	Risk Weights			
	% 0	% 20	% 50	% 100
Amount subject to credit risk				
Balance sheet items (Net)	**21.563.340**	**2.050.029**	**2.907.176**	**20.625.227**
Cash	477.363	3.164	-	-
Matured marketable securities	-	-	-	-
The Central Bank of the Republic of Turkey	570.547	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	1.946.297	-	13.476
Interbank Money Market Placements	-	-	-	-
Receivables from reverse repurchase transactions	-	-	-	-
Reserve requirements with the Central Bank of the Republic of Turkey	3.029.637	-	-	-
Loans	1.148.721	16.127	2.868.912	17.865.459
Non-Performing Receivables (Net)	-	-	-	312.023
Lease receivables	-	-	-	-
Available-for-Sale financial assets	90.102	-	-	63.124
Held-to-Maturity investments	15.239.392	-	-	-
Receivables from the disposal of assets	-	-	-	15.284
Miscellaneous receivables	-	80.506	-	79.434
Interest and income accruals	727.343	3.805	38.264	238.297
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	696.655
Fixed assets	-	-	-	1.314.108
Other assets	280.235	130	-	27.367
Off-balance sheet items	**465.914**	**3.918.877**	**2.518.910**	**7.942.551**
Non-cash loans and commitments	465.914	3.896.806	2.518.910	7.925.633
Derivative financial instruments	-	22.071	-	16.918
Non-risk weighted accounts	-	-	-	-
Total Risk Weighted Assests	**22.029.254**	**5.968.906**	**5.426.086**	**28.567.778**

d. Summary information about capital adequacy ratio ("CAR"):

	31 December 2006	31 December 2005
Amount subject to credit risk "ASCR"	32.474.602	18.775.074
Amount subject to market risk "ASMR"	309.900	765.475
Shareholders' equity	**4.037.076**	**1.414.590**
Shareholders' equity /(ASCR+ASMR) *100	**12,31**	**7,24**

(*) The effects of first-time adoption of TAS and capital adequacy regulation brought into effect as of 1 November 2006 are not included.

e. Information about shareholders' equity items:

	31 December 2006
CORE CAPITAL	
Paid-in capital	3.142.818
Nominal capital	3.142.818
Capital commitments (-)	-
Inflation adjustment to share capital	-
Share Premium	45.781
Share cancellation profits	-
Legal reserves	17.159
I. First legal reserve (Turkish Commercial Code 466/1)	17.159
II. Second legal reserve (Turkish Commercial Code 466/2)	
Other legal reserve per special legislation	-
Status reserves	-
Extraordinary reserves	326.025
Reserves allocated by the General Assembly	326.025
Retained earnings	-
Accumulated loss	-
Foreign currency share capital exchange difference	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-
Profit	512.239
Current period profit (net)	512.239
Prior period profit	-
Provisions for possible risks (up to 25% of core capital)	76.138
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	-
Primary Subordinated Loans (up to 15% of core capital)	-
Uncovered portion of loss with reserves (-)	(745.500)
Current period loss (net)	-
Prior period loss	(745.500)
Special costs (-) (*)	(25.771)
Prepaid expenses (-) (*)	(68.711)
Intangible assets (-) (*)	(1.152.548)
Deferred tax asset amount exceeding 10% of core capital (-) (*)	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	
Total Core Capital	**3.374.660**

SUPPLEMENTARY CAPITAL	
General provisions	409.806
45% of the movables revaluation fund	-
45% of the immovables revaluation fund	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-
Primary Subordinated Loans that are not considered in the calculation of core capital	-
Secondary Subordinated Loans	1.540.285
45 % of Marketable Securities valuation fund	20.400
From investments in associates and subsidiaries	(2.108)
Available-for-Sale financial assets	22.508
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-
Total Supplementary Capital	**1.970.491**
TIER III CAPITAL	**-**
CAPITAL	**5.345.151**
DEDUCTIONS FROM THE CAPITAL (*)	**1.308.075**
Investments in Unconsolidated Financial Institutions (Foreign) and Banks in which 10% or more equity interest exercised	60.217
Investments in Financial Institutions (Domestic, foreign) and Banks, in which less than 10% equity interest exercised and that exceeds the 10% and more of the total core and supplementary capital of the Bank	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Nature Purchased From Them	828
Loans extended as contradictory to the articles 50 and 51of the Law	-
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and to be Disposed Accordingly with Banking Law article 57 as They are Held for More Than Five Years From the Acquisition Date.	-
Other	-
TOTAL SHAREHOLDERS' EQUITY	**4.037.076**

(*) According to the temporary article 1. of "Regulation Regarding Capital Adequacy"; "Special Costs", "Prepaid Expenses", "Intangible Assets" and "Amount of deferred tax exceeding 10% of core capital" which are presented under "Core Capital" will be considered as "Deductions from the Capital" until 1 January 2009.

II. Explanations On Credit Risk:

a. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund

Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

As a part of internal scoring system, the loan proposals received from branches are not accepted by the system unless they include detailed financial information of the companies. All loan customers (excluding construction companies) are followed-up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department.

b. The Bank has control limits over the positions of forwards, options and similar agreements.

c. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

d. A special provision is provided for cash risks and non-cash risks that are classified as non performing, in accordance with the regulation on provisions. After the classification of non-cash risks and they are converted to cash receivables they are followed up in the same group as cash risks and a specific provision is provided.

Restructured loans are also classified and followed up accordingly to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers monitored and their principle and interest payments are followed up with a restructured repayment schedule and the necessary precautions are taken.

e. The Bank's banking activities in foreign countries and crediting transactions are subject to periodical follow-up in terms of the related countries' economic conditions and activities of customers and financial institutions concerning their periodic credit worthiness which do not constitute a material risk.

f. 1. The proportion of the Bank's top 100 cash loan balances in total cash loans is 21% (2005: 27%).

2. The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans is 39% (2005: 47%).

3. The proportion of the Bank's cash and non-cash loan balances with the first 100 customers comprises of 23% of total cash loans and non-cash loans (2005: 23%).

g. The Bank provided a general loan loss provision amounting to YTL 646.982 thousand (2005: YTL376.484 thousand).

h. Information according to geographical concentration:

	Assets	Liabilities (***)	Non-Cash Loans	Capital Expenditures	Net profit (****)
31 December 2006					
Domestic	40.965.406	38.205.487	14.332.541	85.449	512.239
European Union Countries	4.047.040	5.076.408	521.122	-	-
OECD Countries (*)	89.983	1.236.628	174.943	-	-
Off-shore banking regions	41	-	-	-	-
USA, Canada	1.808.770	632.438	6.700	-	-
Other Countries	108.872	57.693	306.502	-	-
Subsidiaries, Investments and Joint Ventures	756.872	-	-	-	-
Unallocated Assets/Liabilities (**)	1.110.304	334.778	-	-	-
Total	48.887.288	45.543.432	15.341.808	85.449	512.239
31 December 2005					
Domestic	19.835.925	18.910.601	8.776.329	65.068	(1.543.010)
European Union Countries	1.655.088	1.263.671	345.473	-	-
OECD Countries (*)	251.699	613	164.538	-	-
Off-shore banking regions	1.950	356.649	-	-	-
USA, Canada	323.806	1.281.867	5.936	-	-
Other Countries	798.891	170.741	164.686	-	-
Investments in associates, subsidiaries and joint ventures	662.612	-	-	-	-
Unallocated Assets/Liabilities (**)	309.689	267.903	-	-	-
Total	23.839.660	22.252.045	9.456.962	65.068	(1.543.010)

(*) OECD Countries other than EU countries, USA and Canada.
(**) Unallocated assets / liabilities include interest income and expense accruals which could not be distributed according to a consistent principal.
(***) Shareholders' Equity is not included in liabilities.
(****) The net profit could not be distributed according to geographical concentration.

i. Sectoral concentrations for cash loans:

	31 December 2006				31 December 2005			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	**219.166**	**1,47**	**119.609**	**1,70**	**40.546**	**0,55**	**31.047**	**0,83**
Farming and Raising Livestock	168.685	1,13	100.707	1,44	25.436	0,35	20.932	0,56
Forestry	41.427	0,28	3.839	0,05	10.644	0,14	2.046	0,05
Fishing	9.054	0,06	15.063	0,21	4.466	0,06	8.069	0,22
Manufacturing	**3.356.278**	**22,55**	**3.940.602**	**56,15**	**1.010.208**	**13,74**	**1.685.726**	**44,96**
Mining	90.571	0,61	135.275	1,93	34.374	0,47	50.272	1,34
Production	3.238.156	21,75	3.602.620	51,33	961.304	13,07	1.534.563	40,93
Electric, Gas and Water	27.551	0,19	202.707	2,89	14.530	0,20	100.891	2,69
Construction	**630.463**	**4,24**	**357.799**	**5,10**	**188.067**	**2,55**	**293.390**	**7,83**
Services	**2.231.491**	**14,99**	**2.566.027**	**36,57**	**474.710**	**6,46**	**1.595.790**	**42,56**
Wholesale and Retail Trade	1.025.908	6,89	345.196	4,92	296.843	4,04	288.590	7,70
Hotel Food and Beverage Services	152.410	1,02	312.266	4,45	23.038	0,31	176.179	4,70
Transportation and Telecommunication	407.536	2,74	229.653	3,27	65.100	0,89	31.834	0,85
Financial Institutions	391.529	2,63	1.432.697	20,42	13.508	0,18	873.776	23,30
Real Estate and Leasing Services	89.434	0,60	63.817	0,91	3.117	0,04	2.323	0,06
Self Employment Services	0	0,00	0	0,00	37.559	0,51	207.116	5,53
Education Services	20.373	0,14	3.444	0,05	4.253	0,06	6.808	0,18
Health and Social Services	144.301	0,97	178.954	2,55	31.292	0,43	9.164	0,24
Other	**8.445.251**	**56,75**	**33.361**	**0,48**	**5.640.221**	**76,70**	**143.362**	**3,82**
Loan Interest and Income Accruals	**153.870**	**-**	**138.206**	**-**	**64.354**	**-**	**50.227**	**-**
Total	**15.036.519**	**100,00**	**7.155.604**	**100,00**	**7.418.106**	**100,00**	**3.799.542**	**100,00**

III. Explanations On Market Risk:

The Bank considers currency risk, liquidity risk and interest rate risk as the most important components of market risk. The Bank's market risk exposure is calculated on a daily and weekly basis with Value-at-Risk method on the basis of marketable securities portfolio including the Bank's currency risk. Below table represents the details of market risk calculation as of 31 December 2006 in accordance with the Section 3 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, namely "Calculation of Market Risk with Standard Method".

a. Information on Market Risk:

	Balance
(I) Capital to be Employed for General Market Risk - Standard Method	11.311
(II) Capital to be Employed for Specific Risk –Standard Method	-
(III) Capital to be Employed for Currency Risk - Standard Method	13.481
(IV) Capital to be Employed for Commodity Risk	-
(V) Capital to be Employed for Exchange Risk-Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options-Standard Method	-
(VII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model	-
(VIII) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI)	24.792
(IX) Amount Subject to Market Risk 12,5xVIII) or (12,5xVII)	**309.900**

b. Market Risk Table of Calculated Market Risk During the Month Ends:

	31 December 2006			31 December 2005		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	35.176	78.693	11.311	51.311	36.002	25.028
Share Premium Risk	3.177	4.102	-	116.404	279.337	16.303
Currency Risk	20.039	19.275	13.481	39.061	64.867	19.907
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Operational Risk	-	-	-	-	-	-
Total Amount Subject to Risk	**58.392**	**102.070**	**24.792**	**206.776**	**380.206**	**61.238**

IV. Explanations On Currency Risk:

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the changes of the exchange rates of different foreign currencies in "Net Foreign Currency Position" (Cross Currency Risk). The Bank keeps the foreign currency value-at-risk within the legal limits and follows closely daily currency risk and reports it to the Asset and Liability Committee. When necessary, derivatives like forward foreign exchange contracts and currency swaps are used as part of the currency risk management.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	USD	EUR	Yen
Balance Sheet Evaluation Rate:	1,37770 YTL	1,81210 YTL	0,01157 YTL
1. Day bid rate	1,38370 YTL	1,82010 YTL	0,01163 YTL
2. Day bid rate	1,38430 YTL	1,81830 YTL	0,01162 YTL
3. Day bid rate	1,38660 YTL	1,82180 YTL	0,01165 YTL
4. Day bid rate	1,38310 YTL	1,82560 YTL	0,01165 YTL
5. Day bid rate	1,38600 YTL	1,82790 YTL	0,01170 YTL

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown in the table below:

USD : 1,39017 YTL
Euro : 1,83642 YTL
Yen : 0,01184 YTL

As of 31 December 2005;

	USD	EUR	Yen
Balance Sheet Evaluation Rate:	1,34180 YTL	1,58748 YTL	0,01144 YTL

Information on currency risk of the Bank:

Foreign currency position of the Bank is disclosed in terms of the material currencies in the following table. Foreign currency indexed assets, classified as Turkish Lira assets according to Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. In addition, foreign currency general provisions in the balance sheet , are considered as Turkish Lira in the calculation of Net Currency Position regarding the related regulation. Therefore, there is a difference between the sum of the foreign currency assets in the following table and in the balance sheet. The Banks' real position, both in financial and economic terms, is presented in the table below:

	EURO	USD	Yen	Other FC (*)	Total
31 December 2006					
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.822.287	393.930	217	7.075	2.223.509
Due From Banks and Other Financial Institutions	275.100	1.564.023	2.519	114.346	1.955.988
Financial Assets at Fair Value Through Profit or Loss	169.197	173.576	-	-	342.773
Interbank Money Market Placements	-	-	-	-	-
Available-for-Sale Financial Assets	142	32.894	-	44.395	77.431
Loans (**)	2.093.684	5.547.697	21.839	141.551	7.804.771
Investments in Associates, Subsidiaries and Joint Ventures	130.779	57.202	-	32.076	220.057
Held-to-Maturity Investments	2.696.841	6.766.430	-	-	9.463.271
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	35.771	49.317	22	88.456	173.566
Total Assets	7.223.801	14.585.069	24.597	427.899	22.261.366
Liabilities					
Bank Deposits	11.442	46.975	55	10.792	69.264
Foreign Currency Deposits	4.208.165	10.165.734	16.458	500.681	14.891.038
Funds From Interbank Money Market	192.787	206.301	-	-	399.088
Funds Borrowed From Other Financial Institutions	789.064	3.615.146	1.287	1.861	4.407.358
Marketable Securities Issued	-	-	-	-	-
Miscellaneous Payables	155.310	307.285	52	4.813	467.460
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	1.813.084	218.166	1.327	20.138	2.052.715
Total Liabilities	7.169.852	14.559.607	19.179	538.285	22.286.923
Net On Balance Sheet Position	53.949	25.462	5.418	(110.386)	(25.557)
Net Off Balance Sheet Position	(78.480)	141.914	(5.373)	111.237	169.298
Financial Derivative Assets	483.463	1.155.688	2.881	198.115	1.840.147
Financial Derivative Liabilities	561.943	1.013.774	8.254	86.878	1.670.849
Non-Cash Loans	2.747.217	5.813.378	347.800	136.010	9.044.405
31 December 2005					
Total Assets	2.828.424	6.998.497	6.940	184.797	10.018.658
Total Liabilities	2.849.642	7.016.829	6.461	163.776	10.036.708
Net On Balance Sheet Position	(21.218)	(18.332)	479	21.021	(18.050)
Net Off Balance Sheet Position	14.421	(46.597)	(239)	21.019	(11.396)
Financial Derivative Assets	67.192	64.041	-	25.894	157.127
Financial Derivative Liabilities	52.771	110.638	239	4.875	168.523
Non-Cash Loans	1.690.121	3.320.704	260.248	128.641	5.399.714

(*) Of the "Other FC" total assets amounting to YTL427.899 thousand; YTL243.728 thousand is in Gold; YTL97.765 thousand is in British Pounds; YTL59.599 thousand is in Swiss Francs and YTL26.807 thousand is in other currencies. Of the total liabilities amounting to YTL538.285 thousand; YTL254.771 thousand is in Gold; YTL202.838 thousand is in British Pounds, YTL60.367 thousand is in Swiss Francs and 20.309 thousand is in other currencies.

(**) Includes FX indexed loans amounting to YTL649.167 thousand which has been disclosed as YTL in the financial statements.

V. Explanations On Interest Rate Risk:

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements are performed by the risk management department for all interest sensitive instruments. The results are monthly presented to Asset and Liability Committee ("ALCO"). By using sensitivity and scenario analyses; the possible loss effects on the equity were analysed due to the interest rate volatility not only within current year but also for the future periods.

The effects of the volatility of market interest rates on positions and on cash flows are closely monitored.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

31 December 2006	Up to1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The The Central Bank of the Republic Turkey	3.074.427	-	-	-	-	1.006.258	4.080.685
Due From Banks and Other Financial Institutions	1.476.745	94.274	3.007	1.002	-	388.357	1.963.385
Financial Assets at Fair Value Through Profit/Loss	16.233	56.472	113.570	20.120	227.046	-	433.441
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	1.275	2.688	1.670	20.038	23.044	107.519	156.234
Loans	5.162.457	3.960.928	4.230.932	3.620.257	5.217.549	312.023	22.504.146
Held-to-Maturity Investments	3.419.703	3.629.478	2.398.335	742.908	5.689.475	-	15.879.899
Other Assets	-	-	-	-	-	3.869.498	3.869.498
Total Assets	**13.150.840**	**7.743.840**	**6.747.514**	**4.404.325**	**11.157.114**	**5.683.655**	**48.887.288**
Liabilities							
Bank Deposits	273.903	6.836	-	-	-	72.059	352.798
Other Deposits	21.051.890	3.721.781	384.521	481.440	38.771	5.096.070	30.774.473
Funds From Interbank Money Market	3.071.497	12.808	272.246	-	-	-	3.356.551
Miscellaneous Payables	1.937.632	165.227	86.601	-	-	122.442	2.311.902
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	94.196	2.134.660	91.824	1.030.570	1.248.493	-	4.599.743
Other Liabilities and Shareholders' Equity	1.995	2.587	7.124	6.968	1.559.373	5.913.774	7.491.821
Total Liabilities	**26.431.113**	**6.043.899**	**842.316**	**1.518.978**	**2.846.637**	**11.204.345**	**48.887.288**
Balance Sheet Long Position	**-**	**1.699.941**	**5.905.198**	**2.885.347**	**8.310.477**	**-**	**18.800.963**
Balance Sheet Short Position	**(13.280.273)**	**-**	**-**	**-**	**-**	**(5.520.690)**	**(18.800.963)**
Off-balance Sheet Long Position	6.550	23.882	12.229	-	86	-	42.747
Off-balance Sheet Short Position	-	-	-	(4.375)	-	-	(4.375)
Total Position	**(13.273.723)**	**1.723.823**	**5.917.427**	**2.880.972**	**8.310.563**	**(5.520.690)**	**38.372**

31 December 2005	Up to1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The The Central Bank of the Republic Turkey	879.988	-	-	-	-	481.200	1.361.188
Due From Banks and Other Financial Institutions	1.771.610	1.104	-	-	-	56.164	1.828.878
Financial Assets at Fair Value Through Profit/Loss	73.656	313.720	134.511	80.912	490.458	71.486	1.164.743
Interbank Money Market Placements	640.480	-	-	-	-	-	640.480
Available-for-Sale Financial Assets	-	-	-	61.440	46.413	540.041	647.894
Loans	922.814	4.720.123	1.590.094	1.217.161	2.767.456	203.204	11.420.852
Held-to-Maturity Investments	155.310	747.760	817.049	379.851	2.062.431	-	4.162.401
Other Assets	16.326	36	-	-	-	2.596.862	2.613.224
Total Assets	4.460.184	5.782.743	2.541.654	1.739.364	5.366.758	3.948.957	23.839.660
Liabilities							
Bank Deposits	236.620	22.283	11.634	13.477	-	47.550	331.564
Other Deposits	10.763.603	1.362.501	466.070	475.911	5.814	3.673.723	16.747.622
Funds From Interbank Money Market	121.468	11.976	311.109	-	-	-	444.553
Miscellaneous Payables	-	-	-	-	-	1.573.996	1.573.996
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	88.289	439.700	166.088	1.140.247	64.647	-	1.898.971
Other Liabilities and Shareholders' Equity	207.413	10.216	3.375	1.668	992	2.619.290	2.842.954
Total Liabilities	11.417.393	1.846.676	958.276	1.631.303	71.453	7.914.559	23.839.660
Balance Sheet Long Position	-	3.936.067	1.583.378	108.061	5.295.305	-	10.922.811
Balance Sheet Short Position	(6.957.209)	-	-	-	-	(3.965.602)	(10.922.811)
Off-balance Sheet Long Position	-	-	49	-	-	-	49
Off-balance Sheet Short Position	(400)	(145)	-	(244)	(244)	-	(1.033)
Total Position	(6.957.609)	3.935.922	1.583.427	107.817	5.295.061	(3.965.602)	(984)

b. Average interest rates for monetary financial instruments:

Below average interest rates are calculated by weighting the simple rates with their principals.

31 December 2006	EURO	USD	Yen	YTL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balance with The The Central Bank of the Republic of Turkey	1,71	2,26	-	11,07
Due From Banks and Other Financial Institutions	0,67	4,88		16,70
Financial Assets at Fair Value Through Profit/Loss	9,06	8,44	-	19,08
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	7,43	-	16,94
Loans	5,55	5,48	2,17	21,38
Held-to-Maturity Investments	3,85	7,25	-	19,25
Liabilities				
Bank Deposits	0,04	1,66	-	18,79
Other Deposits	1,86	4,14	0,11	18,98
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	4,19	5,35	1,28	15,62

31 December 2005	EURO	USD	Yen	YTL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balance with The The Central Bank of the Republic of Turkey	1,14	2,03	-	10,25
Due From Banks and Other Financial Institutions	2,33	4,27	-	16,16
Financial Assets at Fair Value Through Profit/Loss	3,64	5,75		14,70
Interbank Money Market Placements	-	-	-	13,50
Available-for-Sale Financial Assets	4,86	6,73	-	14,41
Loans	5,56	6,03	2,09	20,57
Held-to-Maturity Investments	3,83	6,18	-	15,27
Liabilities				
Bank Deposits	3,00	4,43	-	16,43
Other Deposits	1,52	1,73	-	13,23
Funds From Interbank Money Market	4,10	6,43	-	9,80
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	3,60	4,83	1,36	13,00

VI. Explanations On Liquidity Risk:

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. The liquidity risk is managed within the Asset-Liability Management strategy of the Bank in accordance with the policies of the market risk. In this scope, the funding sources are being diversified, and sufficient cash and cash equivalents are held. In order to meet an instant cash necessity it is ensured that the cash and cash equivalent assets level does not fall below a predetermined portion of the deposits. During the monthly meetings of the Asset-Liability Committee, the liquidity position of the Bank is evaluated and it is ensured that the required actions are taken when considered necessary.

The mismatching of the payments is limited by the capital regarding the scenario analyses. The limit is followed-up monthly and the results are reported to the ALCO. In the case of a limit override; necessary action is taken and risk is restricted with the capital.

Subordinated loans with 10 years of maturity has been provided in order to extend the short-term funding structure in the banking sector. The liquidity risk according to the mismatching of assets and liabilities is decreased with placement of these loans to the short-term derivatives and liquid treasury bills.

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Unclassified(*)	Total
31 December 2006								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques and Balances with The Central Bank of the Republic of Turkey	1.006.258	3.074.427	-	-	-	-	-	4.080.685
Due From Banks and Other Financial Institutions	388.357	1.476.745	94.274	3.007	1.002	-	-	1.963.385
Financial Assets at Fair Value Through Profit or Loss	-	8.372	34.326	103.178	20.768	266.797	-	433.441
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	90.498	54	8	1.670	20.038	26.945	17.021	156.234
Loans	-	5.073.615	3.342.735	3.756.825	2.581.019	7.437.929	312.023	22.504.146
Held-to-Maturity Investments	-	2.272.971	1.325.046	1.258.015	816.917	10.206.950	-	15.879.899
Other Assets (*)	68.699	188.544	2.547	121.891	7.642	157.592	3.322.583	3.869.498
Total Assets	**1.553.812**	**12.094.728**	**4.798.936**	**5.244.586**	**3.447.386**	**18.096.213**	**3.651.627**	**48.887.288**
Liabilities								
Bank Deposits	72.059	273.903	6.836	-	-	-	-	352.798
Other Deposits	5.096.070	21.051.890	3.721.781	384.521	481.440	38.771	-	30.774.473
Funds Borrowed From Other Financial Institutions	-	94.196	487.265	91.824	1.032.175	2.894.283	-	4.599.743
Funds From Interbank Money Market	-	3.071.497	12.808	272.246	-	-	-	3.356.551
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	122.442	1.930.468	145.441	80.032	761	32.758	-	2.311.902
Other Liabilities (**)	1.628.014	943.899	2.587	7.124	6.968	1.559.373	3.343.856	7.491.821
Total Liabilities	**6.918.585**	**27.365.853**	**4.376.718**	**835.747**	**1.521.344**	**4.525.185**	**3.343.856**	**48.887.288**
Net Liquidity Gap	**(5.364.773)**	**(15.271.125)**	**422.218**	**4.408.839**	**1.926.042**	**13.571.028**	**307.771**	**-**
31 December 2005								
Total Assets	1.650.931	3.465.559	3.619.483	1.745.394	1.711.456	8.995.787	2.651.050	23.839.660
Total Liabilities	4.772.192	12.924.056	1.739.314	873.213	1.629.094	314.176	1.587.615	23.839.660
Net Liquidity Gap	**(3.121.261)**	**(9.458.497)**	**1.880.169**	**872.181**	**82.362**	**8.681.611**	**1.063.435**	**-**

(*) Assets that are necessary for banking activities and that can not be liquidated in the short term, such as fixed and intangible assets, investments in associates, subsidiaries, stationary stocks, prepaid expenses, loans under follow-up, are classified in this column.
(**) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

VII. Information Regarding The Presentation Of Financial Assets And Liabilities At Their Fair Vaiues:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Financial Assets	**40.503.664**	**18.060.025**	**40.729.954**	**18.107.128**
Due From Interbank Money Market	-	-	-	-
Due from banks and other financial Institutions	1.963.385	1.828.878	1.963.991	1.829.446
Available-for-sale Financial Assets	156.234	647.894	156.234	647.894
Held-to-maturity Investments	15.879.899	4.162.401	15.921.444	4.197.991
Loans	22.504.146	11.420.852	22.688.285	11.431.797
Financial Liabilities	**38.038.916**	**20.552.153**	**38.044.113**	**20.576.613**
Bank deposits	352.798	331.564	352.630	331.891
Other deposits	30.774.473	16.747.622	30.772.789	16.769.301
Funds Borrowed From Other Financial Institutions	4.599.743	1.898.971	4.606.792	1.901.425
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	2.311.902	1.573.996	2.311.902	1.573.996

The fair values of due from banks and other financial institutions and the funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits represents the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans. In case of short-term maturities, the carrying value is assumed to reflect the fair value.

VIII. Information Regarding The Activities Carried Out On Behalf And On Account Of Other Parties:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no trust transactions.

Section Five

Explanations And Notes Related To Unconsolidated Financial Statements

I. Explanations And Notes Related To Assets

a. Information related to cash and the account of The Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash and the account of the CBRT:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Cash/Foreign currency	307.316	125.231	161.455	94.987
CBRT	1.549.860	2.095.114	278.957	825.766
Other	-	3.164	-	23
Total	1.857.176	2.223.509	440.412	920.776

2. Information on the account of the CBRT:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Demand Unrestricted Amount	283	570.264	107	224.628
Time Unrestricted Amou	-	-	-	-
Reserve Requirement	1.549.577	1.524.850	278.850	601.138
Total	1.549.860	2.095.114	278.957	825.766

3. Information on reserve requirements:

In accordance with "Communiqué regarding the reserve requirements" issued by the CBRT, the banks operating in Turkey are supposed to place reserves in CBRT with a rate of 6% for their YTL liabilities and 11% as USD and/or EUR for their foreign currency liabilities. CBRT makes quarterly interest payments over the reserve requirements based on the interest rates set. As of 31 December 2006 the corresponding interest rates are 13,12% for YTL, 2,52% for USD and 1,73% for EUR reserves.

b. Information on financial assets at fair value through profit or loss:

1. As of 31 December 2006, financial assets at fair value through profit or loss subject to repo transactions amount to YTL195.994 thousand (2005:YTL212.079 thousand), given as collateral/blocked amounts to YTL14.358 thousand (2005:YTL223.716 thousand).

2. Positive differences related to trading derivative financial assets:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Forward Transactions	34.413	3.311	-	740
Swap Transactions	37.687	1.744	-	15
Futures Transactions	-	-	-	-
Options	-	-	-	1
Other	-	-	-	-
Total	72.100	5.055	-	756

c. Information on banks and other financial institutions:

1. Information on banks and other financial institutions:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Banks	7.306	1.955.988	6.776	1.822.102
Domestic	7.298	226	5.238	55.699
Foreign	8	1.955.762	1.538	1.766.403
Head Quarters and Branches Abroad	-	-	-	-
Other Financial Institutions	91	-	-	-
Total	7.397	1.955.988	6.776	1.822.102

2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
European Union Countries	1.764.327	1.224.511	-	-
USA, Canada	131.274	311.186	-	-
OECD Countries (*)	43.634	222.275	-	-
Off-Shore Banking Regions	41	41	-	-
Other	13.436	9.511	-	-
Foreign Banks Interest Accruals	3.058	417	-	-
Total	1.955.770	1.767.941	-	-

(*) OECD countries except EU countries, USA and Canada

d. Information on available for sale financial assets:

1. Characteristics and carrying values of available for sale financial assets given as collateral:

As of 31 December 2006, available for sale financial assets given as collateral/blocked amount to YTL21.113 thousand (2005: YTL18.097 thousand). There are no available for sale financial assets subject to repo transactions (2005: YTL2.937 thousand).

2. Information on available for sale financial assets:

	31 December 2006	31 December 2005
Debt Securities	49.660	107.905
Quoted to Stock Exchange (*)	49.660	107.905
Not Quoted	-	-
Share Certificates	18.014	817.469
Quoted to Stock Exchange	-	83.498
Not Quoted	18.014	733.971
Impairment Provision (-)	(1.939)	(426.355)
Other (**)	90.499	148.875
Total	156.234	647.894

(*) As of 31 December 2006, even though Eurobonds amounting to YTL15.104 thousand (2005: YTL46.413 thousand) are not quoted to stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

(**) As mentioned in Note I.2 of Section One, the participation shares of Anatolia Investment Fund and Sun Investment Fund, which were classified under other available for sale financial assets as of 31 December 2005, has been redeemed as of 28 December 2006 due to their liquidation (2005: YTL148.875 thousand).
As of 31 December 2006, other available for sale financial assets include gold amounting toYTL44.396 thousand and B type liquid fund amounting to YTL46.103 thousand.

Details of share certificates that are classified under available for sale securities are as follows:

a) Based on the "Fintur, Digitürk and Superonline Purchase and Sale Agreement" signed between the Bank and Çukurova Group on 28 September 2005, the shares of the Bank in Fintur and Digital Platform İletişim Hizmetleri A.Ş. ("Digitürk") have been sold for EUR42,2 million and YTL106.041 thousand, respectively on 5 January 2006. The three months extension period granted on 27 March 2006 regarding the sale of Superonline in order to complete the necessary permissions for the transfer of the shares has been extended for 3 additional months on 26 February 2007 (2005: YTL184.972 thousand).

b) Also, based on the "A-Tel Option Agreement" signed between the Bank, and Çukurova Holding A.Ş. ("Çukurova Holding") on 28 September 2005, 50% of A-Tel Pazarlama ve Servis Hizmetleri A.Ş. ("A-Tel") shares which are owned by the Bank have been sold for USD150.000.000 on 9 August 2006 (2005: YTL201.270 thousand).

c) Other share certificates amount to YTL17.020 thousand (2005: YTL4.923 thousand).

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Bank:

	31 December 2006		31 December 2005	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	89	224	132	-
Corporate Shareholders	-	-	132	-
Real Person Shareholders	89	224	-	-
Indirect Loans Granted To Shareholders	379.531	731.251	210.428	-
Loans Granted To Employees	45.343	-	29.841	-
Total	424.963	731.475	240.401	-

2. Information on the first and second group loans, other receivables and loans that have been restructured or rescheduled and other receivables:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Non-Specialised Loans	19.985.570	1.048.111	844.740	21.626
Discount and Purchase Notes	194.451	-	2.828	-
Export Loans	2.110.007	-	57.456	-
Import Loans	-	-	-	-
Loans Granted To Financial Sector	157.978	-	-	-
Foreign Loans	59.745	723.199	-	-
Consumer Loans	2.548.298	-	194.249	-
Credit Cards	5.205.507	-	418.292	-
Precious Metal Loans	111.563	-	142	-
Other	9.598.021	324.912	171.773	21.626
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Cash Loans Interest Accruals	217.739	63.946	9.072	1.319
Total	20.203.309	1.112.057	853.812	22.945

The Bank's cash risk balance to Çukurova Group in the scope of Financial Restructuring Agreement ("FRA") amounted to USD 752.945.836 (YTL1.037.333 thousand) (2005: USD791.619.091 (YTL1.062.194 thousand)) as of 31 December 2006, which is classified under "Standard Loans and Other Receivables that have been restructured or rescheduled". The annual interest rate for the remaining portion of the Çukurova Group risk per "FRA Modification Agreement" is identified as Libor+2,5% and the maturity of the last payment is 30 September 2015. According to the "Pledge Agreement" signed between the Bank, Çukurova Holding and Çukurova Investments N.V. ("Çukurova Investments") on 28 September 2005, the Bank has a continuous pledge on 6,682% of Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") shares of Çukurova Holding and Çukurova Investments in relation to the Çukurova Group loans repayment liability. The fair value of those Turkcell collaterals amounts to approximately YTL991.004 thousand as of 31 December 2006.

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	11.930.973	-	744.432	-
Non-specialised Loans	11.930.973	-	744.432	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium And Long-Term				
Loans and Other Receivables	8.054.597	1.048.111	100.308	21.626
Non-Specialised Loans	8.054.597	1.048.111	100.308	21.626
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Cash Loans Interest Accruals	217.739	63.946	9.072	1.319
Total	20.203.309	1.112.057	853.812	22.945

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Accrued Interest and Income	Total
Consumer Loans-YTL	113.227	2.448.025	16.024	2.577.276
Real estate loans	4.497	1.457.510	8.186	1.470.193
Automotive loans	14.195	502.619	2.970	519.784
Consumer loans	2.649	1.736	29	4.414
Other	91.886	486.160	4.839	582.885
Consumer Loans-FC Indexed	2.359	91.480	3.909	97.748
Real estate loans	258	72.356	2.827	75.441
Automotive loans	1.090	13.511	761	15.362
Consumer loans	41	70	5	116
Other	970	5.543	316	6.829
Consumer Loans-FC	-	-	-	-
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-YTL	4.693.852	815.360	48.977	5.558.189
With instalments	1.929.395	815.360	24.401	2.769.156
Without instalments	2.764.457	-	24.576	2.789.033
Individual Credit Cards- FC	-	-	-	-
With instalments	-	-	-	-
Without instalments	-	-	-	-
Personnel Loans-YTL	3.861	14.344	174	18.379
Real estate loans	-	1.830	12	1.842
Automotive loans	148	788	7	943
Consumer loans	31	24	1	56
Other	3.682	11.702	154	15.538
Personnel Loans-FC Indexed	535	364	23	922
Real estate loans	-	214	8	222
Automotive loans	-	28	4	32
Consumer loans	-	-	-	-
Other	535	122	11	668
Personnel Loans-FC	-	-	-	-
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-YTL	22.848	2.506	225	25.579
With instalments	10.138	2.506	112	12.756
Without instalments	12.710	-	113	12.823
Personnel Credit Cards-FC	-	-	-	-
With instalments	-	-	-	-
Without instalments	-	-	-	-
Credit Deposit Account-YTL (Real Person)	68.352	-	264	68.616
Credit Deposit Account-FC (Real Person)	-	-	-	-
Total	4.905.034	3.372.079	69.596	8.346.709

5. Information on commercial instalment loans and corporate credit cards:

	Short-term	Medium and long-term	Accrued Interest and Income	Total
Commercial Instalments Loans-YTL	200.416	1.283.716	10.186	1.494.318
Business Loans	61	4.052	13	4.126
Automotive Loans	64.259	830.558	5.005	899.822
Consumer Loans	-	-	-	-
Other	136.096	449.106	5.168	590.370
Commercial Instalments Loans-FC Indexed	13.564	108.754	5.450	127.768
Business Loans	-	943	68	1.011
Automotive Loans	1.061	41.591	1.909	44.561
Consumer Loans	-	-	-	-
Other	12.503	66.220	3.473	82.196
Commercial Instalments Loans-FC	-	-	-	-
Business Loans	-	-	-	-
Automotive Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards-YTL	88.562	671	793	90.026
With instalment	15.408	671	143	16.222
Without instalment	73.154	-	650	73.804
Corporate Credit Cards-FC	-	-	-	-
With instalment	-	-	-	-
Without instalment	-	-	-	-
Credit Deposit Account-YTL (Legal Person)	65.922	-	1.556	67.478
Credit Deposit Account-FC (Legal Person)	203	-	-	203
Total	368.667	1.393.141	17.985	1.779.793

6. Loans according to types of borrowers:

	31 December 2006	31 December 2005
Public	390.141	119.459
Private	21.801.982	11.098.189
Total	22.192.123	11.217.648

7. Distribution of domestic and foreign loans:

	31 December 2006	31 December 2005
Domestic loans	21.398.737	10.447.941
Foreign loans	793.386	769.707
Total	22.192.123	11.217.648

8. Loans granted to investments in associates and subsidiaries:

	31 December 2006	31 December 2005
Direct loans granted to investments in associates and subsidiaries	402.823	176.616
Indirect loans granted to investments in associates and subsidiaries	-	-
Total	402.823	176.616

9. Specific provisions provided against loans:

	31 December 2006	31 December 2005
Loans and other receivables with limited collectibility	25.098	13.517
Loans and other receivables with doubtful collectibility	87.664	89.679
Uncollectible loans and other receivables	1.289.255	720.229
Total	1.402.017	823.425

10. Information on non-performing loans (Net):

10(i). Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2006			
(Gross amounts before specific reserves)	455	1.110	221.192
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	455	1.110	221.192
31 December 2005			
(Gross amounts before the specific reserves)	-	-	4.278
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	-	4.278

10(ii). Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2005	68.751	154.537	803.341
Additions (+)	349.602	9.649	148.004
Transfers from Koçbank due to legal merger	11.774	76.992	350.156
Transfers from other categories of non-performing loans (+)	-	260.766	302.135
Transfers to other categories of non-performing loans (-)	(260.766)	(302.135)	-
Collections (-)	(31.055)	(58.095)	(137.613)
Write-offs (-)	(108)	(1.813)	(30.082)
31 December 2006	138.198	139.901	1.435.941
Special Provision (-)	(25.098)	(87.664)	(1.289.255)
Net Balance on balance sheet	113.100	52.237	146.686

10(iii). Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2006			
Period end balance	-	-	-
Specific provision (-)	-	-	-
Net Balance on-balance sheet	-	-	-
31 December 2005			
Period end balance	-	26.020	116.283
Specific provision (-)	-	(10.204)	(110.481)
Net balance on-balance sheet	-	15.816	5.802

11. Policy followed-up for the collection of uncollectible loans and other receivables:

Uncollectible loans and other receivables are aimed to be liquidated through the collection of collaterals and legal procedures.

f. Information on held-to-maturity investments:

1. Information on government debt securities held-to-maturity:

	31 December 2006	31 December 2005
Government Bond	12.705.554	3.994.928
Treasury Bill	-	167.473
Other debt securities(*)	3.174.345	-
Total	15.879.899	4.162.401

(*) Other debt securities represent the debt securities that are issued by foreign countries.

2. Information on investment securities held-to-maturity:

	31 December 2006	31 December 2005
Debt Securities	15.883.387	4.163.965
Quoted to Stock Exchange (*)	15.737.531	4.021.535
Not Quoted	145.856	142.430
Impairment Provision (-)	(3.488)	(1.564)
Total	15.879.899	4.162.401

(*) Even though Eurobonds are not quoted to stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

3. Movement of held-to-maturity investments within the year:

	31 December 2006	31 December 2005
Beginning balance	4.162.401	160.214
FC differences on monetary assets	(831.228)	76.812
Transfers from Koçbank due to legal merger	5.038.780	-
Purchases during year	7.949.578	3.968.419
Disposals through sales and redemptions	(437.708)	(41.480)
Impairment provision	(1.924)	(1.564)
Period end balance	15.879.899	4.162.401

4. Characteristics and carrying values of held-to-maturity investments given as collateral:

As of 31 December 2006, held to maturity investments given as collateral amount to YTL1.254.568 thousand 2005:YTL401.105 thousand). Held to maturity investments subject to repo transactions amount to YTL3.497.368 thousand. (2005: YTL363.706 thousand).

g. Information on investments in associates (Net):

1. General information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share percentage if different voting percentage (%)	Bank's risk group share percentage(%)
1	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	4,84	99,99
2	Banque de Commerce et de Placements S.A.(*)	Geneva/Switzerland	30,67	30,67
3	Kredi Kayıt Bürosu	Istanbul/Turkey	18,18	18,18

(*) Financial statement information in Note II. below are disclosed in thousands CHF.

2. Main financial figures of the investments in associates in the order of the above table:

No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	5.712	5.158	119	556	441	1.712	1.982	-
2	1.571.706	119.805	3.820	63.874	4.178	8.458	7.296	-
3	18.257	15.474	1.757	3.121	-	3.673	2.031	-

Financial statement information in the table above has been obtained from the financial statements as at 30 September 2006 for Yapı Kredi Portföy Yönetimi A.Ş. and as at 31 December 2006 for other investments in associates.

3. Movement of unconsolidated investments in associates:

	31 December 2006	31 December 2005
Balance at the beginning of the period	42.258	1.458.643
Movements during the period	(5.712)	(1.416.385)
Alışlar	129	-
Yasal Birleşme nedeniyle Koçbank'tan Devrolan	2.003	-
Transfer (*)	(2.657)	-
Bedelsiz Edinilen Hisse Senetleri	-	210
Cari Yıl Payından Alınan Kâr	-	-
Satışlar (**)	(7.400)	(1.403.321)
Yeniden De¤erleme Artışı	2.911	(4.627)
De¤er Azalma Karşılıkları	(698)	(8.647)
Balance at the end of the period	36.546	42.258
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) As of 31 December 2005, Enternasyonal Turizm A.Ş which was classified under investments in associates, is transferred to the subsidiaries account with the acquisition of 85,2% of shares during the period and as of 31 December 2005, Kredi Kayıt Burosu A.Ş. which was classified under available for sale securities, is transferred to subsidiaries account with the transfer of 9,09% shares from Koçbank due to legal merger.
(**) It represents the share of the Bank out of the capital decrease of the Bank's investment in associates, Enternasyonel Turizm Yatırım A.Ş., within the period.

As of 28 November 2005, Turkcell Holding share certificates have been sold.

4. Information on sectors and the carrying amounts of unconsolidated investments in associates:

	31 December 2006	31 December 2005
Banks	32.076	29.164
Insurance Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Investments	4.470	814

5. Valuation of unconsolidated investments in associates:

	31 December 2006	31 December 2005
Valuation with cost	36.546	42.258
Valuation with fair value	-	-
Valuation with equity method	-	-
Total	36.546	42.258

6. The Bank has no investments in associates quoted to stock exchange.

h. Information on subsidiaries (Net):

1. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share percentage if different voting percentage(%))	Bank's risk group share percentage (%)
1	Yapı Kredi Holding B.V. (**)	Amsterdam/Holland	100,00	100,00
2	Akdeniz Marmara Turizm ve Tic. A.Ş. (***)	Istanbul/Turkey	99,99	100,00
3	Yapı Kredi Kart Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00
4	Yapı Kredi Yatırım Menkul De¤erler A.Ş. (****)	Istanbul/Turkey	99,99	100,00
5	Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
6	Yapı Kredi Faktoring A.Ş. (****)	Istanbul/Turkey	40,48	100,00
7	Agro-san Kimya San.ve Tic.A.Ş.	Istanbul/Turkey	99,17	100,00
8	Yapı Kredi Moscow (*)	Moscow/Russia	99,84	100,00
9	Bayındırlık İşleri A.Ş. (***)	Istanbul/Turkey	99,18	100,00
10	Yapı Kredi Bank Deutschland AG (**)	Frankfurt/Germany	62,92	97,50
11	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
12	Yapı Kredi Finansal Kiralama A.O. (****)	Istanbul/Turkey	25,67	99,58
13	Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş. (****)	Istanbul/Turkey	30,45	30,45
14	Yapı Kredi Yatırım Ortaklı¤ı A.Ş. (****)	Istanbul/Turkey	11,09	56,00
15	Enternasyonal Turizm Yatırım A.Ş. (***)	Istanbul/Turkey	99,99	100,00
16	Azur Tourism Investment NV (*)	Caracua/Netherlands Antills	100,00	100,00

(*) Financial statement information is expressed in USD thousand in note 2.
(**) Financial statement information is expressed in EURO thousand in note 2.
(***) As stated in Note X. of this Section, Extraordinary General Assembly related with taking over Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş by Enternasyonal Turizm Yatırım A.Ş has been made on 5 February 2007 and the merger is registered on 8 February 2007. As a result of the merger, the Bank's investment share in Enternasyonal Turizm Yatırım A.Ş. has been decreased from 99,99% to 99,96%.
(****) Information of financial figures on Note 2 below are obtained from financial statements at 30 September 2006.

2. Main financial figures of the subsidiaries in the order of the above table:

No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	50.722	48.457	3.368	107	-	3.611	1.098	-
2	9.230	(33.430)	8.485	-	2	(40.141)	(1.168)	-
3	343	339	-	8	-	46	183	-
4	175.837	125.502	10.036	8.376	4.535	15.259	11.672	-
5	7.412	4.339	103	38	-	431	3.603	-
6	274.548	37.104	190	10.624	-	2.066	2.971	-
7	19.376	(26.914)	13.351	2	1	(1.744)	(3.560)	-
8	217.748	50.374	7.414	11.230	2.209	5.504	2.027	-
9	24.022	6.045	3.736	442	266	(15.134)	(89)	-
10	84.555	45.899	4.329	8.135	3.200	(21.282)	6.526	-
11	569.155	203.112	32.071	13.102	13.102	19.464	(465)	500.000
12	404.463	130.221	372	30.315	-	19.205	3.926	389.640
13	244.756	96.252	4.610	944	944	3.438	5.179	124.000
14	48.475	48.297	15	7.472	5.710	4.217	10.690	30.168
15	74.495	50.059	62	13.099	-	(49.590)	(140.504)	-
16	18.109	18.109	-	-	-	(207.891)	-	-

3. Movement schedules of subsidiaries:

	31 December 2006	31 December 2005
Balance at the beginning of the period	620.354	684.805
Movements during the period	99.972	(64.451)
Purchases (*)	97.781	-
Transfers from Koçbank	-	-
Transfers (**)	4.470	-
Bonus shares obtained	697	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	19.290	(22.258)
Impairment provision	(22.266)	(42.193)
Balance at the end of the period	720.326	620.354
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) As explained in Note I.2 of Section Six, by the liquidation of foreign funds that are directly controlled by the Bank, the Bank has purchased 6,77% of Yapı Kredi Sigorta A.Ş shares, under Anatolia Investment Fund, 5,40% of Yapı Kredi Finansal Kiralama A.O. shares, 3,19% of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş. shares due to the acquisition of 85,2% shares of Enternasyonal Turizm Yatırım A.Ş in the portfolio of Havenfields Tourism Investment N.V. indirectly controlled by the Bank and due to the acquisition of 100% of Azur Tourism N.V in the portfolio of Sun Invetment Fund directly and indirectly controlled by the Bank.

(**) Consists of transfer of Enternasyonal Turizm Yatırım A.Ş which is classified under investments in associates as of 31 December 2005, to subsidiaries account with the acquisition of 85,2 % of shares during the period.

4. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	31 December 2006	31 December 2005
Banks	85.033	85.824
Insurance Companies	148.016	135.049
Factoring Companies	38.782	38.782
Leasing Companies	114.321	87.448
Finance Companies	-	-
Other Financial Subsidiaries	229.239	222.079

5. Subsidiaries quoted to Stock Exchange:

	31 December 2006	31 December 2005
Quoted to domestic stock exchanges	296.069	252.503
Quoted to foreign stock exchanges	-	-

i. Information on property and equipment: (Net)

	Immovables	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
31 December 2005					
Cost	2.529.148	88.151	5.765	486.366	3.109.430
Accumulated depreciation (-)	(1.511.877)	(30.252)	(5.101)	(391.455)	(1.938.685)
Net book value	1.017.271	57.899	664	94.911	1.170.745
31 December 2006					
Net book value at beginning of the period	1.017.271	57.899	664	94.911	1.170.745
Transfers from Koçbank due to legal merger (*)	21.921	13.507	960	54.092	90.480
Additions	5.082	50.878	-	17.101	73.061
Disposals (-), net	(36.676)	(170)	(53)	(5.302)	(42.201)
Reversal of impairment, net	31.892	-	-	-	31.892
Impairment (-)	(30.879)	-	-	-	(30.879)
Depreciation (-)	(53.706)	(22.510)	(597)	(56.853)	(133.666)
Net book value at the end of the period	954.905	99.604	974	103.949	1.159.432
Cost	2.465.882	210.940	6.963	705.962	3.389.747
Accumulated depreciation (-)	(1.510.977)	(111.336)	(5.989)	(602.013)	(2.230.315)
31 December 2006	954.905	99.604	974	103.949	1.159.432

(*) Presents the net property and equipment including impairment provision with an amount of YTL11.244 thousand due to the transfer from Koçbank as of 31 December 2005

As of 31 December 2006, the Bank booked total provision for impairment on immovables amounting to YTL726.095 thousand (31 December 2005: YTL715.864 thousand) for the property and equipment.

j. Information on intangible assets:

31 December 2005	27.172
Additions due to Mergers, Transfers and Acquisitions (*)	979.493
Transfers From Koçbank due to Legal Merger	10.862
Amounts due to Cost Distribution of Merger (**)	159.007
Additions during the Period	12.388
Unused and Disposed Items (-)	(254)
Impairment Charges on Income Statement (-)	(4.015)
Amortisation Expenses (-)	(32.105)
31 December 2006	1.152.548

(*) Koçbank, acquired of 57,42% of the shares of Yapı Kredi Bank's as of 28 September 2005. As a result of the acquisition, the cost of the acquisition exceeding the fair value of acquired identifiable assets, liabilities and commitments amounting to YTL979.493 thousand is accounted as goodwill.

Information on acquisition of net assets related with Yapı Kredi Bank and related information on goodwill calculation is as follows:

	Current Period
Paid cash	1.925.965
Direct costs attributable to acquisition	42.054
Toplam iktisap tutarı	**1.968.019**
Net assets acquired	988.526
Goodwill	**979.493**

Fair value amounts of assets and liabilities from acquisition are as follows:

	28 September 2005
Cash and the CBRT, Banks and Money Market	3.659.118
Marketable Securities	7.658.504
Loans	10.914.241
Property, Equipment and Intangible Assets	1.454.959
Amounts due to Cost Distribution of Merger (**)	163.084
Other Receivables and Other Assets	1.696.557
Deposits	(16.443.350)
Borrowings and Money market	(3.195.687)
Other Liabilities	(4.185.850)
Addition to Net Assets	**1.721.576**

(**) Koçbank, assigned a consultancy firm for the valuation of intangible assets determined as credit card trademark, customer base and relationship that can be measured reliably the future economic benefits embodied in the asset will flow to the Group. In line with the report dated 13 February 2006 the Bank recognized YTL163.084 thousand of intangibles in the unconsolidated financial statements. And this amount is booked under intangible assets in the unconsolidated financial statements. Identified intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years. As of 31 December 2006, net book value of these intangible assets amounts to YTL142.699 thousand.

k. Information on deferred tax asset:

	31 December 2006		31 December 2005	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserves for employment termination benefit	148.292	29.658	87.946	26.384
Fund deficit provision	483.281	96.656	330.742	99.222
Trading derivative financial liabilities	23.231	4.646	937	281
Property, equipment and intangibles, net	576.027	115.205	571.046	171.314
Subsidiaries, investment in associates and share certificates	76.333	15.267	576.912	173.074
Carry-forward tax losses	-	-	106.476	31.943
Other	138.221	27.645	69.750	20.925
Total deferred tax asset	**1.445.385**	**289.077**	**1.743.809**	**523.143**
Trading derivative financial assets	66.167	13.233	753	226
Valuation difference of securities portfolio	110.981	24.061	30.049	9.015
Property, equipment and intangibles, net	591.768	94.189	422.438	126.731
Total deferred tax liability	**768.916**	**131.483**	**453.240**	**135.972**
Deferred Tax Asset, net	**676.469**	**157.594**	**1.290.569**	**387.171**

l. Movement schedule of assets held for resale:

	31 December 2006
Balance at the beginning of the period	**157.549**
Transfers from Koçbank due to Legal Merger	38.318
Additions	11.787
Disposals (-), net	(23.488)
Impairment (-), net	6.488
Depreciation (-)	(10.207)
Net Book Value at the end of the period	**180.447**
Cost at the end of the period	209.665
Depreciation at the end of the period (-)	(29.218)
Net Book Value at the end of the period	180.447

As of 31 December 2006, the Bank has booked impairment provision on assets held for resale with an amount of YTL275.683 thousand (2005:YTL293.864 thousand).

m. Information on other assets:

As of 31 December 2006, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

II. Explanations And Notes Related to Liabilities

a. Information on deposits:

1. Information on maturity structure of deposits/collected funds:

1(i).31 December 2006:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over
Saving Deposits	832.569	-	2.501.374	5.984.533	240.647	17.653	68.195
Foreign Currency Deposits	3.099.672	-	3.478.312	6.234.730	945.431	241.899	597.265
Residents in Turkey	3.014.434	-	3.340.963	5.838.622	866.036	225.797	529.805
Residents Abroad	85.238	-	137.349	396.108	79.395	16.102	67.460
Public Sector Deposits	9.115	-	44.113	9.710	6.603	-	37
Commercial Deposits	935.225	-	2.280.723	2.408.194	54.068	959	1.823
Other Institutions Deposits	63.553	-	23.694	253.088	5.463	87	204
Gold Vault	151.312	-	101.452	456	246	444	590
Bank Deposits	72.036	-	253.054	20.121	6.889	-	-
The CBRT	-	-	-	-	-	-	-
Domestic Banks	6.616	-	252.508	15.879	2.067	-	-
Foreign Banks	46.687	-	546	4.242	4.822	-	-
Special Financial Institutions	18.733	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Accrued Interest on Deposit	4.647	-	137.130	30.941	4.128	4.383	503
Total	**5.168.129**	**-**	**8.819.852**	**14.941.773**	**1.263.475**	**265.425**	**668.617**

1 (ii). 31 December 2005:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over
Saving Deposits	641.378	696	1.099.590	2.658.900	591.896	222.044	153.080
Foreign Currency Deposits	2.312.426	-	1.384.685	2.148.472	729.741	901.594	55.054
Residents in Turkey	2.160.674	-	1.356.653	2.089.944	693.033	358.364	47.598
Residents Abroad	151.752	-	28.032	58.528	36.708	543.230	7.456
Public Sector Deposits	4.759	-	9.481	15.987	18	65	-
Commercial Deposits	621.638	-	1.093.631	624.907	32.242	19.584	52.010
Other Institutions Deposits	93.522	-	115.130	82.038	601.532	280.586	1.387
Gold Vault	-	-	-	-	-	-	-
Bank Deposits	47.550	-	170.828	55.203	35.285	19.157	-
The CBRT	-	-	-	-	-	-	-
Domestic Banks	4.247	-	164.507	23.186	6.696	13.000	-
Foreign Banks	2.031	-	6.321	32.017	28.589	6.157	-
Special Financial Institutions	41.272	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Accrued Interest on Deposit	-	10	59.798	86.232	30.734	22.278	4.038
Total	**3.721.273**	**706**	**3.933.143**	**5.671.739**	**2.021.448**	**1.465.308**	**265.569**

2. Information on saving deposits insurance:

2(i). Information on saving deposits under the guarantee of saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
Saving Deposits	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Saving Deposits	4.970.931	2.974.591	4.749.385	2.464.829
Foreign Currency Savings Deposit	3.058.148	2.074.830	5.209.910	2.533.303
Other deposits in the form of savings deposits	5.893	-	90.317	-
Foreign branches' deposits under foreign authorities' insurance				
Off-shore banking regions' deposits	-	-	-	-
under foreign authorities' insurance	-	-	-	-

2(ii). Saving deposits, which are not under the guarantee of saving deposits insurance fund:

	31 December 2006	31 December 2005
Saving deposits in foreign branches	-	-
Saving deposits in off-shore banking regions	158.746	147.777
Total	**158.746**	**147.777**

b. Information on trading derivative financial liabilities:

Schedule of negative differences about trading derivative financial liabilities:

	31 December 2006		31 December 2005	
Trading Derivative Financial Liabilities	YTL	FC	YTL	FC
Forward Transactions	11.542	2.154	-	537
Swap Agreements	9.519	449	-	496
Futures Transactions	-	-	-	-
Options	-	-	-	41
Other	-	-	-	-
Total	**21.061**	**2.603**	**-**	**1.074**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	176.640	188.672	61.645	165.976
From Foreign Banks, Institutions and Funds	8.584	4.183.889	-	1.662.242
Accrued Interest Expense of Banks and Other Financial Institutions	7.161	34.797	3.807	5.301
Total	**192.385**	**4.407.358**	**65.452**	**1.833.519**

2. Information on maturity structure of borrowings:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Short-Term	185.224	2.447.116	61.645	212.922
Medium and Long-Term	-	1.925.445	-	1.615.296
Accrued Interest on Borrowings	7.161	34.797	3.807	5.301
Total	**192.385**	**4.407.358**	**65.452**	**1.833.519**

3. Repayment schedule of securitization credits:

In December 2006, the Bank finalised a securitization borrowing deal from Standard Chartered Bank and UniCredit Markets and Investment Banking amounting to YTL1.645.790 thousand by using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") as intermediary and Assured Guarantee, MBIA and Radian ve Ambac as the guarantor. The interest rate of this borrowing ranges between 3,88% and 5,93%, and the maturity ranges between 5 and 8 years; the repayment will begin in the last period of 2008.

	31 December 2006	31 December 2005
2006	-	268.360
2007	-	-
2008	32.853	-
2009	131.411	-
2010	383.074	-
2011	383.074	-
2012	251.662	-
2013	251.662	-
2014	212.054	-
Toplam	1.645.790	268.360

As explained in Note X. of Section Five, the Bank has repaid YTL310 million of the credit as of 1 March 2007 and refunded YTL400 million of the credit.

d. Information on other foreign liabilities:

As of 31 December 2006, other foreign liabilities do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

e. Information on financial leasing agreements:

The contingent rent instalments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which cause significant commitments onto the Bank.

	31 December 2006		31 December 2005	
	Gross	Net	Gross	Net
Less than 1 year	19.338	18.674	15.712	14.880
Between 1-4 year	119	115	892	861
More than 4 year	-	-	-	-
Total	19.457	18.789	16.604	15.741

f. Information on provisions:

1. Information on general provisions:

	31 December 2006	31 December 2005
Provisions for Group I loans and receivables	430.929	232.620
Provisions for Group II loans and receivables	97.214	43.591
Provisions for non cash loans	102.806	83.334
Other	16.033	16.939
Total	646.982	376.484

2. Information on reserve for employment termination benefit:

In accordance with Turkish Labour Law, reserve for employment termination benefit is calculated over today's possible liability of the Bank in case of retirement of employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises.

Following actuarial assumptions are used in the calculation of total liabilities.

	31 December 2006	31 December 2005
Discount rate (%)	5,71	5,45
The Rate Used Related to Retirement Expectation (%)	96,50	98,15

The principal actuarial assumption is that the maximum liability of YTL1,857.44 as of 31 December 2006 will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1,960.69 (1 January 2006:YTL1,770.62) effective from 1 January 2007 has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefit liability in the balance sheet:

	31 Aralık 2006	31 Aralık 2005
Prior Period Beginning Balance	72.230	55.838
Transfer from Koçbank due to Legal Merger	9.923	-
Provisions Recognised During the Period	21.146	24.116
Paid During the Period	(8.954)	(7.724)
Balance at the end of the period	94.345	72.230

In addition, the Bank has accounted for vacation rights provision amounting to YTL53.947 thousand as of 31 December 2006 (2005: YTL15.716 thousand).

3. Other provisions:

	31 December 2006	31 December 2005
Pension fund provision (*)	483.281	330.742
Tax risk provision (**)	63.662	73.506
Non-cash loan provision	57.666	30.786
Provisions on credit cards and promotion campaigns related to banking services	53.441	42.488
Tax and fund liabilitiy provisions on possible export commitments	39.365	29.574
Legal risk provision (**)	12.476	16.161
Other	99.186	27.481
Total	**809.077**	**550.738**

(*) According to the temporary article 23 of the Banking Law No 5387 accepted on 2 July 2005 by Grand National Assembly of Turkey ("TBMM"), pension funds will be transferred to the Social Security Institution within three years beginning from the published date of this article without the need of any transaction. At 22 July 2005, the temporary article 23 was vetoed by the President of the Turkish Republic and sent back to "TBMM" to be discussed again. The stated Banking Law was accepted by TBMM on 19 October 2005 without changing the related temporary article 23. As of 2 November 2005, the President of Turkish Republic used the application right related with the temporary article 23 to apply to the Constitutional Court of Turkey.
The Bank obtained a actuarial report from a registered actuary regarding this Fund in accordance with the decree related to principles and procedures on determining the application of transfer transactions published in the Official Gazette dated 15 December 2006, No 26377 determined by the decision of Council of Ministers No 2006/11345. Based on this decree, the actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 10,24% and CSO 1980 mortality table, and reflects a technical deficit of YTL 599.240 thousand as of 31 December 2006. The Bank will provide a full provision regarding the actuarial report until the end of the year 2007 and has provided a provision amounting to YTL483.281 thousand in the financial statements as of 31 December 2006.
(**) Considered as provisions for possible risks.

4. Information on Provisions Related with Foreign Currency Difference of Foreign Indexed Loans:

As of 31 December 2006, the provision related to the foreign currency difference of foreign indexed loans amounts to YTL32.202 thousand (2005: YTL1.973 thousand).

g. Information on taxes payable:

(i) Information on taxes payable:

	31 December 2006	31 December 2005
Corporate Tax Payable	58.536	-
Taxation of Marketable Securities	41.971	19.299
Property Tax	651	183
Banking Insurance Transaction Tax (BITT)	25.584	13.345
Foreign Exchange Transaction Tax	3.122	1.098
Value Added Tax Payable	1.432	593
Other	11.818	6.988
Total	**143.114**	**41.506**

(ii) Information on premium payables:

	31 December 2006	31 December 2005
Social Security Premiums – Employee	-	-
Social Security Premiums – Employer	-	-
Bank Pension Fund Premiums – Employee	-	-
Bank Pension Fund Premiums – Employer	-	-
Pension Fund Deposit and Provisions – Employee	-	-
Pension Fund Deposit and Provisions – Employer	-	-
Unemployment Insurance – Employee	341	-
Unemployment Insurance – Employer	684	-
Other	-	-
Total	**1.025**	**-**

h. Information on subordinated loans:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1.559.258	-	-
From Other Foreign Institutions	-	-	-	-
Total	**-**	**1.559.258**	**-**	**-**

At 31 March 2006, Yapı Kredi obtained a subordinated loan amounting to EUR500 million, with ten years maturity and a repayment option at the end of five years. The interest rate is determined as EURIBOR+2% for the first five years. The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor. In addition, the subordinated loan obtained by Koçbank at 28 April 2006 amounting to EUR350 million, with ten years maturity and repayment option at the end of five years has been transferred to the Bank. The interest rate is determined as EURIBOR+2,25% for the first five years. The loan was obtained decrees from Goldman Sachs International Bank with UniCredit S.p.A. as guarantor. With the written of the BRSA dated 3 April 2006 and 2 May 2006, both of the loans have been approved as subordinated loans and accepted to be taken into consideration as supplementary capital within the limits of "Capital Adequacy Regulation".

i. Information on shareholders' equity:

1. Presentation of Paid-in capital (as nominal; inflation unadjusted balances):

	31 December 2006	31 December 2005
Common Stock	3.142.818	752.345
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling (As nominal; inflation unadjusted balances):

The Bank has paid-in-capital with an amount of YTL3.142.818 thousand and does not apply registered share capital system.

3. Information on the share capital increase during the period and their sources :

Increase Date	Increase Amount	Cash	Profit Reserve Regarding Increase	Capital Reserve Regarding Increase
31 March 2006	1.144.318	-	-	1.144.318
2 October 2006 (*)	1.246.155	-	-	-

(*) The approval of the BRSA with regard to the merger of the two banks through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all its rights, receivables, liabilities and obligations to Yapı Kredi in accordance with the provisions of article 19 of the Banking Law and all other relevant legislation, was published in the Official Gazette dated 1 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi's current capital has increased from YTL1.896.662 thousand to YTL3.142.818 thousand.

4. Information on transfers from revaluation funds to capital during the current period: None.

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

6. Information on privileges given to shares representing the capital by considering the banks income profitability, prior period indicators on liquidity and uncertainty on these indicators:
The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities is managed by the Bank within several risk limits and legal limits.

7. Privilege on the corporate stock: None

j. Information on marketable securities value increase fund:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	7.459	42.559	16.929	83.831
Foreign Currency Difference	(4.684)	-	(26.884)	-
Total	2.775	42.559	(9.955)	83.831

III. Explanations And Notes Related To Income Statement:

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Short Term Loans	2.292.219	148.661	1.374.213	38.009
Medium/Long Term Loans	594.986	323.831	256.905	211.409
Interest on Loans Under Follow-up	61.653	56	45.930	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	2.948.858	472.548	1.677.048	249.418

2. Information on interest income on banks:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
From the CBRT	-	4.724	-	2.198
From Domestic Banks	10.283	5.365	2.255	285
From Foreign Banks	5.403	64.545	1.432	15.989
Headquarters and Branches Abroad	-	-	-	15
Total	15.686	74.634	3.687	18.487

3. Information on interest income on marketable securities:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
From Trading Financial Assets	28.487	44.208	381.412	72.168
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	30.490	10.472	159.901	9.882
From Held-to-Maturity Investments	795.641	385.946	74.049	50.526
Total	854.618	440.626	615.362	132.576

4. Information on interest income received from investments in associates and subsidiaries:

	31 December 2006	31 December 2005
Interests Received From Investments in Associates and Subsidiaries	24.070	15.167

b. Information on interest income:

1. Information on interest expense on borrowings:

	31 December 2006		31 December 2005	
	YTL	FC	YTL	FC
Banks	24.043	190.989	14.012	37.468
The CBRT	-	-	-	-
Domestic Banks	19.941	11.843	9.868	9.661
Foreign Banks	4.102	179.146	4.096	27.456
Headquarters and Branches Abroad	-	-	48	351
Other Institutions	-	63.981	-	26
Total	24.043	254.970	14.012	37.494

2. Information on interest expense given to investments in associates and subsidiaries:

	31 December 2006	31 December 2005
Interests paid to Investments in Associates and Subsidiaries	13.675	3.325

3. Maturity structure of the interest expense on deposits:

		Time Deposit						
	Demand	Up to 1	Up to 3	Up to 6	Up to 1	More Than	Cumulative	
Account Name	Deposit	Month	Month	Month	Year	1 Year	Deposit	Total
YTL								
Bank Deposits	25.003	13.402	212	-	-	-	-	38.617
Saving Deposits	873	414.867	920.424	71.263	22.399	22.166	-	1.451.992
Public Sector Deposits	-	2.433	2.783	77	5	3	-	5.301
Commercial Deposits	23.334	450.972	199.606	7.547	1.252	4.936	-	687.647
Other Deposits	27	21.268	58.574	30.253	733	186	-	111.041
Deposits with 7 days notification	18	-	-	-	-	-	-	18
Total	**49.255**	**902.942**	**1.181.599**	**109.140**	**24.389**	**27.291**	**-**	**2.294.616**
FC								
Foreign Currency Deposits	10.038	154.737	166.959	32.062	11.163	16.671	-	391.630
Bank Deposits	10.278	685	-	-	-	-	-	10.963
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Gold Vault	-	51	4	910	6	7	-	978
Total	**20.316**	**155.473**	**166.963**	**32.972**	**11.169**	**16.678**	**-**	**403.571**
Grand Total	**69.571**	**1.058.415**	**1.348.562**	**142.112**	**35.558**	**43.969**	**-**	**2.698.187**

4. Interest given on marketable securities issued:

None.

c. Information on dividend income :

	31 December 2006	31 December 2005
Trading Financial Assets	-	2.435
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	1.208	14.295
Other	40.550	2.168
Total	**41.758**	**18.898**

d. Information on trading loss / income: (Net)

	31 December 2006	31 December 2005
Income	**6.511.299**	**626.893**
Income from Capital Market Transactions	2.486.312	277.116
Derivative Financial Transactions	2.311.459	223.994
Other	174.853	53.122
Foreign Exchange Gains	4.024.987	349.777
Loss(-)	**(6.461.270)**	**(528.519)**
Loss from Capital Market Transactions	(2.228.637)	(270.177)
Derivative Financial Transactions	(2.112.452)	(258.538)
Other	(116.185)	(11.639)
Foreign Exchange Loss	(4.232.633)	(258.342)
Net Gain/Loss	**50.029**	**98.374**

e. Information on other operating income:

Other operating income mainly consists of collections from loans that were provisioned in the previous year's.

Besides, according to Uniform Chart of Account, foreign exchange income on "Foreign indexed assets" amounting to YTL35.209 thousand are classified into "Other operating income" instead of "Foreign Exchange Gains" account.

Furthermore, income realised from sales of Turkcell shares, amounting to YTL1.144.318 thousand is disclosed under other operating income account in the financial statements in 2005.

f. Provision expenses related to loans and other receivables of the Bank:

	31 December 2006	31 December 2005
Specific provisions for loans and other receivables	214.260	327.234
III. Grup Loans and Receivables	15.033	24.981
IV. Grup Loans and Receivables	12.345	77.890
V. Grup Loans and Receivables	186.882	224.363
General Provision Expenses	118.500	302.071
Provision Expense for Possible Risks	1.317	119.241
Marketable Securities Impairment Expenses	3.218	462.917
Financial Assets at Fair Value Through Profit or Loss	-	2.459
Available-for-Sale Financial Assets	3.218	460.458
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	2.369	50.840
Investments in Associates	698	8.647
Subsidiaries	1.671	42.193
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other (*)	301	27.967
Total	**339.965**	**1.290.270**

((*) Other refers to provisions on non-cash loans (2005: YTL 23.030 thousand).

g. Information related to other operational expenses:

	31 December 2006	31 December 2005
Personnel Expenses	636.866	414.118
Reserve for employee termination benefits	12.192	16.392
Bank social aid provision fund deficit provision	152.539	330.742
Impairment expenses of fixed assets	30.879	682.089
Depreciation expenses of fixed assets	133.666	255.397
Impairment expenses of intangible assets	4.015	23.034
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	32.105	29.064
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of Assets Held For Resale	5.602	21.752
Depreciation expenses of Assets Held for Resale	10.207	-
Impairment expenses of Fixed Assets Held for Sale	-	-
Other operating expenses	630.833	441.561
Operational Lease Expenses	19.190	18.050
Maintenance Expenses	27.407	14.698
Advertising Expenses	119.507	99.143
Other Expense	464.729	309.670
Loss on sales of assets	24.291	3.491
Other (*)	324.882	1.227.339
Total	1.998.077	3.444.979

(*) Other line mainly consists of saving deposit insurance fund amounting to YTL45.103 thousand(2005:32.652 thousand), taxes and charges amounting to YTL38.727 thousand (2005 :21.645), provision for vacation rights amounting to YTL12.403 thousand (2005: 15.716), provision for premium of personnel amounting to YTL87.046 thousand (2005 :25.000).In addition to this, other line in 2005 consists of discount to Çukurova Group amounting YTL399.539 thousand, the provision for a receivable from a government entity amounting to YTL483.340 thousand and the adjustment of property and equipment amounting to YTL182.748 thousand.

h. Explanations on profit and loss before tax:

Profit and loss before tax consists of net interest income amounting to YTL1.759.297 thousand, net fee and commission income amounting to YTL851.816 thousand and total other operating expense amounting YTL1.998.077 thousand.

i. Information on tax provision:

As of 31 December 2006, the Bank has current tax expense amounting to YTL58.836 thousand and deferred tax income amounting to YTL123.808 thousand and deferred tax expense amounting to YTL262.535 thousand.

YTL135.538 thousand of deferred tax expense is a result of the decrease of corporate tax rate from 30% to 20% in accordance with New Corporate Tax Law.

The tax litigations against the corporation tax of 2003 and 2004 fiscal year and the withholding tax of the 2004/4 period and have been concluded in favour of Koçbank with the decisions of Istanbul 1. Tax Court dated 17 May 2006 and Istanbul 3. Tax Court dated 12 June 2006. The Tax Office has already appealed to the Council of State against the resolutions of Tax Courts and the appeal investigations are continuing. Based on the resolutions of Tax Courts, YTL109.328 thousand, the tax amount subject to litigation has been refunded from the Tax Office to Koçbank and has been recognised in the Bank's financial statements as deferred tax income as of 31 December 2006.

j. Information on net income/loss for the period:

For the understanding of the Bank's current year performance, the characteristic of income or expense items arising from common banking transactions, dimension and recurrence of these transactions are not required except for the deferred tax income arising from tax court as explained in Note i of this Section.

IV. Explanations And Notes Related To Off-balance Sheet Accounts

a. Information on off balance sheet commitments:

1. The amount and type of non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments:

   Commitments on credit cards limits is YTL8.163.986 thousand (2005: YTL7.752.665 thousand), commitments for cheque books is YTL1.310.760 thousand (2005: YTL903.218 thousand).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

   There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

2(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letter of credits:

	31 December 2006	31 December 2005
Bank acceptance loans	216.649	164.109
Letter of credits	2.535.802	1.178.128
Other guarantees	1.482.767	244.833
Total	4.235.218	1.587.070

2(ii). Revocable, irrevocable guarantees, contingencies and other similar commitments:

	31 December 2006	31 December 2005
Temporary letter of guarantees	645.865	556.895
Definite letter of guarantees	7.529.880	4.751.233
Advance letter of guarantees	1.564.355	894.252
Letter of guarantees given to customs	1.073.683	719.302
Other letter of guarantees	292.807	948.210
Total	11.106.590	7.869.892

3. Total amount of non-cash loans:

	31 December 2006	31 December 2005
Non-cash loans given against cash loans	291.750	950.710
With original maturity of 1 year or less than 1 year	75.127	101.896
With original maturity of more than 1 year	216.623	848.814
Other non-cash loans	15.050.058	8.506.252
Total	**15.341.808**	**9.456.962**

3 (ii). Information on sectoral concentration of non-cash loans:

	31 December 2006				31 December 2005			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	**76.530**	**1,22**	**48.383**	**0,53**	**27.558**	**0,67**	**5.485**	**0,10**
Farming and Raising livestock	59.239	0,95	43.824	0,48	24.930	0,61	4.671	0,09
Forestry	13.439	0,21	3.949	0,04	1.699	0,04	586	0,01
Fishing	3.852	0,06	610	0,01	929	0,02	228	0,00
Manufacturing	**2.355.731**	**37,41**	**4.048.609**	**44,78**	**1.630.110**	**40,18**	**2.587.331**	**47,92**
Mining	29.417	0,47	94.787	1,05	121.661	3,00	17.940	0,33
Production	2.278.549	36,18	3.617.516	40,00	1.302.639	32,11	2.240.295	41,49
Electric, Gas and Water	47.765	0,76	336.306	3,73	205.810	5,07	329.096	6,09
Construction	**1.461.235**	**23,20**	**1.773.148**	**19,60**	**952.493**	**23,48**	**1.126.187**	**20,86**
Services	**2.351.550**	**37,34**	**2.836.511**	**31,36**	**1.146.011**	**28,25**	**1.375.370**	**25,47**
Wholesale and Retail Trade	1.483.733	23,56	366.995	4,06	838.627	20,67	306.016	5,67
Hotel, Food and Beverage	70.874	1,13	91.289	1,01	25.355	0,62	68.001	1,26
Transportation and Telecommunication	236.576	3,76	604.485	6,68	132.127	3,26	191.689	3,55
Financial Institutions	328.983	5,22	1.145.333	12,66	76.562	1,89	745.334	13,80
Real Estate and Leasing Services	70.282	1,12	135.389	1,50	1.112	0,03	2.332	0,04
Self-Employment Services	-	-	-	-	44.435	1,10	39.944	0,74
Education Services	7.833	0,12	3.850	0,04	2.445	0,06	1.399	0,03
Health and Social Services	153.269	2,43	489.170	5,41	25.348	0,62	20.655	0,38
Other	**52.357**	**0,83**	**337.754**	**3,73**	**301.076**	**7,42**	**305.341**	**5,65**
Total	**6.297.403**	**100,00**	**9.044.405**	**100,00**	**4.057.248**	**100,00**	**5.399.714**	**100,00**

3(iii). Information on non-cash loans classified in 1st and 2nd group:

	Grup I		Grup II	
	YTL	FC	YTL	FC
Non- Cash Loans				
Letters of Guarantee	5.519.397	5.478.976	52.235	55.982
Bank Acceptances	-	214.152	-	2.497
Letters of Credit	325	2.496.305	-	39.172
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	702.568	755.276	22.878	2.045
Total	**6.222.290**	**8.944.709**	**75.113**	**99.696**

b. Information on derivative financial instruments:

	31 December 2006	31 December 2005
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	4.270.939	371.366
FC trading forward transactions	2.000.452	301.879
Trading swap transactions	1.117.883	65.443
Futures transactions	-	-
Trading option transactions	1.152.604	4.044
Interest related derivative transactions (II)	901.015	4.615
Forward interest rate agreements	-	-
Interest rate swaps	901.015	4.615
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	**5.171.954**	**375.981**
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**-**	**-**
Total derivative transactions (A+B)	**5.171.954**	**375.981**

c. Information on contingent liabilities:

In this respect, several outstanding legal cases against the Bank have been considered as contingent liability and YTL11.986 thousand provision against these legal cases has been accounted for in the to financial statements under "Other Provisions" account.

d. Information on services in the name of others' names and accounts:

The Bank's activities of saving and depositing in the name of real and legal persons are not considered as material

V. Explanations And Notes Related To Changes In Shareholders' Equity

a. Information on dividends:

None.

b. Information on foreign currency differences:

Foreign currency denominated associates and subsidiaries' acquisition costs are booked at their original foreign currency costs translated into Turkish Lira using exchange rate prevailing at the balance sheet date and foreign exchange differences arising from the translation are recognised in "marketable securities value increase fund" under shareholders' equity account.

c. Information on available for sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year profit or loss statement but recognized in the "Marketable securities value increase fund" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

d. Information on increase/decrease amounts result from the merger:

It is explained in details in Note VII. of Section Five.

VI. Explanations And Notes Related To Statement Of Cash Flows

a. Information on cash and cash equivalent assets:

1. Components of cash and cash equivalents and the accounting policy applied in their determination :

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

2. Effect of a change on the accounting policies:

None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

3(i). Cash and cash equivalents at the beginning of period:

	31 December 2006	31 December 2005
Cash	537.364	430.590
Cash and Effectives	256.465	173.606
Demand Deposits in Banks	280.899	256.984
Cash Equivalents	2.412.141	627.274
Interbank Money Market	640.000	-
Deposits in Bank	1.772.141	627.274
Total Cash and Cash Equivalents	2.949.505	1.057.864

Total amount from the operations occurred in prior period gives the total cash and cash equivalents amount at the beginning of the current period.

3(ii). Cash and cash equivalents at the end of the period:

	31 December 2006	31 December 2005
Cash	1.394.615	537.364
Cash and Effectives	435.711	256.465
Demand Deposits in Banks	958.904	280.899
Cash equivalents	1.567.730	2.412.141
Interbank Money Market	-	640.000
Time Deposits in Banks	1.567.730	1.772.141
Total Cash and Cash Equivalents	2.962.345	2.949.505

a. Information on cash and cash equivalents that are not in use due to legal limitations and other reasons:

None.

b. The effects of the change in foreign exchange rates on cash and cash equivalents:

None.

VII. Explanations And Notes Related To Bank's Merger, Transfers And Companies Acquired By Banks

On 28 September 2005, the final version of the Share Purchase Agreement was signed between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş., Koçbank N.V., Koçbank regarding the sale of 57,42% of the shares of the Bank. With the signing of the agreement, the Share Purchase Agreement which was agreed on 8 May 2005 officially became valid. According to the agreement on 28 September 2005, 44,52% of the shares of Yapı Kredi owned by Çukurova companies amounted to nominal YTL335.015 thousand and 12,90% of the shares of Yapı Kredi owned by Saving Deposit Insurance Fund amounted to a nominal YTL97.032 thousand were transferred to Koçbank.

Moreover, Koçbank purchased a further 9,09% of Yapı Kredi shares traded on the in ISE and 0,79% of the shares under a foreign mutual fund in Yapı Kredi's available-for-sale financial assets portfolio during April and as a result, the ownership of the Bank increased to 67,31%. The Bank recognized the difference between the acquisition cost and net asset acquired amount directly in the account of "Prior Years'Income / Losses" under Equity, as it was considered as a transaction with minorities.

Besides, the approval of the BRSA with regard to the merger of Koçbank and Yapı Kredi through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all Koçbank's rights, receivables, liabilities and obligations to Yapı Kredi in accordance with article 19 of the Banking Act No.5411 and other relevant legislation was published in the Official Gazette dated 1 October 2006. Due to the merger and the consequential dissolution of Koçbank without liquidation, the record of Koçbank was erased from the trade registry as of 2 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi's current capital has increased from YTL1.896.662.493,80 to YTL3.142.818.454,10 and a distribution of the increased portion amounting to YTL1.246.155.960,30 has been made to the shareholders of the Bank starting from 10 October 2006. The shareholders of the Bank have the right to purchase 1Ykr nominal valued 0,5313538 units of shares in exchange for each 1Ykr nominal valued the Bank share.

After the merger, the share of the KFS, which owned the 99,78% shares of the Koçbank, became 80,18% in the merged Bank.

The effects of the acquisition and legal merger transactions to the unconsolidated financial statements as of 31 December 2006 are explained in details in the Note XXII. of Section Three.

The effects of the related applications to equity are disclosed below:

	Paid-in Capital	Capital Reserves	Profit Reserves	Prior Year Income/(Loss)	Total Equity
Transfer from Koçbank due to legal merger	2.345.246	36.053	343.184	-	2.724.483
The effects of uniting of interests method applied due to legal merger	(1.099.091)	-	-	(351.795)	(1.450.886)
Total	1.246.155	36.053	343.184	(351.795)	1.273.597

As explained in Note XXII. of Section Three, the unconsolidated financial statements as of 31 December 2006 are presented comparatively with the unconsolidated publicly announced financial statements of Yapı Kredi as of 31 December 2005. In order to provide further information to the users of these financial statements, the unconsolidated publicly announced financial statements of Koçbank and Yapı Kredi as of 31 December 2005 (after the application of Turkish Financial Reporting Standards) were combined; the major balance sheet and income statement items are presented as below:

Selected balance sheet items	31 December 2006	31 December 2005		
		Koçbank	Yapı Kredi	Proforma Combined Bank
Financial assets	16.469.574	3.976.076	5.975.038	9.951.114
Loans	22.504.146	7.238.476	11.420.852	18.659.328
Deposits	31.127.271	9.593.189	17.079.186	26.672.375
Borrowings	6.159.001	1.424.960	1.898.971	3.323.931

Selected income statement items	31 December 2006	31 December 2005		
		Koçbank	Yapı Kredi	Proforma Combined Bank
Interest income	4.985.648	1.282.783	2.782.012	4.064.795
Interest expense	(3.226.351)	(714.014)	(1.717.858)	(2.431.872)
Net interest income	1.759.297	568.769	1.064.154	1.632.923
Net fee and commission income	851.816	217.077	506.871	723.948
Operating profit/(loss)	50.029	55.839	98.374	154.213
Other operating income (including dividend income) (*)	386.402	78.803	1.346.581	1.425.384
Total operating income	3.047.544	920.488	3.015.980	3.936.468
Provision for loan and other receivables	(339.965)	(114.163)	(1.290.270)	(1.404.433)
Other operating expenses	(1.998.077)	(443.665)	(3.444.979)	(3.888.644)
Net operating income	709.502	362.660	(1.719.269)	(1.356.609)
Tax provision	(197.263)	(124.217)	176.259	52.042
Net profit / (loss) for the year	512.239	238.445	(1.543.010)	(1.304.565)

(*) Turkcell shares sales income amounting to YTL1.144.318 thousand was included in the other operating income as of 31 December 2005.

VIII. Explanations And Notes Related To Bank's Risk Group

a. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. 31 December 2006:

Banks' Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receviables						
Balance at the Beginning of the Period	176.616	132.626	210.560	358.908	-	-
Balance at the End of the Period	402.823	86.242	379.620	731.475	-	-
Interest and Commission Income Received	24.070	60	27.578	1.979	-	-

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411

2. 31 December 2005:

Banks' Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receviables						
Balance at the Beginning of the Period	362.732	1.017.502	2.720.345	47.246	-	-
Balance at the End of the Period	176.616	132.626	210.560	358.908	-	-
Interest and Commission Income Received	15.167	1.552	4.116	175	-	-

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

3. Information on deposits of the Bank's risk group:

Banks' Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Beginning of the Period	180.120	204.292	107.017	94.200	-	-
End of the Period	146.060	180.120	3.134.323	107.017	-	-
Interest Expense on Deposits	**13.675**	**3.325**	**231.925**	**11**	**-**	**-**

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

4. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Banks' Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	2006	2005	2006	2005	2006	2005
Transactions at Fair Value Through Profit or Loss (**)						
Beginning of the Period(***)	10.641	1.916	-	-	-	-
End of the Period (***)	1,472	10.641	213.997	-	-	-
Total Profit / Loss	**(5)**	**(3.959)**	**1.815**	**-**	**-**	**-**
Transactions for hedging purposes	**-**	**-**	**-**	**-**	**-**	**-**
Beginning of the Period	-	-	-	-	-	-
End of the Period				-	-	-
Total Profit / Loss	**-**	**-**	**-**	**-**	**-**	**-**

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.
(**) The Bank's derivative instruments are classified as "Financial Assets at Fair Value Through Profit or Loss" according to TAS 39.
(***) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments

b. With respect to the Bank's risk group:

1. The relations with entities that are included in the Bank's risk group and controlled by the Bank irrespective of the relationship between the parties:

The Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

2. Type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Total Transaction Volume	%
Loans and Due from Banks	782.443	24.467.531	3%
Interest Income Received	51.648	3.511.726	1%
Non-Cash Loans	817.717	15.341.808	5%
Commission Income Received	2.039	128.398	2%
Deposit, Borrowings and Money Markets	3.280.383	39.083.565	10%
Interest Expense Paid	245.600	3.212.844	8%
Trading Transactions	215.469	5.171.954	4%
Trading Transactions Expenses (net)	1.810	257.675	1%

3. Information regarding benefits provided to the Bank's key management:

Salaries paid to the Bank's key management amount to YTL8.192 thousand in 2006.

IX. Explanations And Notes Related To The Domestic, Foreign, Off-shore Branches And Foreign Representatives Of The Bank

	Number	Employee number	Country of Incorportation	Total Asset	Statutory Share Capital
Domestic Branch	607	13.463			
Foreign Rep. Office	3	8	1-Germany		
Foreign Rep. Office	1	-	2-Russia		
Foreign Branch	-	-		-	-
Off-Shore Banking Region Branch	1	7	1-Bahreyn	5.046.489	-

X. Explanations And Notes Related To Subsequent Events

1- As of 1 March 2007, the Bank received external financing which consisting of two parts and amounting to USD400 million according to the securitization program based on diversified payment rights of future cash flows with the leadership of the Standard Chartered Bank and Bayerische Hypo-und Vereinsbank AG. The maturity of the both parts is eight years which amounts to EUR115 million and USD250 million, respectively. With the external financing, fifth part of the transaction made in 2006 with a five-year maturity amounting to the USD310 million was repaid.

2- Based on the "Fintur, Superonline and Digitürk Purchase-Sale agreement" signed between the Bank and the Çukurova Group companies at 28 September 2005, the date set for the transfer of the Superonline shares was extended for an additional three months on 26 February 2007 in order to complete the share transfer.

3- Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım Menkul De¤erler A.Ş. with all its rights, receivables, liabilities and obligations to one of the Bank's subsidiaries, Yapı Kredi Yatırım Menkul De¤erler A.Ş. and the consequential dissolution without liquidation were held on 29 December 2006 the merger was approved on 12 January 2007. As a result of the merger, the Bank's share in Yapı Kredi Yatırım Menkul De¤erler A.Ş. has decreased from 99,99% to 64,70%. However, share of Bank's risk Group in the aforementioned company is 100%.

4- Extraordinary General Assembly meetings regarding the transfer of the Bank's subsidiaries, Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. to another subsidiary of the Bank, Enternasyonal Turizm Yatırım A.Ş. were held on 5 February 2007 and the merger was approved on 8 February 2006. As a result of the merger, the Bank's share in Enternasyonal Turizm Yatırım A.Ş. has decreased from 99,99% to 99,96%.

5- In the meeting of the Board of Directors as of 28 February 2007; it was resolved that the Bank's capital will be increased from YTL3.142.818 thousand to YTL3.149.450 thousand corresponding to a total increase of YTL6.632 thousand and according to Corporate Tax Law No.5422 Part No.12 of article 8, it has been decided that the increased capital amount of YTL6.632 thousand will be offset by adding the sales of the shares to the capital.

6- As of 26 February 2007, UCI is transferred 50% of its shares in KFS to the Bank Austria Creditanstalt AG ("BACA"). This transfer is subject to the permission of the CMB regarding the amendment of an indirect shareholding in terms of Yapı Kredi Portföy Yönetimi A.Ş. Since BACA is a company under the management of UCI, the share transfer does not result in an amendment to the management or the control of either Yapı Kredi or Yapı Kredi's equity participations. Consequently, BACA plans to apply to the CMB in order to be exempted from the permission requirement as a result of other publicly held shares.

Section Six

Other Explanations And Notes

I. Other Explanations On Bank's Operations

1. On 4 April 2005 the auditors of the CBRT sent an audit report dated 31 March 2005 to the Bank. The report includes critiques on the calculation methods of reserve requirements and liquidity obligations for various liability items. On the other hand, on 16 November 2005, the "Communiqué regarding the reserve requirements" numbered 2005/1 was issued in the Official Gazette numbered 25995. According to this Communiqué, if CBRT auditors conclude that the reserve requirements were understated for a specific time, twofold and threefold of the understated TL and foreign currency denominated amount, respectively, can be placed in the CBRT as interest free demand deposits for this specific time period. Otherwise, penalty interest will be charged regarding the understated amounts. The Bank management plans to use the option of placing interest free deposits in the CBRT, if any liability occurs against the Bank as a result of this process.

2. Ensuring the liquidation of foreign companies and funds that are direct or indirect shareholders of the Bank's non-financial investments and associates and Enternasyonel Turizm Yatırım A.Ş.;
   - The 85,2% shares of Enternasyonel Turizm Yatırım A.Ş. held by Havenfields Tourism Investment N.V., which the Bank indirectly owns, have been purchased by the Bank.
   - Azur Tourism Investment N.V. shares within the portfolio of Sun Investment Fund, which the Bank directly and indirectly owns, have been purchased by the Bank for USD17.783.875 (YTL24.501 thousand).
   - The 6,77% of shares of Yapı Kredi Sigorta A.Ş. with a nominal value of YTL5.418.266, the shares of Yapı Kredi Finansal Kiralama A.O. realized as 5,40% after the merger with a nominal value of YTL21.048.664, and the 3,19% of shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş. with a nominal value of YTL1.275.872 that were in the portfolio of Anatolia Investment Fund, which the Bank directly and indirectly owns, have been purchased by the Bank as of 28 December 2006 over-the-counter with no intermediary institutions.
   - The participation shares of Anatolia Investment Fund and Sun Investment Fund in the fund have been redeemed parallel with their liquiditation process.

3. Extraordinary General Assembly meetings regarding the transfer of Koç Finansal Kiralama A.Ş. with all its rights, receivables, liabilities and obligations to the Yapı Kredi Finansal Kiralama A.O. and the consequential dissolution without liquidation were held on 21 December 2006 and the merger was approved on 27 December 2006. As a result of the merger, with the share purchase realized on 28 December 2006, the Bank's share in Yapı Kredi Finansal Kiralama A.O. has decreased from 98,13% to 25,67%. However, share of Bank's risk Group is 99,58%.

4. Extraordinary General Assembly meetings regarding the transfer of one of the Bank's subsidiaries, Yapı Kredi Faktoring A.Ş. with all its rights, receivables, liabilities and obligations to the Koç Faktoring Hizmetleri A.Ş. and the consequential dissolution without liquidation were held on 22 and 27 December 2006 and the corporate title of Koç Faktoring Hizmetleri A.Ş. has been changed as Yapı Kredi Faktoring A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Faktoring A.Ş. has decreased from 99,98% to 40,48%. However, share of Bank's risk Group is 100%.

5. Extraordinary General Assembly meetings regarding the transfer of Yapı Kredi Portföy Yönetimi A.Ş., which the Bank indirectly owns, with all its rights, receivables, liabilities and obligations to the Koç Portföy Yönetimi A.Ş. and the consequential dissolution without liquidation were held on 22 December 2006. The corporate title of Koç Portföy Yönetimi A.Ş. was changed to Yapı Kredi Portföy Yönetimi A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Portföy Yönetimi A.Ş. has decreased from 32,49% to 4,84%. However, share of Bank's risk Group is 99,99%.

Section Seven

Explanations On Independent Auditor's Report

I. Explanations On Independent Auditor's Report

The unconsolidated financial statements and notes as of 31 December 2006 have been audited by Başaran Nas Ba¤ımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the auditor's report dated 12 March 2007 was presented prior to these financial statements.

II. Explanations And Notes Prepared By Independent Auditor

None.

2006 Financial Review

Yapı Kredi and Koçbank successfully completed the biggest merger in the history of the Turkish banking sector on October 2, 2006. In the year of the merger and integration, Yapı Kredi has reported net income of YTL 512 million and ROE of 18%. Capital adequacy ratio (CAR) increased from 7,2% at end-2005 to 12,3% at end-2006 as a result of quick capital base restructuring, 12 months ahead of the original plan. Due to conservative risk management policies, there was no major impact either on the Bank's profitability or equity resulting from May-June 2006 financial turmoil.

Since the merger, the new entity carries in its assets a goodwill of YTL 979 million, which is subject to annual impairment test in line with the new Turkish Financial Reporting Standards and IAS.

Based on 2006 year-end results, the first time announcement of the financials of Yapı Kredi as a merged entity, Yapı Kredi reported a revenue growth of 9% y-o-y, increasing its revenue market share up to 10% during the first 11 months of 2006 (from 9,7% in 2005).

With total assets of YTL 49 billion, Yapı Kredi ensured its no 4 position among private banks in the sector. Based on the merged bank financial statements, the Bank's cash loans grew by 21% yoy, reaching YTL 22,5 billion and its deposits increased by 16,7% yoy, reaching YTL 31 billion.

The Bank further reinforced its no 1 position in the credit card business with 26% outstanding balance market share and achieved no 1 position in mutual funds with 23% market share. Yapı Kredi confirmed to rank no 4 per total cash loans, no 1 in non-cash loans and no 3 among private banks per total deposits.

Since the acquisition at end-2005, Yapı Kredi secured a total of 3,2 billion YTL of cash inflow, of which 1,6 billion YTL was from the sale of non-core assets and collection of receivables (Turkcell, A-tel, Fintur/Digiturk and Fiskobirlik). As a result, the share of interest earning assets in its total assets increased from 89% in 2005 to 92% in 2006.

As of 31 December 2006, cost/income ratio stood at 66% while non-performing loan (NPL) ratio went down by 0,5 percentage points yoy to 6,7% excluding the new regulation impact (7,2% including), with 82% provisioning coverage.

Yapı Kredi successfully repositioned itself in the international markets, receiving in 2006 USD 1,3 billion of syndication and USD 1,2 billion of securitization, the biggest DPR (Diversified Payment Rights) securitization in the world achieved in one single shot.

Yapı Kredi, with its 13.478 employees and 608 branches (including one off-shore), successfully completed its transformational post-merger integration process at the end of 2006. Additional 450 employees were shifted to branches from back office due to HQ rationalization, leading to an improvement in front office ratio of +3 percentage points (up to 54%), and further 20 branches were opened.

Information on Risk Management Policies

The credit policies that are implemented at Yapı Kredi support effective risk management and are fully in line with the regulatory requirements.

The main policies to be implemented throughout 2007 in the credit and risk management areas will continue to be focused on properly assessing potential risks, calculating the cost of credit for each customer segments. The main strategies to be followed throughout 2007 will be:

- Effective implementation of the credit policy guidelines to strengthen the common risk management approach in the organization
- Better diversification of portfolio towards less risky sectors
- Focus on low/average risk profile companies
- Avoid excessive concentration in Group exposures, while strictly obeying statutory limits
- Minimize transactions bearing high and/or reputational risk
- Measurement of cost of risk by business segments, while applying generic provisioning in line with cost of risk

The responsibility of market risk department is to measure the effects of the changes in the volatility of interest rates, foreign exchange rates and equity prices on banks trading book, to perform the follow-up of the risk limits in the market risk policy and report the results to top management and the relevant departments. In the market risk policy, all risks under the caption of "market risk" are clearly defined, the related methodologies to measure and follow-up such risks are identified, risk limits and responsibilities of the departments involved in risk management process are determined. Additionally, the duties and responsibilities of committees in the market risk management process are identified. Yapı Kredi trading activity is realized on FX, securities and gold and risk limits are set in terms of end-of-day and intra-day position, daily-monthly stop-loss, and Value at Risk.

In 2006, the average daily VaR for trading securities was USD 1,5 millions with a maximum usage of 61,3% and a minimum usage of 7,73% and carried an average market value position of approximately USD 266 millions. Average risk appetite for held to maturity portfolio was 0,8 % in 2006.

The regulation, which includes general standards and principles for management of operational risks totally in the corporation with the participation of personnel, was updated in 2006 and came into effect after approval of Board of Directors. With this regulation both for the Bank and for the subsidiaries operational risk framework was determined and general limits were defined. Also, regarding operational risk management, together with responsibilities of Board of Directors and senior management, responsibilites and sphere of duties of Audit Committee, Assets and Liabilities Committee and Operational Risk Committee were renewed again. Operational risk policies were determined for managing operational risks that Yapı Kredi is exposed to and definition of operational risk which is valid for Yapı Kredi is made compliant with Basel II. Taking into consideration policies and risk appetite, operational risk limits are determined. In case a limit breach, changes in operational risk or breaches in operational risk policy, bank management and Assets and Liabilities Committee are informed. On the other hand, regarding for monitoring and managing realized operational risks efficiently, operational risk approval limits are defined according to hierarchical titles. Moreover, Yapı Kredi embraced advanced measurement approaches for operational risk measurement and management, with a determined minumum threshold, operational risk losses have been collected in operational risk loss database since 2003.

Yapı Kredi's Ratings and Rating Agencies' Comments on the Merger

Yapı Kredi is closely monitored by international rating agencies and bank analysts. Rating agencies regularly announce the ratings of Yapı Kredi while international banking and investment analysts communicate reports to international investors related to the current performance and future potential of the Bank.

As a confirmation of the positive impact of the legal merger between Yapı Kredi and Koçbank on October 2, 2006 on the financial structure and reliability of the Bank, Moody's and Fitch Ratings upgraded Yapı Kredi's credit ratings. In this section of the Annual Report, the most recent ratings as of the announcement date of this report (June 30, 2007) as well as the comments of rating agencies related to Yapı Kredi and the merger are presented briefly.

MOODY'S	Rating	Outlook
Financial Strength Rating	D+ (1)	Stable
Short Term Foreign Currency Deposit	NP	Stable
Long Term Foreign Currency Deposit	B1	Stable
Long Term Local Currency Deposit	A3 (2)	Stable
Short Term Local Currency Deposit	Prime-2	Stable
National Scale Rating	Aaa.tr (3)	

STANDARD&POOR'S	Rating	Outlook
Long term Foreign Currency Counterparty Rating	BB-	Stable

FITCH RATINGS	Rating	Outlook
Foreign Currency Issuer Default Rating		
Long Term	BB	Stable
Short Term	B	
Local Currency Issuer Default Rating		
Long Term	BB+	Stable
Short Term	B	
National		
Long Term	AA (tur)	Stable
Individual Rating	D (4)	
Support Rating	3	

(1) Upgraded to "D+" from "D-" (two notches up) on 24 April 2007 as part of Moody's application of the new bank rating methodologies. Had been upgraded to "D-" from "E+" on 4 October 2006, following the announcement of the legal merger on 2 October 2006. (Moody's)
(2) Upgraded to "A3" from "Baa1" on 4 October 2006, following the announcement of the legal merger on 2 October 2006. (Moody's)
(3) The highest rating on Moody's National Rating Scale for Turkey.
(4) Upgraded to "D" from "D/E" on 3 October 2006, following the announcement of the legal merger on 2 Oct 2006. Rating Watch Positive (RWP) removed. The individual rating of Yapı Kredi had been on RWP since 5 October 2005 following the acquisition of Yapı Kredi by Koçbank on 28 September 2005. (Fitch)

Rating Agencies' Comments on the Impact of the Merger

	Comment	Source & Date
MOODY'S	"Moody's recognizes the immediate improvement in Yapı Kredi's capitalization as a result of the merger with Koçbank, and notes the ongoing 'de-risking' of the bank's balance sheet." "The upgrade also reflects the significant progress that has been made with regard to the operational integration of the Yapı Kredi and Koçbank franchises." "The positive outlook reflects the expected improvements in franchise strength and profitability as Yapı Kredi exploits synergies over the next two to three years."	October 2006 Upgrade Report
STANDARD&POOR'S	"Yapı Kredi substantially enhances Koçbank's domestic franchise..." "The management team is strong, with many top positions occupied by experienced local and Italian bankers, which aids the Bank's ambitious expansion strategy. Furthermore, the Bank's staff is highly service oriented." "Strong supportive ownership."	June 2006 Report
FITCH RATINGS	"The upgrade reflects a further improved franchise after the merger, an already strong retail franchise, a stable core deposit base and improved asset quality. " "...also reflects a restructuring of Yapı Kredi's risk management systems and procedures in line with UniCredit's principles, and improved access to longer-term and cheaper sources of funding." "Yapı Kredi is owned by KFS, which is jointly owned by the Koç Group, the largest and most diversified conglomerate in Turkey, and UniCredito."	October 2006 Upgrade Report

Bank Analysts' Views on Yapı Kredi and the Merger

"We believe that Yapı Kredi is on **track to deliver a substantial improvement in returns** this year, as the Bank successfully completes its restructuring programme and focuses on the merger with Kocbank, which in our view will unlock **significant synergy benefits.**"

GOLDMAN SACHS, February 2007

"Yapı Kredi has shifted to first gear: It is **strong, cautious but not too fast.** Currently, it is concentrating on boosting profitability rather than growing its balance sheet. We appreciate its **conservative approach to risk management** and welcome the revenue growth targets... We see **Unicredit's know-how** in transforming emerging market banks as an advantage for Yapı Kredi."

DEUTSCHE BANK, January 2007

"A **strong franchise in many areas and backed by some deep and committed pockets.** We think Yapı Kredi will adopt the **"most conservative" crown,** which we applaud. We believe the new management structure will act in a rational, somewhat risk-averse and long-term way. This means Yapı is likely to be **the Bank least exposed to yield curve and FX position risk.**"

MERRILL LYNCH, August 2006

"Awakening a sleeping beauty? We expect YKB to undergo **significant restructuring under the steer of new management, leading to a substantial improvement in returns.**"

GOLDMAN SACHS, April 2006

"We see the merged Yapı Kredi **earning above-industry average returns** on its equity in both the current year and 2007."

ING, June 2006

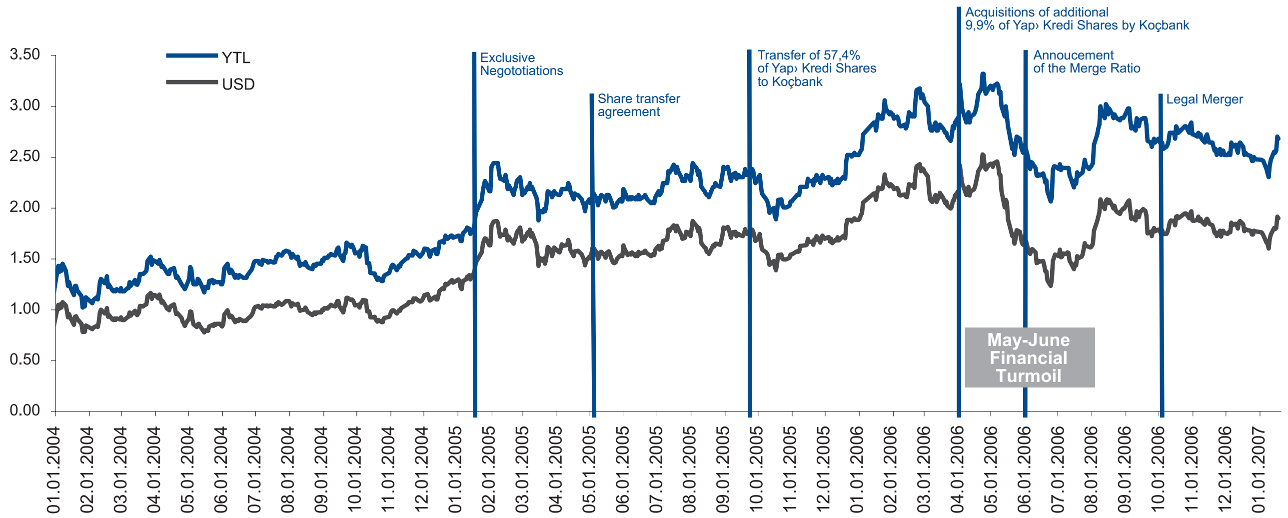
Yapı Kredi Share Performance

Yapı Kredi shares are traded on the İstanbul Stock Exchange (ISE) under the symbol "YKBNK.IS" as well as being quoted on the London Stock Exchange (LSE). Yapı Kredi shares were initially offered to public in 1987. With the Secondary Public Offering in June 1997, 4,725,806,452 additional shares were offered to international markets in the form of Global Depositary Receipts (GDRs).

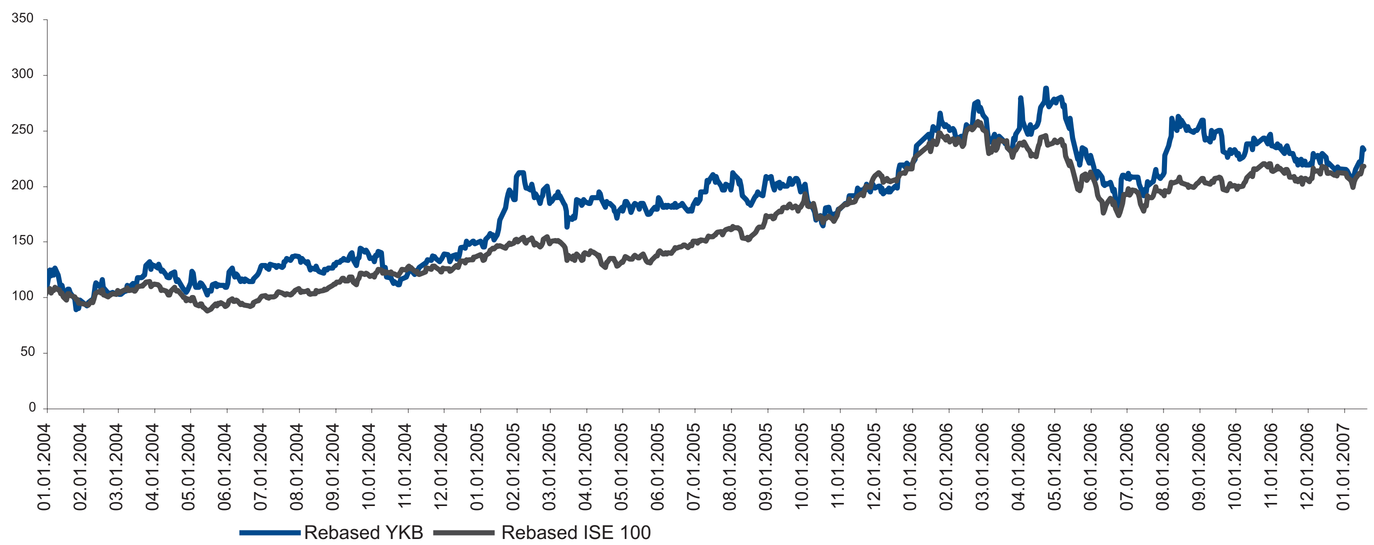
The Bank's shareholding structure as of 31 December 2006 is presented on page 20 of this Annual Report.

YKBNK	Market Capitalization		Price (YTL)		
Date	Min YTL	Min $	Closing	Highest	Lowest
29.12.2006	7.731	5.500	2,46	3,42	1,99
30.12.2005	4.740	3.532	2,50	2,52	1,64
29.12.2004	3.190	2.359	1,68	1,72	0,99
31.12.2003	2.182	1.566	1,15	1,19	0,51
31.12.2002	1.034	631	0,55	1,93	0,40
28.12.2001	3.348	2.326	1,77	1,83	0,66
22.12.2000	1.730	2.583	0,91	2,66	0,75

Yapı Kredi Share Price Performance Since 2004 (YTL & USD)



Yapı Kredi Share Price Performance Relative to ISE 100 Index (YTL)



2002 - 2006 Summary Financial Information

('000 YTL)	2006	2005*	2004*	2003*	2002*
Total assets	48.887.288	23.839.660	24.624.008	23.819.579	24.418.696
Deposits	31.127.271	17.079.186	14.293.241	15.277.967	16.846.389
Loans and advances to customers	22.504.146	11.420.852	10.055.975	9.096.373	9.191.627
Equity	3.343.856	1.587.615	4.639.658	4.006.510	3.552.835
Profit for the year	512.239	(1.543.010)	(58.871)	184.674	1.428.721
Number of personnel	13.478	10.211	10.579	10.504	10.404
Number of branches	608	416	420	426	426

(*) Summary financial information of 31 December 2006 is presented in comparison to the pre-merger Yapı Kredi announced financial information.

PART 4: CONSOLIDATED FINANCIAL INFORMATION

FAIRNESS TRANSPARENCY FREEDOM TRUST RESPECT

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.:

We have been engaged to audit the accompanying consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 31 December 2006 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Document" published on the Official Gazette No.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411 and other regulations, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

PRICEWATERHOUSECOOPERS

Additional paragraph for convenience translation:

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM
Partner

İstanbul, 12 April 2007

The Consolidated Financial Report Of Yapı ve Kredi Bankası A.Ş. As Of 31 December 2006

E-Mail: financialreports@yapikredi.com.tr

The consolidated financial report includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- Section one - GENERAL INFORMATION ABOUT THE GROUP
- Section two - CONSOLIDATED FINANCIAL STATEMENTS
- Section three - EXPLANATIONS ON ACCOUNTING POLICIES
- Section four - INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP
- Section five - EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- Section six - OTHER EXPLANATIONS AND NOTES
- Section seven - EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows.

Subsidiaries
1. Yapı Kredi Sigorta A.Ş.
2. Yapı Kredi Emeklilik A.Ş.
3. Yapı Kredi Finansal Kiralama A.O.
4. Yapı Kredi Faktoring A.Ş.
5. Yapı Kredi Yatırım Menkul De¤erler A.Ş.
6. Koç Yatırım Menkul De¤erler A.Ş.
7. Yapı Kredi Yatırım Ortaklı¤ı A.Ş.
8. Yapı Kredi Portföy Yönetimi A.Ş.
9. Yapı Kredi Bank Deutschland A.G.
10. Yapı Kredi Holding B.V.
11. Yapı Kredi Bank Nederland N.V.
12. Yapı Kredi Bank Moscow

Associates
1. Banque de Commerce et de Placements S.A.

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of New Turkish Lira ("YTL"), have been prepared and presented based on the accounting books of the Bank in accordance with Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, relating appendix and interpretations on these, and are independently audited.

Rüşdü SARAÇOĞLU Chairman of the Board of Directors	S. Kemal Kaya General Manager	Carlo VIVALDI Executive Vice President	Duygu DÖNMEZ Head of Financial Reporting Unit

Andrea MONETA President of Audit Committee	F.Füsun AKKAL BOZOK Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:
Name-Surname / Title : M.Serkan Keskin / Assistant Manager
Telephone Number : 0212 339 72 73
Fax Number : 0212 339 61 05

Section One

General Information About The Group

I. The Parent Bank's foundation date, start-up statute, history about the changes in this mentioned statute:

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established on 9 September 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its foundation.

II. Explanation about the parent bank's capital structure, shareholders of the parent bank who are in charge of the management and/or auditing of the parent bank directly or indirectly, changes in these matters (if any) and the group the Parent Bank belongs to:

The Parent Bank's shares have been traded on the Istanbul Stock Exchange ("ISE") since 1987. As of 31 December 2006, 19,54% shares of the Bank are publicly traded.

As of 28 September 2005, 57,4% of the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank A.Ş. ("Koçbank"). Besides, during April 2006 Koçbank purchased 9,1% of the shares of the Bank which were publicly traded on the ISE and 0,8% of the shares of an investment fund which were in the available for sale portfolio of the Bank. As a result, Koçbank increased its participation ratio to 67,3%. As explained in details in Note VII. of Section Five; all rights, receivables, debts and liabilities of Koçbank have been transferred to the Bank thereby the merger of the two banks has been registered as at 2 October 2006. After the merger, 80,18% of the direct and indirect control of the Bank's shares has been transferred to the Koç Finansal Hizmetler A.Ş. ("KFS").

KFS, was established on 16 March 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. During this re-organization process the subsidiaries of Koçbank, namely, Koç Finansal Kiralama A.Ş. ("Koç Leasing"), Koç Faktoring Hizmetleri A.Ş. ("Koç Faktoring"), Koç Yatırım Menkul De¤erler A.Ş. ("Koç Yatırım"), Koç Portföy Yönetimi A.Ş. ("Koç Portföy"), Koçbank Nederland N.V. and Koçbank Azerbaijan Ltd., were sold to KFS. As of 22 October 2002, Koç Group established a strategic partnership with UniCredit SpA ("UCI") over KFS. Therefore, the Bank is a joint venture of UCI and Koç Group.

In 2006, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries have been legally merged in 2006:

Merging Entities		Merger Date	Merged Entity
Yapı Kredi	Koçbank	2 October 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Leasing")	Koç Leasing	25 December 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Koç Faktoring	29 December 2006	Yapı Kredi Factoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	29 December 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul De¤erler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	12 January 2007	Yapı Kredi Menkul

III. Explanation on the board of directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Parent Bank they possess:

As of 31 December 2006, the Parent Bank's Board of Directors, Members of the Audit Committee and Executive President and Vice Presidents are listed below:

Title	Name	Responsibility
Chairman of the Board of Directors:	Dr. Rüşdü SARAÇOĞLU	Chairman
Board of Directors Members:	Andrea MONETA	Chairman Representative
	Seyit Kemal KAYA	Member/General Manager
	Federico GHIZZONI	Member/COO
	Ranieri De MARCHIS	Member
	Ahmet Fadıl ASHABOĞLU	Member
	Füsun Akkal BOZOK	Member
	Henning GIESECKE (*)	Member
	Halil Sedat ERGÜR	Member
	Marco IANNACCONNE (*)	Member

Title	Name	Responsibility
General Manager:	Seyit Kemal KAYA (**)	Member and General Manager
Vice General Managers:	Süleyman Cihangir KAVUNCU	Human Resources Management
	Alpar ERGUN	Legal Activities Management
	Mehmet Gani SÖNMEZ	Retail Banking Management
	Erhan ÖZÇELİK	Foreign Relations Management
	Hamit AYDOĞAN	Corporate and Commercial Management
	Hüseyin İMECE (***)	Investor Relations, Capital Activities
	Mert YAZICIOĞLU	Treasury Management
	Tülay GÜNGEN	Corporate Identity and Communication
	Didem GORDON (****)	Private Banking and Asset Management
	Zeynep Nazan SOMER	Credit Cards and Consumer Lendings
	Carlo VIVALDI	Financial Planning, Administration and Control
	Mehmet Güray ALPKAYA	Credit Management
	Marco ARNABOLDI	Risk Management
	Mahmut Tevfik ÇEVİKEL	Central Purchasing and Insurance Management
	Mohammed Hıshem LAROUSSI	Information Technology Management
	Ahmet İLERİGELEN (***)	Corporate Banking Management
	Mert GÜVENEN	Commercial Banking Management
	Muzaffer ÖZTÜRK	Retail Sales Management
	Ali Bahadır MİNİBAŞ (***)	General Services
	Kemal SEMERCİLER	Compliance Officer
	Stefano PERAZZINI	Internal Audit
	Luca RUBAGA	Organisation Management
Audit Committee Members:	Andrea MONETA	Chairman
	Ranieri De MARCHIS	Member
	Füsun Akkal BOZOK	Member
Statutory auditors:	M. Erkan ÖZDEMİR	Auditor
	Adil G. ÖZTOPRAK	Auditor

(*) They resigned with the decision taken in the General Assembly Meeting dated 29 March 2007 and have been replaced by Thomas Gross and Robert Zadrazil.
(**) As of 10 April 2007, he resigned from the General Manager position; however he is still a member of the Board of Directors.
(***) They have resigned after 31 December 2006.
(****) After 31 December 2006, she has been assigned as "Asset Management and Investment Banking Management President" in KFS level and General Manager of Yapı Kredi Portföy Yönetimi A.Ş..
The shares of the above individuals are insignificant in the Parent Bank.

IV. Informatıon on Shareholders havıng control shares:

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital(nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	2.520.014.946	80,18%	2.520.014.946	-

V. Explanation on the Parent Bank's service type and field of operations:

The Parent Bank's core business activities include retail banking, corporate banking, private banking, foreign exchange, money markets and securities transactions (Treasury transactions) and international banking. As of 31 December 2006, the Parent Bank has 607 branches operating in Turkey, 1 branch and 4 representatives operating abroad. As of 31 December 2006 the Parent Bank have and 13.478 employees.

The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements.

As of 31 December 2006, the Group has 15.873 employees.

Section Two
Consolidated Financial Statements

I. BALANCE SHEET

	ASSETS	Note (Section Five)	(31/12/2006) YTL	FC	Total
I.	CASH BALANCES WITH CENTRAL BANK	I-a	1.857.188	2.264.206	4.121.394
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	245.898	368.630	614.528
2.1	Trading Financial Assets		173.798	363.025	536.823
2.1.1	Government Debt Securities		122.699	342.773	465.472
2.1.2	Share Certificates		17.735	-	17.735
2.1.3	Other Marketable Securities		33.364	20.252	53.616
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Other Marketable Securities		-	-	-
2.3	Trading Derivative Financial Assets		72.100	5.605	77.705
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS	I-c	76.037	2.240.567	2.316.604
IV.	MONEY MARKETS		28.354	27.422	55.776
4.1	Interbank Money Market Placements		-	27.422	27.422
4.2	Receivables from Istanbul Stock Exchange Money Market		700	-	700
4.3	Receivables from Reverse Repurchase Agreements		27.654	-	27.654
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	365.189	407.876	773.065
5.1	Share Certificates		17.496	15.244	32.740
5.2	Government Debt Securities		292.540	326.601	619.141
5.3	Other Marketable Securities		55.153	66.031	121.184
VI.	LOANS	I-e	15.347.891	7.337.415	22.685.306
6.1	Loans		15.036.005	7.321.433	22.357.438
6.2	Loans under Follow-up		1.724.812	51.893	1.776.705
6.3	Specific Provisions (-)		(1.412.926)	(35.911)	(1.448.837)
VII.	FACTORING RECEIVABLES		641.151	517.669	1.158.820
VIII.	HELD-TO-MATURITY INVESTMENTS (Net)	I-f	6.505.820	9.901.346	16.407.166
8.1	Government Debt Securities		6.505.820	9.901.346	16.407.166
8.2	Other Marketable Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	3.529	41.352	44.881
9.1	Consolidated Based on Equity Method		-	41.352	41.352
9.2	Unconsolidated		3.529	-	3.529
9.2.1	Financial Investments in Associates		3.529	-	3.529
9.2.2	Non-Financial Investments in Associates		-	-	-
X.	SUBSIDIARIES (Net)	I-h	110.608	24.500	135.108
10.1	Unconsolidated Financial Subsidiaries		30.173	-	30.173
10.2	Unconsolidated Non-Financial Subsidiaries		80.435	24.500	104.935
XI.	JOINT VENTURES (Net)		-	-	-
11.1	Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-
XII.	FINANCIAL LEASE RECEIVABLES (Net)	I-m	545.056	1.045.360	1.590.416
12.1	Financial Lease Receivables		706.053	1.221.498	1.927.551
12.2	Operating Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		(160.997)	(176.138)	(337.135)
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS		-	-	-
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)	I-i	1.220.216	16.879	1.237.095
XV.	INTANGIBLE ASSETS (Net)	I-j	1.156.130	16	1.156.146
15.1	Goodwill		979.493	-	979.493
15.2	Other		176.637	16	176.653
XVI.	TAX ASSET		287.812	1.399	289.211
16.1	Current Tax Asset		120.960	1.270	122.230
16.2	Deferred Tax Asset	I-k	166.852	129	166.981
XVII.	ASSETS HELD FOR RESALE (Net)	I-l	182.487	7.430	189.917
XVIII.	OTHER ASSETS	I-n	462.488	283.722	746.210
	TOTAL ASSETS		29.035.854	24.485.789	53.521.643

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

YAPI VE KREDİ BANKASI A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006
(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

I. BALANCE SHEET

	LIABILITIES	Note (Section Five)	(31/12/2006) YTL	FC	Total
I.	DEPOSITS	II-a	16.045.124	15.635.956	31.681.080
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	29.275	2.798	32.073
III.	BORROWINGS	II-c	574.320	4.313.442	4.887.762
IV.	MONEY MARKETS		2.957.832	399.088	3.356.920
4.1	Funds from Interbank Money Market		-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-
4.3	Funds Provided Under Repurchase Agreements		2.957.832	399.088	3.356.920
V.	MARKETABLE SECURITIES ISSUED (Net)	II-d	-	1.650.006	1.650.006
5.1	Bills		-	-	-
5.2	Asset Backed Securities		-	1.650.006	1.650.006
5.3	Bonds		-	-	-
VI.	FUNDS		-	-	-
VII.	MISCELLANEOUS PAYABLES		2.011.478	525.034	2.536.512
VIII.	OTHER LIABILITIES	II-e	315.472	483.533	799.005
IX.	FACTORING PAYABLES		104.890	267.945	372.835
X.	FINANCIAL LEASE PAYABLES (Net)	II-f	1	4	5
10.1	Financial Lease Payables		1	5	6
10.2	Operational Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	(1)	(1)
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES		-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
XII.	PROVISIONS	II-g	1.973.911	555.948	2.529.859
12.1	General Loan Loss Provision		482.686	226.261	708.947
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Rights		159.574	3.602	163.176
12.4	Insurance Technical Provisions (Net)		468.744	321.669	790.413
12.5	Other Provisions		862.907	4.416	867.323
XIII.	TAX LIABILITY	II-h	175.549	6.448	181.997
13.1	Current Tax Liability		173.751	3.883	177.634
13.2	Deferred Tax Liability		1.798	2.565	4.363
XIV.	PAYABLES FOR ASSET HELD FOR RESALE		-	-	-
XV.	SUBORDINATED LOANS	II-i	-	1.559.258	1.559.258
XVI.	SHAREHOLDERS' EQUITY	II-j	3.919.316	15.015	3.934.331
16.1	Paid-in capital		3.142.818	-	3.142.818
16.2	Capital Reserves		53.306	15.015	68.321
16.2.1	Share Premium		45.781	-	45.781
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Value Increase Fund	II-k	7.525	15.015	22.540
16.2.4	Revaluation of Property and Equipment		-	-	-
16.2.5	Revaluation of Intangible Fixed Assets		-	-	-
16.2.6	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.7	Hedging Funds (Effective portion)		-	-	-
16.2.8	Value Increase of Assets Held for Resale		-	-	-
16.2.9	Other Capital Reserves		-	-	-
16.3	Profit Reserves		343.184	-	343.184
16.3.1	Legal Reserves		17.159	-	17.159
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		326.025	-	326.025
16.3.4	Other Profit Reserves		-	-	-
16.4	Income or (Loss)		(168.602)	-	(168.602)
16.4.1	Prior Years' Income or (Loss)		(696.955)	-	(696.955)
16.4.2	Current Year Income or (Loss)		528.353	-	528.353
16.5	Minority Interest		548.610	-	548.610
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28.107.168	25.414.475	53.521.643

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira (“YTL”).)

II.	INCOME STATEMENTS		
	INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01-31/12/2006
I.	**INTEREST INCOME**	**III-a**	**5.359.580**
1.1	Interest on loans	III-a-1	3.445.339
1.2	Interest Received from Reserve Requirements		146.063
1.3	Interest Received from Banks	III-a-2	102.329
1.4	Interest Received from Money Market Transactions		18.720
1.5	Interest Received from Marketable Securities Portfolio	III-a-3	1.378.785
1.5.1	Trading Financial Assets		92.537
1.5.2	Financial Assets at fair value through profit or loss		-
1.5.3	Available-for-sale Financial Assets		67.326
1.5.4	Held to maturity Investments		1.218.922
1.6	Financial Lease Income		166.917
1.7	Other Interest Income		101.427
II.	**INTEREST EXPENSE**	**III-b**	**(3.353.761)**
2.1	Interest on Deposits	III-b-3	(2.717.792)
2.3	Interest on Funds Borrowed	III-b-1	(377.793)
2.4	Interest Expense on Money Market Transactions		(239.654)
2.5	Interest on Securities Issued	III-b-4	(4.216)
2.6	Other Interest Expenses		(14.306)
III.	**NET INTEREST INCOME (I + II)**		**2.005.819**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.442.608**
4.1	Fees and Commissions Received		1.943.656
4.1.1	Cash Loans		62.529
4.1.2	Non-cash Loans		130.431
4.1.3	Other		1.750.696
4.2	Fees and Commissions Paid		(501.048)
4.2.1	Cash Loans		(8.733)
4.2.2	Non-cash Loans		(303)
4.2.3	Other		(492.012)
V.	**DIVIDEND INCOME**	**III-c**	**4.125**
VI.	**TRADING INCOME/(LOSS) (Net)**	**III-d**	**57.290**
6.1	Trading Gains / (Losses) on Securities		261.669
6.2	Foreign Exchange Gains / (Losses)		(204.379)
VII.	**OTHER OPERATING INCOME**		**472.219**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**	**III-e**	**3.982.061**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**III-f**	**(360.091)**
X.	**OTHER OPERATING EXPENSES (-)**	**III-g**	**(2.719.599)**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**902.371**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**2.048**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**
XV.	**INCOME/(LOSS) BEFORE INCOME TAXES (XI+XII+XIII+XIV+XV)**	**III-h**	**904.419**
XVI.	**PROVISION FOR INCOME TAXES (±)**	**III-i**	**(234.616)**
16.1	Current Tax Provision		(80.674)
16.2	Deferred Tax Provision		(153.942)
XVII.	**OPERATING INCOME/(LOSS) AFTER TAXES**		**669.803**
17.1	Discontinued Operations		-
17.2	Other		669.803
XVIII.	**NET INCOME/(LOSS) (XV+XVI)**	**III-j**	**669.803**
18.1	Group's Gains / (Losses)		528.353
18.2	Minority Interest Gains / (Losses)	III-k	141.450
	Earnings/(Loss) per share (in YTL full)		0,0017

The accompanying explanations and notes form an integral part of these financial statements

III.	OFF-BALANCE SHEET COMMITMENTS				
		Note (Section five)		(31/12/2006)	
			YTL	FC	Total
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**17.697.746**	**13.475.298**	**31.173.044**
I.	**GUARANTEES AND WARRANTIES**	**IV-a-2,3**	**6.292.731**	**9.209.176**	**15.501.907**
1.1.	Letters of Guarantee		5.566.960	5.646.062	11.213.022
1.1.1.	Guarantees Subject to State Tender Law		431.794	650.341	1.082.135
1.1.2.	Guarantees Given for Foreign Trade Operations		1.032.092	4.902.924	5.935.016
1.1.3.	Other Letters of Guarantee		4.103.074	92.797	4.195.871
1.2.	Bank Acceptances		-	216.649	216.649
1.2.1.	Import Letter of Acceptance		-	216.649	216.649
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		325	2.589.144	2.589.469
1.3.1.	Documentary Letters of Credit		325	2.544.433	2.544.758
1.3.2.	Other Letters of Credit		-	44.711	44.711
1.4.	Prefinancing Given as Guarantee		143	1.884	2.027
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2.	Other Endorsements		-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-
1.7.	Factoring Guarantees		-	-	-
1.8.	Other Guarantees		4.770	583.506	588.276
1.9.	Other Collaterals		720.533	171.931	892.464
II.	**COMMITMENTS**	**IV-a-1**	**9.514.236**	**586.371**	**10.100.607**
2.1.	Irrevocable Commitments		9.514.236	586.371	10.100.607
2.1.1.	Asset Purchase Commitments		-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	569.144	569.144
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Loan Granting Commitments		-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheques		1.310.760	-	1.310.760
2.1.8.	Tax and Fund Liabilities from Export Commitments		39.365	-	39.365
2.1.9.	Commitments for Credit Card Limits		8.163.986	-	8.163.986
2.1.10.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11.	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12.	Other Irrevocable Commitments		125	17.227	17.352
2.2.	Revocable Commitments		-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-
2.2.2.	Other Revocable Commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**IV- b**	**1.890.779**	**3.679.751**	**5.570.530**
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		1.890.779	3.679.751	5.570.530
3.2.1	Forward Foreign Currency Buy/Sell Transactions		551.647	1.524.875	2.076.522
3.2.1.1	Forward Foreign Currency Transactions-Buy		379.139	674.128	1.053.267
3.2.1.2	Forward Foreign Currency Transactions-Sell		172.508	850.747	1.023.255
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		579.009	1.548.452	2.127.461
3.2.2.1	Foreign Currency Swap-Buy		112.788	504.311	617.099
3.2.2.2	Foreign Currency Swap-Sell		159.236	450.111	609.347
3.2.2.3	Interest Rate Swap-Buy		-	450.968	450.968
3.2.2.4	Interest Rate Swap-Sell		306.985	143.062	450.047
3.2.3	Foreign Currency, Interest rate and Securities Options		546.180	606.424	1.152.604
3.2.3.1	Foreign Currency Options-Buy		273.090	303.212	576.302
3.2.3.2	Foreign Currency Options-Sell		273.090	303.212	576.302
3.2.3.3	Interest Rate Options-Buy		-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-
3.2.6	Other		213.943	-	213.943
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**68.025.125**	**2.527.949**	**70.553.074**
IV.	**ITEMS HELD IN CUSTODY**		**54.784.978**	**1.500.439**	**56.285.417**
4.1	Customer Fund and Portfolio Balances		6.858.696	2.267	6.860.963
4.2	Investment Securities Held in Custody		39.859.872	1.154.620	41.014.492
4.3	Checks Received for Collection		4.669.933	49.098	4.719.031
4.4	Commercial Notes Received for Collection		3.395.301	235.461	3.630.762
4.5	Other Assets Received for Collection		-	58.993	58.993
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		11	-	11
4.8	Custodians		1.165	-	1.165
V.	**PLEDGES RECEIVED**		**13.240.147**	**1.027.510**	**14.267.657**
5.1	Marketable Securities		362.711	580	363.291
5.2	Guarantee Notes		291.104	363.967	655.071
5.3	Commodity		20.617	-	20.617
5.4	Warranty		-	-	-
5.5	Immovable		9.682.256	499.324	10.181.580
5.6	Other Pledged Items		2.883.210	39.853	2.923.063
5.7	Pledged Items-Depository		249	123.786	124.035
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTEES**		**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**85.722.871**	**16.003.247**	**101.726.118**

The accompanying explanations and notes form an integral part of these financial statements

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

IV. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2006	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserve	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Revaluation Value Increase	Marketable Securities Value Increase Fund	Total Equity Except Minority Interest	Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance (*)		2.342.316	-	35.000	-	5.237	-	99.503	-	215.784	-	3.299	-	1.443	2.702.582	777.984	3.480.566
II. Changes in Accounting Policies according to TAS 8		-	-	-	-	-	-	-	-	21.571	-	(2.930)	-	-	18.641	(3.779)	14.862
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	21.571	-	(2.930)	-	-	18.641	(3.779)	14.862
III. Effect of changes in consolidation scope (*)		-	-	-	-	-	-	-	-	(39)	396.505	-	-	-	396.466	-	396.466
IV. Effect of adjustments on preliminary fair values (**)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35.643)	(35.643)
V. New Balance (I+II+III+IV)		2.342.316	-	35.000	-	5.237	-	99.503	-	237.316	396.505	369	-	1.443	3.117.689	738.562	3.856.251
Changes in the period																	
VI. Increase/Decrease due to the Merger (*)	VII.	797.572	-	10.781	-	-	-	-	-	-	(669.163)	-	-	7.517	146.707	(146.707)	-
VII. Available-for-sale Investments, Subsidiaries and Associates		-	-	-	-	-	-	-	-	-	-	-	-	14.908	14.908	(3.744)	11.164
VIII. Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.3 Transferred Amounts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Available-for-sale Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X Hedging transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Net Current Period Income/Loss		-	-	-	-	-	-	-	-	528.353	-	-	-	-	528.353	141.450	669.803
XII. Profit Distribution		-	-	-	-	11.922	-	226.522	-	(237.316)	(1.128)	-	-	-	-	(33.152)	(33.152)
12.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33.152)	(33.152)
12.2 Transfers to Reserves		-	-	-	-	11.922	-	226.522	-	(237.316)	(1.128)	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Capital Increase		2.930	-	-	-	-	-	-	-	-	(2.930)	-	-	-	-	-	-
13.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.2 Value increase due to revaluation of property and equipment		2.930	-	-	-	-	-	-	-	-	(2.930)	-	-	-	-	-	-
13.3 Investments in associates, subsidiaries and joint ventures bonus shares obtained		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.4 Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.5 Adjustment to share capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.6 Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.7 Foreign Currency Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.8 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Primary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Secondary subordinated borrowings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX Purchase from minority interest (*)	VII.	-	-	-	-	-	-	-	-	-	(420.239)	-	-	(1.328)	(421.567)	(147.799)	(569.366)
XX. Other		-	-	-	-	-	-	-	-	-	-	(369)	-	-	(369)	-	(369)
Period End Balance (V+VI+VII+VII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XX)		3.142.818	-	45.781	-	17.159	-	326.025	-	528.353	(696.955)	-	-	22.540	3.385.721	548.610	3.934.331

(*) Explained in detail in Note VII. of Section Five.
(**) In accordance with TFRS 3, preliminary identifiable assets, liabilities, commitments and contingencies designated during the purchase of Yapı Kredi on 28 September 2005 have been adjusted and the effect of adjustment shown on the opening balances.

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

V. STATEMENT OF CASH FLOWS		Notes (Section Five)	(31/12/2006)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit before changes in operating assets and liabilities		1.734.619
1.1.1	Interest received		4.836.611
1.1.2	Interest paid		(3.405.550)
1.1.3	Dividend received		4.125
1.1.4	Fees and commissions received		1.943.656
1.1.5	Other income		741.677
1.1.6	Collections from previously written-off loans and other receivables		267.557
1.1.7	Payments to personnel and service suppliers		(779.257)
1.1.8	Taxes paid		38.438
1.1.9	Extraordinary Items		-
1.1.10	Other		(1.912.638)
1.2	Changes in operating assets and liabilities		4.217.389
1.2.1	Net decrease in trading securities		1.023.318
1.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		-
1.2.3	Net (increase) in due from banks and other financial institutions		(1.740.147)
1.2.4	Net (increase) in loans		(4.737.569)
1.2.5	Net (increase) in other assets		(83.467)
1.2.6	Net increase in bank deposits		2.535.983
1.2.7	Net increase in other deposits		4.457.278
1.2.8	Net increase in funds borrowed		1.791.232
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase in other liabilities		970.761
I.	Net cash provided from banking operations		5.952.008
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(8.506.737)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(62.019)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		7.400
2.3	Purchases of property and equipment		(92.650)
2.4	Disposals of property and equipments		50.580
2.5	Cash paid for purchase of investments available-for-sale		(394.922)
2.6	Cash obtained from sale of investments available-for-sale		718.729
2.7	Cash paid for purchase of investment securities		(9.992.463)
2.8	Cash obtained from sale of investment securities		1.791.592
2.9	Other		(532.984)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		1.610.366
3.1	Cash obtained from funds borrowed and securities issued		1.645.790
3.2	Cash used for repayment of funds borrowed and securities issued		-
3.3	Issued capital instruments		-
3.4	Dividends paid		(33.152)
3.5	Payments for finance leases		(2.272)
3.6	Other		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		-
V.	Net (decrease) in cash and cash equivalents (I+II+III+IV)		(944.363)
VI.	Cash and cash equivalents at beginning of the year		4.228.589
VII.	Cash and cash equivalents at end of the year	VI-a	3.284.226

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

Section Three

Explanations On Accounting Policies

I. Basis Of Presentation:

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No:26333 dated 1 November 2006 by the Banking Regulatory and Supervisory Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards"("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and other decrees, notes, explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiques Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No: 26430 dated 10 February 2007. The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No: 5411 ("Banking Act"), which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

In accordance with temporary article 1 of "Regulation for Banks Consolidated Financial Statements" published in the Official Gazette No. 26340 dated 8 November 2006 by the BRSA, since the Parent Bank is the subsidiary of a domestic financial holding company ("KFS"), the Group is not obligated to prepare comparative consolidated financial statements until 31 December 2007 and therefore the consolidated financial statements prepared as of 31 December 2006 are not presented comparatively.

The consolidated financial statements have been prepared in YTL, under the historical cost convention as modified in accordance with inflation adjustments, except for the financial assets and liabilities carried at fair value.

Financial statements have been subjected to the inflation adjustment according to "Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. As of 28 April 2005, BRSA announced that the inflation accounting application in the banking sector had been terminated based on the decree No:1623 dated 21 April 2005. Therefore; the application of inflation accounting has been terminated in the preparation of the financial statements as of 1 January 2005.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effect of these corrections is reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with the TAS. Those accounting policies and valuation principles are explained in Notes II. to XXX. below

Additional paragraph for convenience translation into English:

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

Explanations on first-time adoption of Turkish Accounting Standards:

The Group has prepared its consolidated financial statements in accordance with TAS as of 31 December 2006 for the first time. The effects of related adjustments are shown below:

Effects of adoption of TAS:

	Revaluation Fund	Net Income/ Loss for the Period	Minority Interest	Total Equity
Adjustment of reserve for employee rights	-	(4.736)	(3.523)	(8.259)
Adjustment of goodwill amortisation	-	23.494	-	23.494
Provision for premium receivable	-	(1.829)	(1.561)	(3.390)
Adjustment on sales income of immovables	(2.930)	2.930	-	-
Cumulative translation adjustments	-	-	-	-
Other	-	106	90	196
Effect of adjustments on deferred tax	-	1.606	1.215	2.821
Total effect of adoption of TAS	**(2.930)**	**21.571**	**(3.779)**	**14.862**

II. Explanations On Strategy Of Using Financial Instruments And Foreign Currency Transactions:

The general strategy of the Group of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by asset-liability strategy. The currency, interest and liquidity risks on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities are held in minimum levels and exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date and are recognised in the income statement under the account of "Foreign exchange gains or losses".

III. Information On Consolidation Principals:

a. Consolidation principals applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TAS 27") published in the Official Gazette No. 26340 dated 8 November 2006.

1. Consolidation principles of subsidiaries:

Subsidiaries (including special purpose entities), in which Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main Activities	Effective Rates at (%) 2006	Direct and Indirect Rates (%) 2006
Yapı Kredi Sigorta A.Ş.	Istanbul/ Turkey	Insurance	89,21	93,94
Yapı Kredi Emeklilik A.Ş.	Istanbul/ Turkey	Insurance	89,20	100,00
Yapı Kredi Leasing (*)	Istanbul/ Turkey	Leasing	25,73	25,74
Yapı Kredi Faktoring (*)	Istanbul/ Turkey	Factoring	40,48	40,48
Yapı Kredi Menkul (**)	Istanbul/ Turkey	Portfolio Management	99,99	99,99
Yapı Kredi Yatırım Ortaklı¤ı A.Ş.	Istanbul/ Turkey	Portfolio Management	56,06	56,07
Yapı Kredi Portföy (*)	Istanbul/ Turkey	Portfolio Management	14,04	14,88
Yapı Kredi Bank Deutschland A.G.	Frankfurt/Germany	Banking	97,50	97,50
Yapı Kredi Bank Holding B.V.	Amsterdam/ Nederland	Financial Consultancy	100,00	100,00
Yapı Kredi Bank Nederland N.V.	Amsterdam/ Nederland	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/ Russia	Banking	99,89	100,00
Koç Yatırım (**)	Istanbul/ Turkey	Investment Marketable Securities	-	-
Yapı Kredi Diversified Payment Rights Company (***)	George Town/ Cayman Islands	Special Purpose Company	-	-

(*) Although the shareholding rate is less than 50%, the Group has power to control the financial and operating policies for the benefit of the Group.

(**) Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım with all its rights, receivables, liabilities and obligations to Yapı Kredi Menkul and the consequent dissolution without liquidation were held on 29 December 2006, the merger was approved on 15 December 2006 by Capital Market Board and registered on 12 January 2007. As a result of the merger, the Bank has 64,70% of direct share in Yapı Kredi Menkul.

(***) It is a special purpose company established for securitisation transactions and is included in the consolidation although the Bank or any of its affiliates does not have any shareholding interest in this company.

2. Consolidation principles of associates:

Associate is a partnership which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect, refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as otherwise is not proved, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount occurred in the participated associate's shareholder's equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main Activities	Effective Rates at (%) 31 December 2006	Direct and Indirect Rates (%) 31 December 2006
Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	Banking	30,67	30,67

3. Consolidation principles of joint ventures: None.

4. Principles applied during share transfer, merger and acquisition:

It is explained in more detail in Note VII. of Section Five.

5. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group, as the minority interests are perceived as genuine equity participations. The difference between the acquisition cost and net asset acquired portion is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

b. Presentation of unconsolidated subsidiaries, associates and share certificates included in the available-for-sale portfolio in consolidated financial statements:
Turkish lira denominated unconsolidated associates and subsidiaries accounted for at cost value, less any impairment if any, in accordance with "Turkish Accounting Standards for Consolidated and Separate Financial Statements" ("TAS 27") are recognised in the consolidated financial statements.

Foreign currency denominated unconsolidated investments and associates, subsidiaries and share certificates in the available-for-sale portfolio are booked at their original foreign currency costs less any impairment, if any, translated into Turkish Lira using the exchange rate prevailing at the balance sheet date.

When the inflation adjusted value of investments, associates and share certificates is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

IV. Explanations On Forward Transactions, Options And Derivative Instruments:

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged. As of 31 December 2006, the Group has no derivative instruments qualified for hedging purposes.

Certain derivative transactions, even though they provide effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial assets at fair value through profit or loss".

"Financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted under "trading income/loss" in the income statement.

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

V. Explanations On Interest Income And Expense:

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

The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no any income accounted until the collection is made according to the related regulation.

VI. Explanations On Fee And Commission Income And Expense:

All fees and commissions income/expenses are recognised on an accrual basis, except from certain commission income and fees from various banking services which are recorded as income at the time of collection. Fees and commissions expenses paid to the other institutions are recognised as operational costs and recorded on using the effective interest method. Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third or legal person are recognised as income at the time of collection.

VII. Explanations On Financial Assets:

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment.

a. Financial assets at fair value through profit or loss:
Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values can not be obtained from the fair market transactions, it is accepted that the fair value cannot be measured reliably and that the financial assets are carried at amortised cost using the effective interest method. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instrument. The principles regarding the accounting of derivative financial instruments are explained in details in Note IV. of Section Three.

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under loans and receivables and held-for-trading at the time of acquisition and, not included in available for sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost which is considered as their fair values. The fair values of held-to-maturity financial assets on initial recognition are either the transaction price at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortised cost" using the "effective interest method" after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

There are no financial assets that were previously classified as held-to-maturity but can not be subject to this classification for two years due to the contradiction of classification principles.

c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, service or goods to debtor. Loans and receivables are carried initially at cost and subsequently recognised at the amortised cost value calculated using "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

The Group provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjunction on the basis of the prudence principle are taken into consideration by the Group in determining the estimates. General loan loss provision provided by this methodology is greater than the minimum amount required by the related regulations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in the previous years, the recovery amount is classified under "Other Operating Income". If a receivable is collected which is provisioned in the same year, it is deducted from the "Provisions for loan losses and other receivables". Uncollectible receivables are written-off after all the legal procedures are finalised.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial asset at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair value calculations, based on market prices, cannot be obtained reliably, the available-for-sale financial assets are carried at amortised cost using the effective interest method. "Unrealised gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders' equity as "Marketable Securities Value Increase Fund", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

VIII. Explanations On Impairment Of Financial Assets:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective interest method", or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and is charged against the income for the year. The principles for accounting of provisions for loans are explained in details in Note VII. of this Section.

IX. Explanations On Offsetting Financial Assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

X. Explanations On Sales And Repurchase Agreements And Securities Lending Transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Fair value difference through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the "effective interest method". Interest expense on repo transactions are recorded under "Interest expense on Money Market transactions" in the income statement.

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

XI. Information On Assets Held For Resale And Discontinued Operations:

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2001, No.26333.

XII. Explanations On Goodwill And Other Intangible Assets:

a. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised (ie. carry forward tax losses), intangible assets (i.e. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination; if can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combination. The Bank allocated its goodwill to Retail Banking, Private Banking, Corporate Banking and Credit Card operations.

b. Other Intangible Assets:

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Intangibles are amortised over their useful lives (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset. The rates are presented below;

Credit card brand value, deposit base and customer portfolio	10 years
Other tangible expenditures	5 years

XIII. Explanations On Property And Equipment:

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over of the cost of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	20%
Special Costs (*)	Amortised over the lease period.

(*) Special costs include the expenditures for the leased immovables and amortised over the lease period if the lease period is less than the useful life and over useful life (5 years) if the lease period is greater than useful life.

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for the diminution in value is charged to the income statement.

Property and equipment has not been re-valued in order to be presented at fair value in the financial statements.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, the quality of the product or to decrease the costs.

XIV. Explanations On Leasing Transactions:

The Group performs financial leasing operations in the capacity of lessee and lessor.

a. Accounting of leasing operations according to lessee:

The Group, includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities part. Financing costs arising due to leasing are spread through the lease period forming a fixed interest ratio. In addition, fixed assets that are obtained by the way of financial leasing are subject to amortization when their given useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. Lease payments are deducted from financial leasing payables.

b. Accounting of leasing operations according to lessor:

Asset that is subject to financial leasing is reflected as a receivable which is equal to net leasing amount in consolidated balance sheet. Interest income is set to create a fixed periodical gain rate on net investment amount of the related leased asset by the lessor and the portion which is not in that period is followed in the unearned interest income account.

XV. Explanations On Factoring Receivables And Payables:

Factoring receivables are recognised at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortised cost less reserve for factoring receivable losses. Factoring payables are recognised at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortised cost.

XVI. Explanations On Insurance Technical Income And Expenses:

Premium Income

Premium income arises after the deduction of transferred share to reinsurers from the installment amount of policies arranged within the year and accumulated life policies issued in previous years. In non-life branches, accrual of premium income is realized when the policy is issued.

In life branch, accrual of premium income is realized in installments' maturities. The Company cancels life premiums which accrues in installment maturities but not paid in a certain time and deducts it from the premium income and receivables of the insured.

Paid Claims

Claims are expensed as they are reported. Outstanding claim reserves are set for the reported but not paid claims in the period end. Paid claims are reflected after the deduction of related reinsurer shares.

Commission Expense/Income

Commission expense related with the sale of issued insurance policies and commission income taken from reinsurers is reflected to operations in the period when the policy was issued. In life branch, commission expense occurs as premiums are received.

Deferred Policy Expense

Deferred policy expenses consist of the portion of all insurance policies excluding life insurances more than 1 year long proportional with the policy acquisition and net commission expenses which falls to the following period.

XVII. Explanations On Insurance Technical Reserves:

Unearned Premium Reserves

Insurance companies have to set unearned premium reserves for its liabilities excluding life insurances covering more than one year and earthquake guarantees. Unearned premium reserves consist of the following year's portion of the premiums accrued for the policies in force. As for the transportation branch policies, 50% of premiums written for the last three months are set as unearned premium reserves. Unearned premium reserves are identified according to actuary accounts on policy and day base.

Outstanding Claim Reserves

Outstanding claim reserves are set for all obligations of claim files that are realized as of year end but not paid yet. Outstanding claim reserves are identified consistent to expert reports or first evaluations of the insured and expert. Outstanding claim reserves are reflected after the deduction of related reinsurer shares. In addition, reserves are also set for realized but not notified outstanding claims.

Outstanding claim reserves for the realized but not reported claim and insurance amounts in 2004 are started to be set. Outstanding claim reserves for the realized but not reported claim and insurance amounts are calculated by multiplying weighted average rates found by various statistical models with net conservation premiums.

Life Mathematical Reserves and Life Profit Share

Mathematical reserves are set for the compensations that the life branch subsidiaries are committed to pay in the future. In accordance with the Insurance Inspection Law, the subsidiaries operating as life branches set life mathematical reserves by deducting the collection expenses and mortality risk premiums and commissions from the premiums collected based on the life insurance contracts made by the life branches of correspondent subsidiaries. Revenue generated from the utilization of these reserves in investment activities is set as life profit share reserve in order to distribute to the policy owners. These reserves are calculated based on the actuarial mortality tables approved by the Turkish Treasury.

XVIII. Explanations On Provisions And Contingent Commitments:

Provisions and contingent liabilities are provided for in accordance with "Communiqué 8 on the Accounting Application Regulation-Standard for Provisions, Contingent Liabilities and Accounting of Assets" ("AAR 8") except for the specific and general provisions provided for loans and other receivables.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision for contingent liabilities arisen from past events should be recognised in the same period of occurrence in accordance with the "Matching principle". When a reliable estimate of the amount of obligation cannot be made, it is considered that a "contingent" liability exists. A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made.

Provision for the Parent Bank's Pension Fund Deficit:

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandı¤ı Vakfı ("Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506.

According to the temporary article 23 of the Banking Law No.5411, Funds like "Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandı¤ı Vakfı" will be transferred to the Social Security Institution within three years beginning from the published date of this article without the need of any transactions. On 2 November 2005, the President of the Turkish Republic applied to the Constitutional Court of Turkey for abrogation of the relevant article in the Banking Law.

An actuarial report has been prepared by a registered actuary for the Fund in accordance with the written decree published by the Council of Ministers in the Official Gazette dated 15 December 2006 No. 26377 for the purpose of determining the principles and procedures to be applied during the transfer. The Group will provide a full provision regarding deficit reported in the actuarial report until 31 December 2007 and the calculated provision is accounted under the "Other provisions" account as of the balance sheet date.

XIX. Explanations On Obligations Related To Employee Rights:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish or Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation arising from this liability.

XX. Explanations On Taxation:

a. Current Tax:

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

"Corporate Tax Law"("New Tax Law") No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006 (year 2005:30%). The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 10th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least 2 years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred Tax:

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

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The deferred tax asset and deferred tax liability are presented as separate in these financial statements.

XXI. Explanations On Borrowings:

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" using the "effective interest method".

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

XXII. Explanations On Issuance Of Share Certificates:

Transaction costs regarding the issuance of share certificates are accounted as expense in the income statement.

No dividend payments were announced after the balance sheet date of the Parent Bank.

XXIII. Explanations On Avalized Drafts And Acceptances:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXIV. Explanations On Government Grants:

As of 31 December 2006, the Group has no government grants.

XXV. Legal Merger:

Assets and liabilities, subject to business combinations in the accounting of business combinations which occur under common control are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year when the business combinations occurred. Previous period financial statements are adjusted in the same way in order to be comparable. As a result of those transactions, any goodwill or negative goodwill is not calculated.

XXVI. Profit Reserves And Profit Distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in Turkish Commercial Code ("TCC"). TCC foresees that first legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued but holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and can not be used for other purposes unless they exceed 50% of paid-in capital.

XXVII. Earnings Per Share:

Earning per share disclosed in the income statement is calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2006
Group's Profit	528.353
Weighted Average Number of Issued Ordinary Shares(Thousand)	314.281.800
Earning Per Share (Disclosed in full YTL)	**0,0017**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXVIII. Related Parties:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by / affiliated with them, and associated companies are considered and referred to as related parties in accordance with "Turkish Accounting Standard For Related Parties" ("TAS 24"). The transactions with related parties are disclosed in details in Note VIII. of Section Five.

XXIX. Cash And Cash Equivalents:

For the purposes of cash flow statement cash include cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months.

XXX. Reclassifications:

Since the Parent Bank is the subsidiary of a domestic financial holding company ("KFS"), the Group is not obligated to prepare comparative consolidated financial statements until 31 December 2007.

Section Four

Information Related To Financial Position Of The Group

I. Explanations On Capital Adequacy Ratio:

a. The capital adequacy ratio of the Group is 13,30%.

b. The capital adequacy ratio is calculated in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio” and “Regulation Regarding Banks’ Shareholders Equity” (together referred as “Regulation Regarding Capital Adequacy”) published as of 1 November 2006. The following tables show the details of “Risk weighted assets” and the calculation of “Shareholders’ Equity” for the capital adequacy ratio calculation.

c. Information related to capital adequacy ratio:

	Risk Weights							
	The Parent Bank				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
Amount subject to credit risk								
Balance sheet items (Net)	**21.563.340**	**2.050.029**	**2.907.176**	**20.625.227**	**22.820.257**	**2.703.258**	**3.186.969**	**22.485.068**
Cash	477.363	3.164	-	-	514.720	3.164	-	3.352
Matured marketable securities	-	-	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	570.547	-	-	-	570.547	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	1.946.297	-	13.476	-	2.295.482	-	13.476
Interbank Money Market Placements	-	-	-	-	28.122	-	-	-
Receivables from reverse repurchase transactions	-	-	-	-	27.654	-	-	-
Reserve requirements with the Central Bank of the Republic of Turkey	3.029.637	-	-	-	3.029.637	-	-	-
Loans	1.148.721	16.127	2.868.912	17.865.459	1.159.102	106.082	2.920.894	18.660.553
Non-Performing Receivables (Net)	-	-	-	312.023	-	-	-	327.867
Lease receivables	-	-	-	-	36.452	11.855	224.804	1.301.162
Available-for-Sale financial assets	90.102	-	-	63.124	611.377	-	-	109.527
Held-to-Maturity investments	15.239.392	-	-	-	15.744.764	-	-	-
Receivables from the disposal of assets	-	-	-	15.284	-	-	-	15.284
Miscellaneous receivables	-	80.506	-	79.434	16.878	278.670	-	162.942
Interest and income accruals	727.343	3.805	38.264	238.297	798.763	7.983	41.271	258.405
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	696.655	-	-	-	104.935
Fixed assets	-	-	-	1.314.108	-	-	-	1.396.039
Other assets	280.235	130	-	27.367	282.241	22	-	131.526
Off-balance sheet items	465.914	3.918.877	2.518.910	7.942.551	465.914	3.937.098	2.572.576	8.048.341
Non-cash loans and commitments	465.914	3.896.806	2.518.910	7.925.633	465.914	3.896.806	2.572.576	8.024.993
Derivative financial instruments	-	22.071	-	16.918	-	40.292	-	23.348
Non-risk weighted accounts	-	-	-	-	-	-	-	-
Total Risk Weighted Assests	22.029.254	5.968.906	5.426.086	28.567.778	23.286.171	6.640.356	5.759.545	30.533.409

d. Summary information about capital adequacy ratio:

	The Parent Bank	Consolidated
	31 December 2006	31 December 2006
Amount subject to credit risk “ASCR”	32.474.602	34.741.253
Amount subject to market risk “ASMR”	309.900	391.363
Amount subject to operational risk “ASOR”	-	-
Shareholder’s Equity	4.037.076	4.671.162
Shareholder’s Equity/(ASCR+ASMR+ASOR) *100	12,31	13,30

Information about shareholders’ equity items:

	31 December 2006
CORE CAPITAL	
Paid-in capital	3.142.818
Nominal capital	3.142.818
Capital commitments (-)	-
Inflation adjustment to share capital	-
Share Premium	45.781
Share cancellation profits	-
Legal reserves	17.159
First legal reserve (Turkish Commercial Code 466/1)	17.159
Second legal reserve (Turkish Commercial Code 466/2)	-
Other legal reserve per special legislation	-
Status reserves	-
Extraordinary reserves	326.025
Reserves allocated by the General Assembly	326.025
Retained earnings	-
Accumulated loss	-
Foreign currency share capital exchange difference	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	548.610
Profit	528.353
Current period profit (net)	528.353
Prior period profit	-
Provisions for possible risks (up to 25% of core capital)	108.514
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	-
Primary Subordinated Loans (up to 15% of core capital)	-
Uncovered portion of loss with reserves (-)	(696.955)
Current period loss (net)	-
Prior period loss	(696.955)
Special costs (-) (*)	30.974
Prepaid expenses (-) (*)	75.726
Intangible assets (-) (*)	1.156.146
Deferred tax asset amount exceeding 10% of core capital (-) (*)	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-
Total Core Capital	**4.020.305**

SUPPLEMENTARY CAPITAL	
General provisions	439.157
45% of the movables revaluation fund	-
45% of the immovables revaluation fund	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-
Primary Subordinated Loans that are not considered in the calculation of core capital	-
Secondary Subordinated Loans	1.540.285
45 % of Marketable Securities valuation fund	10.143
From investments in associates and subsidiaries	-
Available-for-Sale financial assets	10.143
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-
Total Supplementary Capital	1.989.585
TIER III CAPITAL	-
CAPITAL	6.009.890
DEDUCTIONS FROM THE CAPITAL (*)	1.338.728
Investments in unconsolidated financial institutions and banks	33.702
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Nature Purchased From Them	828
The carrying amounts for investments, subsidiaries, other investments, financial subsidiaries which equity method is applied without consolidating asset and liability	41.352
Loans extended as contradictory to the articles 50 and 51of the Law	-
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and to be Disposed Accordingly with Banking Law article 57 as They are Held for More Than Five Years From the Acquisition Date.	-
Other	-
TOTAL SHAREHOLDERS' EQUITY	4.671.162

(*) According to the temporary article 1. of "Regulation Regarding Capital Adequacy"; "Special Costs", "Prepaid Expenses", "Intangible Assets" and "Amount of deferred tax exceeding 10% of core capital" which are presented under "Core Capital" will be considered as "Deductions from the Capital" until 1 January 2009.

II. Explanations On Credit Risk:

a. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans.

Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

As a part of internal scoring system, the loan proposals received from branches are not accepted by the system unless they include detailed financial information of the companies. All loan customers (excluding construction companies) are followed-up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department.

b. The Group has control limits over the positions of forwards, options and similar agreements.

c. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

d. A special provision is provided for cash risks and non-cash risks that are classified as non performing, in accordance with the regulation on provisions. After the classification of non-cash risks and they are converted to cash receivables they are followed up in the same group as cash risks and a specific provision is provided.

Restructured loans are also classified and followed up accordingly to the regulation on provisions considering the Group's credit risk policies. Accordingly, the financial position and commercial operations of related customers monitored and their principle and interest payments are followed up with a restructured repayment schedule and the necessary precautions are taken.

e. The Group's banking activities in foreign countries and crediting transactions are subject to periodical follow-up in terms of the related countries' economic conditions and activities of customers and financial institutions concerning their periodic credit worthiness which do not constitute a material risk.

f. 1. The proportion of the Group's top 100 cash loan balances in total cash loans is 21%.

2. The proportion of the Group's top 100 non-cash loan balances in total non-cash loans is 39%.

3. The proportion of the Group's cash and non-cash loan balances with the first 100 customers comprises of 23% of total cash loans and non-cash loans.

g. The Group provided a general loan loss provision amounting to YTL708.947 thousand.

h. Information according to geographical concentration:

	Assets	Liabilities (***)	Non-Cash Loans	Capital Expenditures	Net profit (****)
31 December 2006					
Domestic	45.729.496	39.882.439	14.434.818	92.215	528.353
European Union Countries	4.200.669	7.134.010	523.907	42	-
OECD Countries (*)	89.983	1.236.628	174.943		-
Off-shore banking regions	41	-	-		-
USA, Canada	1.841.798	636.125	6.700		-
Other Countries	369.360	363.331	361.539	393	-
Subsidiaries, investments and Joint Ventures	179.989	-	-	-	-
Unallocated Assets/Liabilities (**)	1.110.307	334.779	-	-	-
Total	53.521.643	49.587.312	15.501.907	92.650	528.353

(*) OECD Countries other than EU countries, USA and Canada.
(**) Unallocated assets / liabilities include interest income and expense accruals which could not be distributed according to a consistent principal.
(***) Shareholders' Equity is not included in liabilities.
(****) The net profit could not be distributed according to geographical concentration.

i. Sectoral concentrations for cash loans:

	31 December 2006			
	YTL	(%)	FC	(%)
Agricultural	**219.166**	**1,47**	**119.609**	**1,67**
Farming and Raising Livestock	168.685	1,13	100.707	1,40
Forestry	41.427	0,28	3.839	0,05
Fishing	9.054	0,06	15.063	0,22
Manufacturing	**3.356.278**	**22,56**	**3.982.637**	**55,44**
Mining	90.571	0,61	135.275	1,88
Production	3.238.156	21,76	3.644.655	50,74
Electric, Gas and Water	27.551	0,19	202.707	2,82
Construction	**630.463**	**4,24**	**388.189**	**5,40**
Services	**2.228.026**	**14,97**	**2.644.228**	**36,81**
Wholesale and Retail Trade	1.037.076	6,97	388.117	5,40
Hotel Food and Beverage Services	152.410	1,02	316.972	4,41
Transportation and Telecommunication	407.536	2,74	235.375	3,28
Financial Institutions	376.896	2,53	1.457.549	20,29
Real Estate and Leasing Services	89.434	0,60	63.817	0,89
Self Employment Services	-	-	-	-
Education Services	20.373	0,14	3.444	0,05
Health and Social Services	144.301	0,97	178.954	2,49
Other	**8.445.720**	**56,76**	**48.557**	**0,68**
Loan Interest and Income Accruals	**156.352**		**138.213**	
Total	**15.036.005**	**100,00**	**7.321.433**	**100,00**

III. Explanations On Market Risk:

The Parent Bank, considers currency risk, liquidity risk and interest rate risk as the most important components of market risk. The Bank's market risk exposure is calculated on a daily and weekly basis with Value-at-Risk method on the basis of marketable securities portfolio including the Bank's currency risk. Below table represents the details of market risk calculation as of 31 December 2006 in accordance with the Section 3 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, namely "Calculation of Market Risk with Standard Method".

a. Information on Market Risk:

	Balance
(I) Capital to be Employed for General Market Risk - Standard Method	15.317
(II) Capital to be Employed for Specific Risk –Standard Method	2.791
(III) Capital to be Employed for Currency Risk - Standard Method	13.201
(IV)Capital to be Employed for Commodity Risk	-
(V) Capital to be Employed for Exchange Risk-Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options-Standard Method	-
(VII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model	-
(VIII) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI)	31.309
(IX) Amount Subject to Market Risk 12,5xVIII) or (12,5xVII)	**391.363**

b. Average Market Risk Table of Calculated Market Risk During the Month Ends:

	31 December 2006		
	Average	Maximum	Minimum
Interest Rate Risk	73.013	137.522	11.229
Share Premium Risk	6.622	7.679	6.879
Currency Risk	13.093	33.263	13.201
Commodity Risk	-	-	-
Exchange Risk	-	-	-
Operational Risk	-	-	-
Total Amount Subject to Risk	**92.728**	**178.464**	**31.309**

IV. Explanations On Currency Risk:

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the changes of the exchange rates of different foreign currencies in "Net Foreign Currency Position" (Cross Currency Risk). The Parent Bank keeps the foreign currency value-at-risk within the legal limits and follows closely daily currency risk and reports it to the Asset and Liability Committee. When necessary, derivatives like forward foreign exchange contracts and currency swaps are used as part of the currency risk management.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	USD	EUR	Yen
Balance Sheet Evaluation Rate:	**1,37770 YTL**	**1,81210 YTL**	**0,01157 YTL**
1. Day bid rate	1,38370 YTL	1,82010 YTL	0,01163 YTL
2. Day bid rate	1,38430 YTL	1,81830 YTL	0,01162 YTL
3. Day bid rate	1,38660 YTL	1,82180 YTL	0,01165 YTL
4. Day bid rate	1,38310 YTL	1,82560 YTL	0,01165 YTL
5. Day bid rate	1,38600 YTL	1,82790 YTL	0,01170 YTL

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown in the table below:

USD : 1,39017 YTL

Euro : 1,83642 YTL

Yen : 0,01184 YTL

As of 31 December 2005;

	USD	EUR	Yen
Balance Sheet Evaluation Rate:	**1,34180 YTL**	**1,58748 YTL**	**0,01144 YTL**

Information on currency risk of the Bank:

Foreign currency position of the Group is disclosed in terms of the material currencies in the following table. Foreign currency indexed assets, classified as Turkish Lira assets according to Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. In addition, foreign currency general provisions in the balance sheet , are considered as Turkish Lira in the calculation of Net Currency Position regarding the related regulation. Therefore, there is a difference between the sum of the foreign currency assets in the following table and in the balance sheet. The Groups' real position, both in financial and economic terms, is presented in the table below:

	EURO	USD	Yen	Other FC (*)	Total
31 December 2006					
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.841.123	395.512	217	27.354	2.264.206
Due From Banks and Other Financial Institutions	378.872	1.706.550	2.589	152.556	2.240.567
Financial Assets at Fair Value Through Profit or Loss	169.197	193.828	-	-	363.025
Interbank Money Market Placements	4.090	22.682	-	650	27.422
Available-for-Sale Financial Assets	71.357	258.850	-	77.669	407.876
Loans (**)	2.136.219	5.645.211	21.839	183.313	7.986.582
Investments in Associates, Subsidiaries and Joint Ventures	-	24.500	-	41.352	65.852
Held-to-Maturity Investments	3.102.612	6.798.734	-	-	9.901.346
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	6.665	-	-	10.214	16.879
Intangible Assets	16	-	-	-	16
Other Assets	1.226.377	432.044	2.685	191.498	1.852.604
Total Assets	**8.936.528**	**15.477.911**	**27.330**	**684.606**	**25.126.375**
Liabilities					
Bank Deposits	23.067	163.255	55	10.725	197.102
Foreign Currency Deposits	4.622.966	10.247.459	16.458	551.971	15.438.854
Funds From Interbank Money Market	192.787	206.301	-	-	399.088
Funds Borrowed From Other Financial Institutions	1.313.387	2.924.699	1.287	74.069	4.313.442
Marketable Securities Issued	544.684	1.105.322	-	-	1.650.006
Miscellaneous Payables	181.046	331.442	106	12.440	525.034
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	2.096.532	492.587	1.327	48.805	2.639.251
Total Liabilities	**8.974.469**	**15.471.065**	**19.233**	**698.010**	**25.162.777**
Net On Balance Sheet Position	**(37.941)**	**6.846**	**8.097**	**(13.404)**	**(36.402)**
Net Off Balance Sheet Position	**(2.237)**	**92.590**	**(7.192)**	**102.326**	**185.487**
Financial Derivative Assets	561.109	1.164.826	3.259	203.425	1.932.619
Financial Derivative Liabilities	563.346	1.072.236	10.451	101.099	1.747.132
Non-Cash Loans	**2.838.437**	**5.883.178**	**348.346**	**139.215**	**9.209.176**

(*) Of the "Other FC" total assets amounting to YTL684.606 thousand; YTL243.728 thousand is in Gold; YTL197.703 thousand is in British Pounds; YTL70.443 thousand is in Swiss Francs and YTL172.732 thousand is in other currencies. Of the total liabilities amounting to YTL698.010 thousand; YTL254.771 thousand is in Gold; YTL305.563 thousand is in British Pounds, YTL63.652 thousand is in Swiss Francs and YTL74.024 thousand is in other currencies.

(**) Includes FC indexed loans amounting to YTL649.167 thousand which has been disclosed as YTL in the financial statements.

V. Explanations On Interest Rate Risk:

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements are performed by the risk management department for all interest sensitive instruments. The results are monthly presented to Asset and Liability Committee ("ALCO"). By using sensitivity and scenario analyses; the possible loss effects on the equity were analysed due to the interest rate volatility not only within current year but also for the future periods. The effects of the volatility of market interest rates on positions and on cash flows are closely monitored.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

31 December 2006	Up to1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	3.106.514	-	-	-	-	1.014.880	4.121.394
Due From Banks and Other Financial Institutions	1.758.236	79.525	37.805	26.781	21.889	392.368	2.316.604
Financial Assets at Fair Value Through Profit/Loss	18.806	86.995	148.699	36.418	272.510	51.100	614.528
Interbank Money Market Placements	28.355	-	-	-	-	27.421	55.776
Available-for-Sale Financial Assets	34.089	125.749	60.232	49.039	371.095	132.861	773.065
Loans	5.224.474	4.012.015	4.264.282	3.635.177	5.221.140	328.218	22.685.306
Held-to-Maturity Investments	3.419.703	3.669.897	2.402.885	795.132	6.119.549	-	16.407.166
Other Assets	122.700	1.291.492	236.398	312.293	888.169	3.696.752	6.547.804
Total Assets	**13.712.877**	**9.265.673**	**7.150.301**	**4.854.840**	**12.894.352**	**5.643.600**	**53.521.643**
Liabilities							
Bank Deposits	342.081	14.832	13.806	61.843	-	70.732	503.294
Other Deposits	21.384.461	3.729.445	393.488	506.523	84.739	5.079.130	31.177.786
Funds From Interbank Money Market	3.071.866	12.808	272.246	-	-	-	3.356.920
Miscellaneous Payables	1.941.700	227.745	86.707	316	-	280.044	2.536.512
Marketable Securities Issued	-	1.650.006	-	-	-	-	1.650.006
Funds Borrowed From Other Financial Institutions	592.923	901.206	675.083	1.288.301	1.430.249	-	4.887.762
Other Liabilities and Shareholders' Equity	19.663	355.924	42.132	9.222	1.559.367	7.423.055	9.409.363
Total Liabilities	**27.352.694**	**6.891.966**	**1.483.462**	**1.866.205**	**3.074.355**	**12.852.961**	**53.521.643**
Balance Sheet Long Position	**-**	**2.373.707**	**5.666.839**	**2.988.635**	**9.819.997**	**-**	**20.849.178**
Balance Sheet Short Position	**(13.639.817)**	**-**	**-**	**-**	**-**	**(7.209.361)**	**(20.849.178)**
Off-balance Sheet Long Position	333.765	25.097	13.646	-	86	-	372.594
Off-balance Sheet Short Position	(112.945)	(1.266)	(1.382)	(4.375)	-	-	(119.968)
Total Position	**(13.418.997)**	**2.397.538**	**5.679.103**	**2.984.260**	**9.820.083**	**(7.209.361)**	**252.626**

b. Average interest rates for monetary financial instruments:

Below average interest rates are calculated by weighting the simple rates with their principals.

31 December 2006 (*)	EURO	USD	Yen	YTL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,71	2,26	-	11,07
Due From Banks and Other Financial Institutions	0,67	4,88	-	16,70
Financial Assets at Fair Value Through Profit/Loss	9,06	8,44	-	19,08
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	7,43	-	16,94
Loans	5,55	5,48	2,17	21,38
Held-to-maturity Investments	3,85	7,25	-	19,25
Liabilities				
Bank Deposits	0,04	1,66	-	18,79
Other Deposits	1,86	4,14	0,11	18,98
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	3,88	5,73	-	-
Funds Borrowed From Other Financial Institutions	4,06	5,30	1,28	15,62

(*) The average interest rates disclosed above are those of the Parent Bank

VI. Explanations On Liquidity Risk:

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. The liquidity risk is managed within the Asset-Liability Management strategy of the Group in accordance with the policies of the market risk. In this scope, the funding sources are being diversified, and sufficient cash and cash equivalents are held. In order to meet an instant cash necessity it is ensured that the cash and cash equivalent assets level does not fall below a predetermined portion of the deposits. During the monthly meetings of the Asset-Liability Committee, the liquidity position of the Group is evaluated and it is ensured that the required actions are taken when considered necessary.

The mismatching of the payments is limited by the capital regarding the scenario analyses. The limit is followed-up monthly and the results are reported to the ALCO. In the case of a limit override; necessary action is taken and risk is restricted with the capital.

Subordinated loans with 10 years of maturity have been provided in order to extend the short-term funding structure in the banking sector. The liquidity risk according to the mismatching of assets and liabilities is decreased with placement of these loans to the short-term derivatives and liquid treasury bills.

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Unclassified(*)	Total
31 December 2006								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.014.880	3.106.514	-	-	-	-	-	4.121.394
Due From Banks and Other Financial Institutions	392.368	1.806.113	31.646	43.856	20.730	21.891	-	2.316.604
Financial Assets at Fair Value Through Profit or Loss	49.797	12.427	43.246	138.307	38.194	331.254	1.303	614.528
Interbank Money Market Placements	27.421	28.355	-	-	-	-	-	55.776
Available-for-Sale Financial Assets	92.507	20.546	24.165	32.803	50.434	512.256	40.354	773.065
Loans	28	5.074.760	3.371.400	3.825.086	2.638.124	7.447.718	328.190	22.685.306
Held-to-maturity Investments	-	2.280.824	1.342.569	1.277.340	844.284	10.662.149	-	16.407.166
Other Assets (*)	212.416	368.089	1.331.726	395.655	315.454	1.046.745	2.877.719	6.547.804
Total Assets	1.789.417	12.697.628	6.144.752	5.713.047	3.907.220	20.022.013	3.247.566	53.521.643
Liabilities								
Bank Deposits	70.732	342.081	14.878	13.617	61.986	-	-	503.294
Other Deposits	5.079.130	21.381.853	3.731.953	393.908	506.197	84.745	-	31.177.786
Funds Borrowed From Other Financial Institutions	-	469.086	718.002	363.162	1.527.824	1.809.688	-	4.887.762
Funds From Interbank Money Market	-	3.071.866	12.808	272.246	-	-	-	3.356.920
Marketable Securities Issued	-	-	-	-	-	1.650.006	-	1.650.006
Miscellaneous Payables	156.760	1.942.801	212.824	84.891	761	32.757	105.718	2.536.512
Other Liabilities (**)	2.188.573	969.972	346.775	45.850	8.816	1.556.489	4.292.888	9.409.363
Total Liabilities	7.495.195	28.177.659	5.037.240	1.173.674	2.105.584	5.133.685	4.398.606	53.521.643
Net Liquidity Gap	(5.705.778)	(15.480.031)	1.107.512	4.539.373	1.801.636	14.888.328	(1.151.040)	-

(*) Assets that are necessary for banking activities and that can not be liquidated in the short term, such as fixed and intangible assets, investments in associates, subsidiaries, stationary stocks, prepaid expenses, loans under follow-up, are classified in this column.
(**) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

VII. Information Regarding The Presentation Of Financial Assets And Liabilities At Their Fair Values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value 31 December 2006	Fair Value 31 December 2006
Financial Assets	42.237.917	42.467.271
Due From Interbank Money Market	55.776	55.776
Due from banks and other financial Institutions	2.316.604	2.317.185
Available-for-Sale Financial Assets	773.065	773.065
Held-to-maturity Investments	16.407.166	16.451.801
Loans	22.685.306	22.869.444
Financial Liabilities	40.755.360	40.760.450
Bank deposits	503.294	503.920
Other deposits	31.177.786	31.175.308
Funds Borrowed From Other Financial Institutions	4.887.762	4.894.711
Marketable Securities Issued	1.650.006	1.650.006
Miscellaneous Payables	2.536.512	2.536.512

The fair values of due from banks and other financial institutions and the funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits represents the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans. In case of short-term maturities, the carrying value is assumed to reflect the fair value.

VIII. Information Regarding The Activities Carried Out On Behalf And On Account Of Other Parties:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no trust transactions.

Section Five

Explanations And Notes Related To Consolidated Financial Statements

I. Explanations And Notes Related To Assets

a. Information related to cash and the account of The Central Bank of the Republic of Turkey ("the CBRT"):

1. Information on cash and the account of the CBRT:

	31 December 2006	
	YTL	FC
Cash/Foreign currency	307.328	127.893
CBRT	1.549.860	2.095.114
Other	-	41.199
Total	1.857.188	2.264.206

2. Information on the account of the CBRT:

	31 December 2006	
	YTL	FC
Demand Unrestricted Amount	283	570.264
Time Unrestricted Amount	-	-
Reserve Requirement	1.549.577	1.524.850
Total	1.549.860	2.095.114

3. Information on reserve requirements:

In accordance with "Communiqué regarding the reserve requirements" issued by the CBRT, the banks operating in Turkey are supposed to place reserves in CBRT with a rate of 6% for their YTL liabilities and 11% as USD and/or EUR for their foreign currency liabilities. CBRT makes quarterly interest payments over the reserve requirements based on the interest rates set. As of 31 December 2006 the corresponding interest rates are 13,12% for YTL, 2,52% for USD and 1,73% for EUR reserves.

As of 31 December 2006, the Group's reserve deposits, including those at foreign banks, amount to YTL3.096.049 thousand.

b. Information on financial assets at fair value through profit or loss:

1. As of 31 December 2006, financial assets at fair value through profit or loss subject to repo transactions amount to YTL195.994 thousand given as collateral/blocked amounts to YTL15.302 thousand.

2. Positive differences related to trading derivative financial assets:

	31 December 2006	
	YTL	FC
Forward Transactions	34.414	3.665
Swap Transactions	37.686	1.940
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	72.100	5.605

c. Information on banks and other financial institutions:

1. Information on banks and other financial institutions:

	31 December 2006	
	YTL	FC
Banks	75.946	2.240.567
Domestic	46.274	147.291
Foreign	29.672	2.093.276
Head Quarters and Branches Abroad	-	-
Other Financial Institutions	91	-
Total	76.037	2.240.567

2. Information on foreign banks account:

	Unrestricted Amount	Restricted Amount
	31 December 2006	31 December 2006
European Union Countries	1.871.994	-
USA, Canada	153.824	-
OECD Countries (*)	43.634	-
Off-Shore Banking Regions	41	-
Other	50.328	-
Foreign Banks Interest Accruals	3.127	-
Total	2.122.948	-

(*) OECD countries except EU countries, USA and Canada

d. Information on available-for-sale financial assets:

1. Characteristics and carrying values of available-for-sale financial assets given as collateral:

As of 31 December 2006, available-for-sale financial assets given as collateral/blocked amount to YTL37.320 thousand. There are no available for sale financial assets subject to repo transactions.

2. Information on available-for-sale financial assets:

	31 December 2006
Debt Securities	620.086
Quoted to Stock Exchange (*)	618.515
Not Quoted	1.571
Share Certificates	33.734
Quoted to Stock Exchange	632
Not Quoted	33.102
Impairment Provision (-)	(1.939)
Other	121.184
Total	773.065

(*) As of 31 December 2006, even though Eurobonds amounting to YTL312.236 thousand are not quoted to stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group:

	31 December 2006	
	Cash	Non-cash
Direct Loans Granted To Shareholders	89	224
Corporate Shareholders	-	-
Real Person Shareholders	89	224
Indirect Loans Granted To Shareholders	418.362	719.753
Loans Granted To Employees	45.415	-
Total	463.866	719.977

2. Information on the first and second group loans, other receivables and loans that have been restructured or rescheduled and other receivables:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Non-Specialised Loans	20.099.069	1.097.438	844.740	21.626
Discount and Purchase Notes	194.451	-	2.828	-
Export Loans	2.110.007	-	57.456	-
Import Loans	-	-	-	-
Loans Granted To Financial Sector	143.913	-	-	-
Foreign Loans	71.049	723.199	-	-
Consumer Loans	2.550.576	-	194.249	-
Credit Cards	5.205.507	-	418.292	-
Precious Metal Loans	111.563	-	142	-
Other	9.712.003	374.239	171.773	21.626
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Cash Loans Interest Accruals	220.228	63.946	9.072	1.319
Total	20.319.297	1.161.384	853.812	22.945

The Bank's cash risk balance to Çukurova Group in the scope of Financial Restructuring Agreement ("FRA") amounted to USD752.945.836 (YTL1.037.333 thousand) as of 31 December 2006, which is classified under "Standard Loans and Other Receivables that have been restructured or rescheduled". The annual interest rate for the remaining portion of the Çukurova Group risk per "FRA Modification Agreement" is identified as Libor+2,5% and the maturity of the last payment is 30 September 2015. According to the "Pledge Agreement" signed between the Bank, Çukurova Holding A.Ş. ("Çukurova Holding") and Çukurova Investments N.V. ("Çukurova Investments") on 28 September 2005, the Bank has a continuous pledge on 6,682% of Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") shares of Çukurova Holding and Çukurova Investments in relation to the Çukurova Group loans repayment liability. The fair value of those Turkcell collaterals amounts to approximately YTL991.004 thousand as of 31 December 2006.

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	12.003.792	49.327	744.432	-
Non-specialised Loans	12.003.792	49.327	744.432	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium And Long-Term				
Loans and Other Receivables	8.095.277	1.048.111	100.308	21.626
Non-Specialised Loans	8.095.277	1.048.111	100.308	21.626
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Cash Loans Interest Accruals	220.228	63.946	9.072	1.319
Total	20.319.297	1.161.384	853.812	22.945

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Accrued Interest and Income	Total
Consumer Loans-YTL	113.227	2.448.025	16.024	2.577.276
Real estate loans	4.497	1.457.510	8.186	1.470.193
Automotive loans	14.195	502.619	2.970	519.784
Consumer loans	2.649	1.736	29	4.414
Other	91.886	486.160	4.839	582.885
Consumer Loans-FC Indexed	2.359	91.480	3.909	97.748
Real estate loans	258	72.356	2.827	75.441
Automotive loans	1.090	13.511	761	15.362
Consumer loans	41	70	5	116
Other	970	5.543	316	6.829
Consumer Loans-FC	1.223	1.055	-	2.278
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	1.223	1.055	-	2.278
Individual Credit Cards-YTL	4.693.852	815.360	48.977	5.558.189
With installments	1.929.395	815.360	24.401	2.769.156
Without installments	2.764.457	-	24.576	2.789.033
Individual Credit Cards- FC	-	-	-	-
With installments	-	-	-	-
Without installments	-	-	-	-
Personnel Loans-YTL	3.861	14.344	174	18.379
Real estate loans	-	1.830	12	1.842
Automotive loans	148	788	7	943
Consumer loans	31	24	1	56
Other	3.682	11.702	154	15.538
Personnel Loans-FC Indexed	535	364	23	922
Real estate loans	-	214	8	222
Automotive loans	-	28	4	32
Consumer loans	-	-	-	-
Other	535	122	11	668
Personnel Loans-FC	-	-	-	-
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-YTL	22.848	2.506	225	25.579
With installments	10.138	2.506	112	12.756
Without installments	12.710	-	113	12.823
Personnel Credit Cards-FC	-	-	-	-
With installments	-	-	-	-
Without installments	-	-	-	-
Credit Deposit Account-YTL (Real Person)	68.352	-	264	68.616
Credit Deposit Account-FC (Real Person)	-	-	-	-
Total	4.906.257	3.373.134	69.596	8.348.987

5. Information on commercial installment loans and corporate credit cards:

	Short- term	Medium and Long-term	Accrued Interest and Income	Total
Commercial Installments Loans-YTL	200.416	1.283.716	10.186	1.494.318
Business Loans	61	4.052	13	4.126
Automotive Loans	64.259	830.558	5.005	899.822
Consumer Loans	-	-	-	-
Other	136.096	449.106	5.168	590.370
Commercial Installments Loans-FC Indexed	13.564	108.754	5.450	127.768
Business Loans	-	943	68	1.011
Automotive Loans	1.061	41.591	1.909	44.561
Consumer Loans	-	-	-	-
Other	12.503	66.220	3.473	82.196
Commercial Installments Loans-FC	-	-	-	-
Business Loans	-	-	-	-
Automotive Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards-YTL	88.562	671	793	90.026
With installment	15.408	671	143	16.222
Without installment	73.154	-	650	73.804
Corporate Credit Cards-FC	-	-	-	-
With installment	-	-	-	-
Without installment	-	-	-	-
Credit Deposit Account-YTL (Legal Person)	65.922	-	1.556	67.478
Credit Deposit Account-FC (Legal Person)	203	-	-	203
Total	368.667	1.393.141	17.985	1.779.793

6. Loans according to types of borrowers:

	31 December 2006
Public	390.141
Private	21.967.297
Total	22.357.438

7. Distribution of domestic and foreign loans:

	31 December 2006
Domestic loans	21.434.168
Foreign loans	923.270
Total	22.357.438

8. Loans granted to investments in associates and subsidiaries:

	31 December 2006
Direct loans granted to investments in associates and subsidiaries	329.416
Indirect loans granted to investments in associates and subsidiaries	-
Total	329.416

9. Specific provisions provided against loans:

	31 December 2006
Loans and other receivables with limited collectibility	25.098
Loans and other receivables with doubtful collectibility	110.156
Uncollectible loans and other receivables	1.313.583
Total	1.448.837

10. Information on non-performing loans (Net) :

10(i). Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2006			
(Gross amounts before specific reserves)	455	1.110	234.670
Restructured loans and other receivables	-	-	13.478
Rescheduled loans and other receivables	455	1.110	221.192

10(ii). Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2005	92.191	206.692	1.207.608
Additions (+)	349.603	67.774	150.773
Transfers from other categories of non-performing loans (+)	-	260.766	306.236
Transfers to other categories of non-performing loans (-)	(264.867)	(302.135)	-
Collections (-)	(39.819)	(58.577)	(169.161)
Foreign exchange valuation differences	1.259	4.689	451
Write-offs (-)	(168)	(5.441)	(31.169)
31 December 2006	138.199	173.768	1.464.738
Special Provision (-)	(25.098)	(110.156)	(1.313.583)
Net Balance on balance sheet	113.101	63.612	151.155

10(iii). Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
31 December 2006			
Period end balance	-	33.866	18.027
Specific provision (-)	-	(22.492)	(13.419)
Net balance on-balance sheet	-	11.374	4.608

11. Policy followed-up for the collection of uncollectible loans and other receivables:

Uncollectible loans and other receivables are aimed to be liquidated through the collection of collaterals and legal procedures.

f. Information on held-to-maturity investments:

1. Information on government debt securities held-to-maturity :

	31 December 2006
Government Bond	13.215.501
Treasury Bill	17.320
Other debt securities(*)	3.174.345
Total	16.407.166

(*) Other debt securities represent the debt securities that are issued by foreign countries.

2. Information on investment securities held-to-maturity:

	31 December 2006
Debt Securities	16.410.654
Quoted to Stock Exchange (*)	16.264.798
Not Quoted	145.856
Impairment Provision (-)	(3.488)
Total	16.407.166

(*) Even though Eurobonds are not quoted to stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

3. Movement of held-to-maturity investments within the year:

	31 December 2006
Beginning balance	8.290.032
FC differences on monetary assets	(478.283)
Purchases during year	10.388.933
Disposals through sales and redemptions	(1.791.592)
Impairment provision	(1.924)
Period end balance	16.407.166

4. Characteristics and carrying values of held-to-maturity investments given as collateral:

As of 31 December 2006, held-to-maturity investments given as collateral amount to YTL1.317.671 thousand. Held-to-maturity investments subject to repo transactions amount to YTL3.497.368 thousand.

g. Information on investments in associates (Net):

1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage (%)	Bank's risk group share percentage(%)
1	Kredi Kayıt Bürosu	Istanbul/Turkey	18,18	18,18

No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	18.257	15.474	1.757	3.121	-	3.673	2.031	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2. Consolidated investments in associates:

2(i). Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage (%)	Other Shareholders' share percentage (%)
1	Banque de Commerce et de Placements S.A.(*)	Geneva/ Switzerland	30,67	69,33

(*) Financial statement information in Note II. below are disclosed in thousands CHF.

2(ii). Main financial figures of the consolidated investments in associates in the order of the above table:

No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	1.571.706	119.805	3.820	63.874	4.178	8.458	7.296	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2(iii). Movement of consolidated investments in associates:

	31 December 2006
Balance at the beginning of the period	**36.352**
Movements during the period	
Purchases	-
Bonus shares obtained	-
Dividends from current year income	2.048
Sales	-
Foreign exchange valuation differences	2.952
Impairment provision	-
Balance at the end of the period	**41.352**
Capital Commitments	**-**
Share percentage at the end of the period (%)	**30,67**

2(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	31 December 2006
Banks	41.352
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Investments	-

2(v). Investments in associates quoted to stock exchange: None.

h. Information on subsidiaries (Net):

1. Unconsolidated subsidiaries:

1(i). Information on unconsolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage (%)	Bank's risk group share percentage(%)
1	Akdeniz Marmara Turizm ve Ticaret A.Ş. (*)	Istanbul/Turkey	99,99	100,00
2	Yapı Kredi Kart Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00
3	Yapı Kredi-Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	99,99	100,00
4	Bayındırlık İşleri A.Ş. (*)	Istanbul/Turkey	99,18	100,00
5	Agro-san Kimya San.ve Tic.A.Ş.	Istanbul/Turkey	99,17	100,00
6	Enternasyonal Turizm Yatırım A.Ş. (*)	Istanbul/Turkey	99,99	100,00
7	Yapı Kredi Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş.(**)	Istanbul/Turkey	30,45	30,45
8	Azur Tourism Investment N.V.	Caraçua/Netherlands Antilles	100,00	100,00

(*) As stated in Note X. of this Section, Extraordinary General Assembly related with taking over Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş by Enternasyonal Turizm Yatırım A.Ş. has been made on 5 February 2007 and the merger is registered on 8 February 2007. As a result of the merger, the Parent Bank's investment share in Enternasyonal Turizm Yatırım A.Ş. has been decreased from 99,99% to 99,96%.

(**) Since the total asset amount is below the 1% of the total assets of the Parent Bank, the related subsidiary is unconsolidated and is carried at restated cost.

1(ii). Main financial figures of the subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	9.230	(33.430)	8.485	-	2	(40.141)	(1.168)	-
2	343	339	-	8	-	46	183	
3	7.412	4.339	103	38	-	431	3.603	-
4	24.022	6.045	3.736	442	266	(15.134)	(89)	-
5	19.376	(26.914)	13.351	2	1	(1.744)	(3.560)	-
6	74.495	50.059	62	13.099	-	(49.590)	(140.504)	-
7	288.941	99.095	4.270	1.424	1.022	6.217	5.179	124.000
8	18.109	18.109	-	-	-	(207.891)	-	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2. Information on consolidated subsidiaries:

2(i). Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage (%)	Bank's risk group share percentage(%)
1	Yapı Kredi Holding B.V. (*)	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım	Istanbul/Turkey	99,99	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	40,48	100,00
4	Yapı Kredi Moscow (**)	Moscow/Russia	99,84	100,00
5	Yapı Kredi Bank Deutschland AG (*)	Frankfurt/Germany	62,92	97,50
6	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
7	Yapı Kredi Leasing	Istanbul/Turkey	25,67	99,58
8	Yapı Kredi Yatırım Ortaklı¤ı A.Ş.	Istanbul/Turkey	11,09	56,00
9	Yapı Kredi Emeklilik	Istanbul/Turkey	-	100,00
10	Yapı Kredi Portföy	Istanbul/Turkey	4,84	99,99
11	Yapı Kredi Nederland (*)	Amsterdam/Holland	-	100,00
12	Koç Yatırım	Istanbul/Turkey	-	100,00

Yapı Kredi Diversified Payment Rights Company which is a special purpose entity established for securitisation transactions of Yapı Kredi and is included in the consolidation although Yapı Kredi or any of its affiliates does not have any shareholding interest in this company.

(*) Financial statement information is expressed in EURO thousand in note 2.

(**) Financial statement information is expressed in USD thousand in note 2.

2(ii). Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	50.722	48.457	3.368	107	-	3.611	1.098	-
2	181.010	125.767	7.783	11.394	6.078	46	183	
3	1.285.725	96.927	510	88.962	-	20.524	2.971	-
4	217.748	50.374	7.414	11.230	2.209	5.504	2.027	-
5	84.555	45.899	230	8.135	3.200	(21.282)	6.526	-
6	569.112	208.495	30.710	23.529	21.459	14.937	(11.814)	500.000
7	1.741.455	478.447	643	180.340	2.521	111.942	5.848	389.640
8	48.640	48.462	9	1.762	1.760	4.382	10.690	30.168
9	1.120.832	55.832	19.049	10.259	8.938	(1.784)	(10.004)	-
10	52.940	43.356	477	6.345	-	27.538	1.982	-
11	357.851	52.368	81	25.418	12.424	2.236	9.076	-
12	82.151	74.835	8.787	10.726	7.370	31.848	28.711	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2(iii). Movement schedules of consolidated subsidiaries:

	31 December 2006
Balance at the beginning of the period	**544.063**
Movements during the period	
Purchases (*)	39.844
Bonus shares obtained	696
Dividends from current year income	-
Sales	-
Foreign exchange valuation differences	19.290
Impairment provision	(16.646)
Balance at the end of the period	**587.247**
Capital Commitments	**-**
Share percentage at the end of the period (%)	**-**

(*) As explained in Note I.2 of Section Six, by the liquidation of foreign funds that are directly controlled by the Bank, the Bank has purchased 6,77% of Yapı Kredi Sigorta A.Ş shares and 5,40% of Yapı Kredi Finansal Kiralama A.O. shares under Anatolia Investment Fund.

2(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

	31 December 2006
Banks	85.033
Insurance Companies	148.018
Factoring Companies	38.784
Leasing Companies	114.322
Finance Companies	-
Other Financial Investments	201.090

2(v). Subsidiaries quoted to Stock Exchange:

	31 December 2006
Quoted to domestic stock exchanges	267.926
Quoted to foreign stock exchanges	-

i. Information on property and equipment :

31 December 2005	Immovables	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
Cost	2.654.803	248.675	11.279	632.983	3.547.740
Accumulated depreciation (-)	(1.549.139)	(175.312)	(9.163)	(465.821)	(2.199.435)
Net book value	1.105.664	73.363	2.116	167.162	1.348.305
31 December 2006					
Net book value at beginning of the period	1.105.664	73.363	2.116	167.162	1.348.305
Additions	5.831	50.878	291	19.745	76.745
Disposals (-), net	(39.106)	(354)	(193)	(10.673)	(50.326)
Reversal of impairment, net	33.988	-	-	3.966	37.954
Impairment (-)	(30.879)	-	-	-	(30.879)
Depreciation (-)	(55.620)	(22.838)	(1.000)	(66.114)	(145.572)
Foreign exchange valuation differences	870	-	6	(8)	868
Net book value at the end of the period	1.020.748	101.049	1.220	114.078	1.237.095
Cost	2.546.611	222.026	9.309	781.563	3.559.509
Accumulated depreciation (-)	(1.525.863)	(120.977)	(8.089)	(667.485)	(2.322.414)
31 December 2006	1.020.748	101.049	1.220	114.078	1.237.095

As of 31 December 2006, the Group booked total provision for impairment on immovables amounting to YTL731.405 thousand for the property and equipment.

j. Information on intangible assets:

	31 December 2006
Beginning of the period	1.179.104
Additions during the Period	15.905
Unused and Disposed Items	(254)
Impairment Charges on Income Statement	(4.015)
Amortisation Expenses (-)	(33.720)
Foreign exchange valuation differences	(874)
End of the period	1.156.146

Koçbank, acquired of 57,42% of the shares of Yapı Kredi Bank's as of 28 September 2005. As a result of the acquisition, the cost of the acquisition exceeding the fair value of acquired identifiable assets, liabilities and commitments amounting to YTL979.493 thousand is accounted as goodwill.

Information on acquisition of net assets related with Yapı Kredi Bank and related information on goodwill calculation is as follows:

	31 December 2006
Paid cash	1.925.965
Direct costs attributable to acquisition	42.054
Total cost of acquisition	1.968.019
Net assets acquired	988.526
Goodwill	979.493

Fair value amounts of assets and liabilities from acquisition are as follows:

	28 September 2005
Cash and the CBRT, Banks and Money Market	3.659.118
Marketable Securities	7.658.504
Loans	10.914.241
Property, Equipment and Intangible Assets	1.454.959
Amounts due to Cost Distribution of Merger (**)	163.084
Other Receivables and Other Assets	1.696.557
Deposits	(16.443.350)
Borrowings and Money market	(3.195.687)
Other Liabilities	(4.185.850)
Addition to Net Assets	1.721.576

(**) Koçbank, assigned a consultancy firm for the valuation of intangible assets determined as credit card trademark, customer base and relationship that can be measured reliably the future economic benefits embodied in the asset will flow to the Group. In line with the report dated 13 February 2006 the Bank recognized YTL163.084 thousand of intangibles in the unconsolidated financial statements. And this amount is booked under intangible assets in the unconsolidated financial statements. Identified intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years. As of 31 December 2006, net book value of these intangible assets amounts to YTL142.699 thousand.

k. Information on deferred tax asset:

	31 December 2006	
	Tax Base	Deferred Tax
Reserves for employment termination benefit	158.995	31.821
Fund deficit provision	483.281	96.656
Trading derivative financial liabilities	31.445	6.289
Property, equipment and intangibles , net	584.510	116.902
Subsidiaries, investment in associates and share certificates	78.397	15.680
Carry-forward tax losses	16.475	3.295
Other	153.571	30.734
Total deferred tax asset	**1.506.674**	**301.377**
Trading derivative financial assets	77.656	15.531
Valuation difference of securities portfolio	116.868	27.803
Property, equipment and intangibles , net	592.579	94.351
Other	7.406	1.074
Total deferred tax liability	**794.509**	**138.759**
Deferred Tax Asset, net	**712.165**	**162.618**

According to TAS 12, deferred tax assets amounting to YTL166.981 thousand and deferred tax liabilities amounting to YTL4.363 thousand have been netted off in the financial statements of subsidiaries subject to consolidation during the preparation of consolidated financial statements. They are shown separately in assets and liabilities in the consolidated financial statements.

l. Movement schedule of assets held for resale:

	31 December 2006
Balance at the beginning of the period	**214.005**
Additions	11.787
Disposals (-) Net	(23.509)
Impairment, net	(1.879)
Depreciation (-)	(10.207)
Foreign exchange valuation differences	(280)
Net Book Value at the end of the period	**189.917**
Cost at the end of the period	220.953
Depreciation at the end of the period (-)	(31.036)
Net Book Value at the end of the period	**189.917**

As of 31 December 2006, the Group has booked impairment provision on assets held for resale with an amount of YTL286.952 thousand.

m. Information on Leasing Receivables (Net):

1. The breakdown of the maturities of investments by leasing:

	31 December 2006	
	Gross	Net
Less than 1 Year	894.066	702.315
Between 1-4 Years	967.993	830.283
Over 4 Years	65.492	57.818
Total	**1.927.551**	**1.590.416**

n. Information on other assets:

As of 31 December 2006, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

II. Explanations And Notes Related To Liabilities

a. Information on deposits:

1. Information on maturity structure of deposits/collected funds:

1(i). 31 December 2006:

	Demand	With 7 days notifications	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over
Saving Deposits	834.919	-	2.501.374	5.984.533	240.647	17.653	68.195
Foreign Currency Deposits	3.173.343	-	3.863.138	6.240.918	954.213	265.945	641.354
Residents in Turkey	3.040.113	-	3.316.433	5.836.814	866.101	226.603	529.805
Residents Abroad	133.230	-	546.705	404.104	88.112	39.342	111.549
Public Sector Deposits	9.115	-	44.113	9.710	6.603	-	37
Commercial Deposits	842.241	-	2.238.504	2.395.751	54.068	959	1.823
Other Institutions Deposits	63.553	-	23.694	253.088	5.463	87	204
Gold Vault	151.312	-	101.452	456	246	444	590
Bank Deposits	70.732	-	321.232	27.664	20.104	62.264	-
The CBRT	-	-	-	-	-	-	-
Domestic Banks	6.662	-	276.910	15.879	2.067	10.118	-
Foreign Banks	45.337	-	44.322	11.785	18.037	52.146	-
Special Financial Institutions	18.733	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Accrued Interest on Deposit	4.647	-	142.799	31.113	4.378	5.362	1.040
Total	**5.149.862**	**-**	**9.236.306**	**14.943.233**	**1.285.722**	**352.714**	**713.243**

2. Information on saving deposits insurance:

2(i). Information on saving deposits under the guarantee of saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance	Exceeding limit of the deposit insurance
Saving Deposits	31 December 2006	31 December 2006
Saving Deposits	4.970.931	4.749.385
Foreign Currency Savings Deposit	3.058.148	5.209.910
Other deposits in the form of savings deposits	5.893	90.317
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

2(ii). Saving deposits, which are not under the guarantee of saving deposits insurance fund:

	31 December 2006
Saving deposits in foreign branches	-
Saving deposits in off-shore banking regions	158.746
Total	158.746

b. Information on trading derivative financial liabilities:

	31 December 2006	
Trading Derivative Financial Liabilities	YTL	FC
Forward Transactions	19.757	2.349
Swap Transactions	9.518	449
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	29.275	2.798

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2006	
	YTL	FC
The CBRT Borrowings	-	-
From Domestic Banks and Institutions	359.459	239.147
From Foreign Banks, Institutions and Funds	203.632	4.029.960
Accrued Interest Expense of Banks and Other Financial Institutions	11.229	44.335
Total	574.320	4.313.442

2. Information on maturity structure of borrowings:

	31 December 2006	
	YTL	FC
Short-Term	563.091	3.625.172
Medium and Long-Term	-	643.935
Accrued Interest on Borrowings	11.229	44.335
Total	574.320	4.313.442

d. Information on marketable securities issued:

In December 2006, the Group finalised a securitization borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to YTL1.645.790 thousand by using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") as intermediary and Assured Guarantee, MBIA and Radian ve Ambac as the guarantor. The interest rate of this borrowing ranges between 3,88% and 5,93%, and the maturity ranges between 5 and 8 years; the repayment will begin in the last period of 2008.

	31 December 2006
2006	-
2007	-
2008	32.853
2009	131.411
2010	383.074
2011	383.074
2012	251.662
2013	251.662
2014	212.054
Expense Accrual	4.216
Total	1.650.006

As explained in Note X. of Section Five, the Bank has repaid USD310 million of the credit as of 1 March 2007 and refunded USD400 million of the credit.

e. Information on other foreign liabilities:

As of 31 December 2006, other foreign liabilities do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

f. Information on financial leasing agreements:

The contingent rent instalments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which cause significant commitments onto the Bank.

	31 December 2006	
	Gross	Net
Less than 1 year	6	5
Between 1-4 years	-	-
More than 4 years	-	-
Total	**6**	**5**

g. Information on provisions:

1. Information on general provisions:

	31 December 2006
Provisions for Group I loans and receivables	447.333
Provisions for Group II loans and receivables	142.775
Provisions for non cash loans	102.806
Other	16.033
Total	**708.947**

2. Information on reserve for employment termination benefit:

In accordance with Turkish Labour Law, reserve for employment termination benefit is calculated over today's possible liability of the Bank in case of retirement of employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises.

Following actuarial assumptions are used in the calculation of total liabilities

	31 December 2006
Discount rate (%)	5,71
The Rate Used Related to Retirement Expectation (%)	96,50

The principal actuarial assumption is that the maximum liability of YTL1.857,44 as of 31 December 2006 will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1.960,69 (1 January 2006:YTL1.770,62) effective from 1 January 2007 has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefit liability in the balance sheet:

	31 December 2006
Prior Period Beginning Balance	86.777
Provisions Recognised During the Period	28.624
Paid During the Period	(11.396)
Balance at the end of the period	**104.005**

In addition, the Group has accounted for vacation rights provision amounting to YTL59.171 thousand as of 31 December 2006.

3. Other provisions:

	31 December 2006
Pension fund provision (*)	483.281
Tax risk provision (**)	95.740
Non-cash loan provision	57.666
Provisions on credit cards and promotion campaigns related to banking services	53.441
Tax and fund liability provisions on possible export commitments	39.365
Legal risk provision (**)	12.774
Other	125.056
Total	**867.323**

(*) According to the temporary article 23 of the Banking Law No 5387 accepted on 2 July 2005 by Grand National Assembly of Turkey ("TBMM"), pension funds will be transferred to the Social Security Institution within three years beginning from the published date of this article without the need of any transaction. At 22 July 2005, the temporary article 23 was vetoed by the President of the Turkish Republic and sent back to "TBMM" to be discussed again. The stated Banking Law was accepted by TBMM on 19 October 2005 without changing the related temporary article 23. As of 2 November 2005, the President of Turkish Republic used the application right related with the temporary article 23 to apply to the Constitutional Court of Turkey.

The Parent Bank obtained a actuarial report from a registered actuary regarding this Fund in accordance with the decree related to principles and procedures on determining the application of transfer transactions published in the Official Gazette dated 15 December 2006, No 26377 determined by the decision of Council of Ministers No 2006/11345. Based on this decree, the actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 10,24% and CSO 1980 mortality table, and reflects a technical deficit of YTL599.240 thousand as of 31 December 2006. The Parent Bank will provide a full provision regarding the actuarial report until the end of the year 2007 and has provided a provision amounting to YTL483.281 thousand in the financial statements as of 31 December 2006.

(**) Considered as provisions for possible risks.

4. Information on Provisions Related with Foreign Currency Difference of Foreign Indexed Loans:

As of 31 December 2006, the provision related to the foreign currency difference of foreign indexed loans amounts to YTL32.202 thousand.

h. Information on taxes payable:

(i) Information on taxes payable:

	31 December 2006
Corporate Tax Payable	76.938
Taxation of Marketable Securities	44.390
Property Tax	655
Banking Insurance Transaction Tax (BITT)	30.184
Foreign Exchange Transaction Tax	3.122
Value Added Tax Payable	1.580
Other	16.936
Total	173.805

(ii) Information on premium payables:

	31 December 2006
Social Security Premiums – Employee	784
Social Security Premiums – Employer	1.768
Bank Pension Fund Premiums – Employee	-
Bank Pension Fund Premiums – Employer	-
Pension Fund Deposit and Provisions – Employee	-
Pension Fund Deposit and Provisions – Employer	-
Unemployment Insurance – Employee	403
Unemployment Insurance – Employer	827
Other	47
Total	3.829

i. Information on subordinated loans:

	31 December 2006	
	YTL	FC
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1.559.258
From Other Foreign Institutions	-	-
Total	-	1.559.258

At 31 March 2006, the Parent Bank obtained a subordinated loan amounting to EUR500 million, with ten years maturity and a repayment option at the end of five years. The interest rate is determined as EURIBOR+2% for the first five years. The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor. In addition, the subordinated loan obtained by Koçbank at 28 April 2006 amounting to EUR350 million, with ten years maturity and repayment option at the end of five years has been transferred to the Bank. The interest rate is determined as EURIBOR+2,25% for the first five years. The loan was obtained decrees from Goldman Sachs International Bank with Unicredit S.p.A. as guarantor. With the written of the BRSA dated 3 April 2006 and 2 May 2006, both of the loans have been approved as subordinated loans and accepted to be taken into consideration as supplementary capital within the limits of "Capital Adequacy Regulation".

j. Information on shareholders' equity:

1. Presentation of Paid-in capital (as nominal; inflation unadjusted balances):

	31 December 2006
Common Stock	3.142.818
Preferred Stock	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling (As nominal; inflation unadjusted balances):

   The Parent Bank has paid-in-capital with an amount of YTL3.142.818 thousand and does not apply registered share capital system.

3. Information on the share capital increase during the period and their sources:

Increase Date	Increase Amount	Cash	Profit Reserve Regarding Increase	Capital Reserve Regarding Increase
31 March 2006	1.144.318	-	-	1.144.318
2 October 2006 (*)	1.246.155	-	-	-

(*) The approval of the BRSA with regard to the merger of the two banks through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all its rights, receivables, liabilities and obligations to Yapı Kredi in accordance with the provisions of article 19 of the Banking Law and all other relevant legislation, was published in the Official Gazette dated 1 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi's current capital has increased from YTL1.896.662 thousand to YTL3.142.818 thousand.

Paid-in capital as of 31 December 2006 in the consolidated statement of changes in shareholders' equity represents Koçbank's paid-in capital, since the 31 December 2005 figures of Koçbank's consolidated financials have been used as opening financial statements as explained in detail in Note VII. of Section 5.

4. Information on transfers from revaluation funds to capital during the current period: None.

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

6. Information on privileges given to shares representing the capital by considering the Groups income profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities is managed by the Bank within several risk limits and legal limits.

7. Privilege on the corporate stock: None

k. Information on marketable securities value increase fund:

	31 December 2006	
	YTL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	5.148	15.015
Foreign Currency Difference	2.377	-
Total	7.525	15.015

III. Explanations And Notes Related To Income Statement:

a. Information on interest income:

1. Information on interest income on loans

	31 December 2006	
	YTL	FC
Short Term Loans	2.280.788	175.483
Medium/Long Term Loans	595.687	330.709
Interest on Loans Under Follow-up	61.653	1.019
Premiums Received from Resource Utilisation Support Fund	-	-
Total	2.938.128	507.211

2. Information on interest income on banks:

	31 December 2006	
	YTL	FC
From the CBRT	-	4.724
From Domestic Banks	14.013	6.750
From Foreign Banks	5.456	71.386
Headquarters and Branches Abroad	-	-
Total	19.469	82.860

3. Information on interest income on marketable securities:

	31 December 2006	
	YTL	FC
From Trading Financial Assets	47.070	45.467
From Financial Assets At Fair Value Through Profit or Loss	-	-
From Available-for-Sale Financial Assets	54.231	13.095
From Held-to-Maturity Investments	810.481	408.441
Total	911.782	467.003

4. Information on interest income received from investments in associates and subsidiaries:

	31 December 2006
Interests Received From Investments in Associates and Subsidiaries	10.629

b. Information on interest expenst:

1. Information on interest expense on borrowings:

	31 December 2006	
	YTL	FC
Banks	96.746	217.066
The CBRT	-	-
Domestic Banks	77.060	16.201
Foreign Banks	19.686	200.865
Headquarters and Branches Abroad	-	-
Other Institutions	-	63.981
Total	96.746	281.047

2. Information on interest expense given to investments in associates and subsidiaries:

	31 December 2006
Interests paid to Investments in Associates and Subsidiaries	2.364

3. Maturity structure of the interest expense on deposits:

		Time Deposit						
Account Name	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 Year	Cumulative Deposit	Total
YTL								
Bank Deposits	24.822	14.312	212	-	-	-	-	39.346
Saving Deposits	873	414.867	920.425	71.263	22.399	22.166	-	1.451.993
Public Sector Deposits	-	2.433	2.783	77	5	3	-	5.301
Commercial Deposits	23.334	455.010	199.606	7.547	1.373	4.936	-	691.806
Other Deposits	27	21.268	58.574	30.253	733	186	-	111.041
Deposits with 7 days notification	18	-	-	-	-	-	-	18
Total	**49.074**	**907.890**	**1.181.600**	**109.140**	**24.510**	**27.291**	**-**	**2.299.505**
FC								
Foreign Currency Deposits	10.276	162.132	168.391	32.341	11.815	18.770	-	403.725
Bank Deposits	10.280	3.304	-	-	-	-	-	13.584
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Gold Vault	-	51	4	910	6	7	-	978
Total	**20.556**	**165.487**	**168.395**	**33.251**	**11.821**	**18.777**	**-**	**418.287**
Grand Total	**69.630**	**1.073.377**	**1.349.995**	**142.391**	**36.331**	**46.068**	**-**	**2.717.792**

4. Interest given on marketable securities issued:

	31 December 2006	
	YTL	FC
Interest given on marketable securities issued	-	4.216

c. Information on dividend income

	31 December 2006
Trading Financial Assets	261
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	1.207
Other	2.657
Total	**4.125**

d. Information on trading loss / income: (Net)

	31 December 2006
Income	**6.607.923**
Income from Capital Market Transactions	2.498.817
Derivative Financial Transactions	2.317.879
Other	180.938
Foreign Exchange Gains	4.109.106
Loss(-)	**(6.550.633)**
Loss from Capital Market Transactions	(2.237.148)
Derivative Financial Transactions	(2.120.239)
Other	(116.909)
Foreign Exchange Loss	(4.313.485)
Net Gain/Loss	**57.290**

e. Information on other operating income:

Other operating income mainly consists of collections from loans that were provisioned in the previous years'.

Besides, according to Uniform Chart of Account, foreign exchange income on "Foreign indexed assets" amounting to YTL35.209 thousand are classified into "Other operating income" instead of "Foreign Exchange Gains" account.

f. Provision expenses related to loans and other receivables:

	31 December 2006
Specific provisions for loans and other receivables	234.329
III. Group Loans and Receivables	33.882
IV. Group Loans and Receivables	13.220
V. Group Loans and Receivables	187.227
General Provision Expenses	119.893
Provision Expense for Possible Risks	1.652
Marketable Securities Impairment Expenses	3.218
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	3.218
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	698
Investments in Associates	698
Subsidiaries	-
Joint Ventures	-
Held-to-Maturity Investments	-
Other (*)	301
Total	**360.091**

(*) Other refers to provisions on non-cash loans.

g. Information related to other operating expenses:

	31 December 2006
Personnel Expenses	779.257
Reserve for employee termination benefits	17.228
Bank social aid provision fund deficit provision	152.539
Impairment expenses of fixed assets	30.879
Depreciation expenses of fixed assets	145.572
Impairment expenses of intangible assets	4.015
Goodwill impairment expenses	-
Amortisation expenses of intangible assets	33.720
Impairment expenses of equity participations for which equity method is applied	-
Impairment expenses of Assets Held For Resale	9.887
Depreciation expenses of Assets Held for Resale	10.207
Impairment expenses of Fixed Assets Held for Sale	-
Other operating expenses	674.018
Operational Lease Expenses	18.984
Maintenance Expenses	29.622
Advertising Expenses	124.532
Other Expense	500.880
Loss on sales of assets	24.291
Other (*)	837.986
Total	**2.719.599**

(*) Other mainly consists of insurance technical provisions amounting to YTL490.530 thousand

h. Explanations on profit and loss before tax:

Profit and loss before tax consists of net interest income amounting to YTL2.005.819 thousand, net fee and commission income amounting to YTL1.442.608 thousand and total other operating expense amounting YTL2.719.599 thousand.

i. Information on tax provision:

As of 31 December 2006, the Bank has current tax expense amounting to YTL80.674 thousand and deferred tax expense amounting to YTL153.942 thousand.

YTL133.888 thousand of deferred tax expense is a result of the decrease of corporate tax rate from 30% to 20% in accordance with New Corporate Tax Law.

The tax litigations against the corporation tax of 2003 fiscal year and the withholding tax of the 2004/4 period and have been concluded in favour of Koçbank with the decisions of Istanbul 1. Tax Court dated 17 May 2006 and Istanbul 3. Tax Court dated 12 June 2006. The Tax Office has already appealed to the Council of State against the resolutions of Tax Courts and the appeal investigations are continuing. Based on the resolutions of Tax Courts, YTL109.328 thousand, the tax amount subject to litigation has been refunded from the Tax Office to Koçbank and has been recognised in the Bank's financial statements as deferred tax income as of 31 December 2006.

j. Information on net income/loss for the period:

For the understanding of the Bank's current year performance, the characteristic of income or expense items arising from common banking transactions, dimension and recurrence of these transactions are not required except for the deferred tax income arising from tax court as explained in Note i of this Section.

k. Profit/loss of minority interest:

	31 December 2006
Profit/loss of minority interest:	141.450

IV. Explanations And Notes Related To Off-balance Sheet Accounts

a. Information on off balance sheet commitments:

1. The amount and type of non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments:
   Commitments on credit cards limits are YTL8.163.986 thousand, commitments for cheque books is YTL1.310.760 thousand.

2. Type and amount of probable losses and obligations arising from off-balance sheet items:
   There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

2(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letter of credits:

	31 December 2006
Bank acceptance loans	216.649
Letter of credits	2.589.469
Other guarantees	1.482.767
Total	**4.288.885**

2(ii). Revocable, irrevocable guarantees, contingencies and other similar commitments:

The total of revocable, irrevocable guarantees, contingencies and other similar commitments as of 31 December 2006 is YTL11.213.022 thousand.

3(i). Total amount of non-cash loans:

	31 December 2006
Non-cash loans given against cash loans	418.597
With original maturity of 1 year or less than 1 year	178.246
With original maturity of more than 1 year	240.351
Other non-cash loans	15.083.310
Total	15.501.907

3(ii). Information on sectoral concentration of non-cash loans:

	31 December 2006			
	YTL	(%)	FC	(%)
Agricultural	76.530	1,21	48.383	0,53
Farming and Raising livestock	59.239	0,94	43.824	0,48
Forestry	13.439	0,21	3.949	0,04
Fishing	3.852	0,06	610	0,01
Manufacturing	2.355.731	37,44	4.051.092	43,99
Mining	29.417	0,47	94.787	1,03
Production	2.278.549	36,21	3.619.999	39,31
Electric, Gas and Water	47.765	0,76	336.306	3,65
Construction	1.461.235	23,22	1.818.268	19,74
Services	2.341.363	37,21	2.836.030	30,79
Wholesale and Retail Trade	1.483.733	23,58	381.290	4,14
Hotel, Food and Beverage Services	70.874	1,13	91.303	0,99
Transportation and Telecommunication	236.576	3,76	605.619	6,58
Financial Institutions	318.796	5,07	1.129.409	12,26
Real Estate and Leasing Services	70.282	1,12	135.389	1,47
Self-Employment Services	-	-	-	-
Education Services	7.833	0,12	3.850	0,04
Health and Social Services	153.269	2,43	489.170	5,31
Other	57.872	0,92	455.403	4,95
Total	6.292.731	100,00	9.209.176	100,00

3(iii). Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
	YTL	FC	YTL	FC
Non- Cash Loans				
Letters of Guarantee	5.514.725	5.590.080	52.235	55.982
Bank Acceptances	-	214.153	-	2.496
Letters of Credit	325	2.549.971	-	39.173
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	702.569	755.276	22.877	2.045
Total	6.217.619	9.109.480	75.112	99.696

b. Information on derivative financial instruments:

	31 December 2006
Types of Trading Transactions	
Foreign currency related derivative transactions (I)	4.455.572
FC trading forward transactions	2.076.522
Trading swap transactions	1.226.446
Futures transactions	-
Trading option transactions	1.152.604
Interest related derivative transactions (II)	1.114.958
Forward interest rate agreements	213.943
Interest rate swaps	901.015
Interest rate options	-
Interest rate futures	-
Other trading derivative transactions (III)	-
A. Total trading derivative transactions (I+II+III)	5.570.530
Types of hedging transactions	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
B. Total hedging related derivatives	
Total derivative transactions (A+B)	5.570.530

c. Information on contingent liabilities:

In this respect, several outstanding legal cases against the group have been considered as contingent liability and YTL12.215 thousand provision against these legal cases has been accounted for in the financial statements under “Other Provisions” account.

d. Information on services in the name of others’ names and accounts:

The Group’s activities of saving and depositing in the name of real and legal persons are not considered as material.

V. Explanations And Notes Related To Changes In Shareholders' Equity

a. Information on dividends: None

b. Information on foreign currency differences:
Foreign currency denominated associates and subsidiaries' acquisition costs are booked at their original foreign currency costs translated into Turkish Lira using exchange rate prevailing at the balance sheet date and foreign exchange differences arising from the translation are recognised in "marketable securities value increase fund" under shareholders' equity account.

c. Information on available for sale financial assets:
"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year profit or loss statement but recognized in the "Marketable securities value increase fund" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

d. Information on increase/decrease amounts result from the merger:
It is explained in details in Note VII. of Section Five.

VI. Explanations And Notes Related To Statement Of Cash Flows

a. Information on cash and cash equivalent assets:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:
Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

2. Effect of a change on the accounting policies: None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

Cash and cash equivalents at the end of period :

	31 December 2006
Cash	1.398.136
Cash and Effectives	435.221
Demand Deposits in Banks	962.915
Cash Equivalents	1.886.090
Interbank Money Market	55.741
Deposits in Bank	1.830.349
Total Cash and Cash Equivalents	3.284.226

b. Information on cash and cash equivalents that are not in use due to legal limitations and other reasons:
None.

c. The effects of the change in foreign exchange rates on cash and cash equivalents:
None.

VII. Explanations And Notes Related To Bank's Merger, Transfers And Companies Acquired By Banks

On 28 September 2005, the final version of the Share Purchase Agreement was signed between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş., Koçbank N.V., Koçbank regarding the sale of 57,42% of the shares of the Bank. With the signing of the agreement, the Share Purchase Agreement which was agreed on 8 May 2005 officially became valid. According to the agreement on 28 September 2005, 44,52% of the shares of Yapı Kredi owned by Çukurova companies amounted to nominal YTL335.015 thousand and 12,90% of the shares of Yapı Kredi owned by Saving Deposit Insurance Fund amounted to a nominal YTL97.032 thousand were transferred to Koçbank.

Moreover, Koçbank purchased a further 9,09% of Yapı Kredi shares traded on the in ISE and 0,79% of the shares under a foreign mutual fund in Yapı Kredi's available-for-sale financial assets portfolio during April and as a result, the ownership of the Bank increased to 67,31%. The Bank recognized the difference between the acquisition cost and net asset acquired amount directly in the account of "Prior Years' Income / Losses" under Equity, as it was considered as a transaction with minorities. (Section Three III.5)

Besides, the approval of the BRSA with regard to the merger of Koçbank and Yapı Kredi through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all Koçbank's rights, receivables, liabilities and obligations to Yapı Kredi in accordance with article 19 of the Banking Act No.5411 and other relevant legislation was published in the Official Gazette dated 1 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi's current capital has increased from YTL1.896.662.493,80 to YTL3.142.818.454,10 and a distribution of the increased portion amounting to YTL1.246.155.960,30 has been made to the shareholders of the Bank starting from 10 October 2006. The shareholders of the Bank have the right to purchase 1Ykr nominal valued 0,5313538 units of shares in exchange for each 1Ykr nominal valued the Bank share. Due to the merger and the consequential dissolution of Koçbank without liquidation, the record of Koçbank was erased from the trade registry as of 2 October 2006.

After the merger, the share of KFS, which owned the 99,78% shares of Koçbank, became 80,18% in the merged Bank.

Due to the fact that the shareholders with the final control right over Yapı Kredi and Koçbank did not change before or after the merger, the merger has been defined as transactions under common control. By examining the principles in globally generally accepted accounting standards, the Group has decided to employ a methodology in line with "the pooling of interest" method of which resulted in information that is relevant to the economic decision-making needs of users and reflected the economic substance of transactions for the accounting of mergers under common control which is neither stated in TFRS 3 nor any of TFRS standards. According to this methodology, all the assets and liabilities subject to merger under common control are recorded to the consolidated financial statements at their carrying values. Income statements have been merged from the beginning of the financial year when the merger took place.

As a result of the purchase on 28 September 2005, Yapı Kredi and the subsidiaries owned by Yapı Kredi have been taken into the scope of consolidation. In accordance with generally accepted accounting practice explained in Section 5.j.1, goodwill, credit card brand value, deposit base and customer portfolio values stated as other identifiable intangibles are reflected to the Koçbank consolidated financial statements. With the merger on 2 October 2006, the transfer of Koçbank to Yapı Kredi had no effect on the Group's (Koçbank, Yapı Kredi and subsidiaries owned by Yapı Kredi) structure. As a result of these, 31 December 2006 consolidated financial statement are considered as a continuation of the 31 December 2005 Koçbank consolidated financial statements and the effects of the TFRS application are also reflected to these financial statements.

Extraordinary General Assembly meetings regarding the transfer of Koç Leasing with all its rights, receivables, liabilities and obligations to the Yapı Kredi Leasing and the consequential dissolution without liquidation were held on 21 December 2006 and the merger was approved on 27 December 2006. As a result of the merger, with the share purchase realized on 28 December 2006, the Bank's share in Yapı Kredi Leasing has decreased from 98,13% to 25,67%. However, share of Bank's risk Group is 99,58%.

Extraordinary General Assembly meetings regarding the transfer of one of the Bank's subsidiaries, Yapı Kredi Faktoring with all its rights, receivables, liabilities and obligations to the Koç Faktoring and the consequential dissolution without liquidation were held on 22 and 27 December 2006 and the corporate title of Koç Faktoring Hizmetleri A.Ş. has been changed as Yapı Kredi Faktoring A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Faktoring A.Ş. has decreased from 99,98% to 40,48%. However, share of Bank's risk Group is 100%.

Extraordinary General Assembly meetings regarding the transfer of Yapı Kredi Portföy which the Bank indirectly owns, with all its rights, receivables, liabilities and obligations to the Koç Portföy and the consequential dissolution without liquidation were held on 22 December 2006. The corporate title of Koç Portföy Yönetimi A.Ş. was changed to Yapı Kredi Portföy Yönetimi A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Portföy Yönetimi A.Ş. has decreased from 32,49% to 4,84%. However, share of Bank's risk Group is 99,99%.

Besides, the merger operations of the above-mentioned entities have been reflected in the consolidated financial statements by taking the 'Pooling of Interest' methodology into consideration. In this context, equities of the entities which were subject to merger process but not included in the consolidation scope since they were not under the control of the Bank at 31 December 2005, namely Koç Leasing, Koç Faktoring, Koç Menkul and Koç Portföy were consolidated in the Group's equity at 1 January 2006 and the income statements from the beginning of the fiscal year when the merger took place.

The effect of those companies on the Group's consolidated equities on 1 January 2006 is YTL396.466 thousand.

VIII. Explanations And Notes Related To Group's Risk Group

a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. 31 December 2006:

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Groups' Risk Group (*)	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the End of the Period	329.416	25.578	418.451	719.977	-	-
Interest and Commission Income Received	10.629	2	51.079	1.274	-	-

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

2. Information on deposits of the Bank's risk group:

Group's Risk Group(*)	Associates, subsidiaries and joint ventures	Direct and indirect shareholders of the Bank	Other real and legal persons that have been included in the risk group
Deposit	2006	2006	2006
End of the Period	61.693	3.496.591	-
Interest Expense on Deposits	2.364	254.451	-

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Group's Risk Group(*)	Associates, subsidiaries and join ventures	Direct and indirect shareholders of the Bank	Other real and legal persons that have been included in the risk group
	2006	2006	2006
Transactions at Fair Value Through Profit or Loss (**)			
End of the Period (***)	-	230.617	-
Total Profit / Loss	-	127	-
Transactions for hedging purposes			
End of the Period	-	-	-
Total Profit / Loss	-	-	-

(*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.
(**) The Bank's derivative instruments are classified as "Financial Assets at Fair Value Through Profit or Loss" according to TAS 39.
(***) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

2. Type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Total Transaction Volume	%
Loans and Due from Banks	747.867	24.674.042	3
Interest Income Received	61.708	3.547.668	2
Non- Cash Loans	745.555	15.501.907	5
Commission Income Received	1.276	130.431	1
Deposit, Borrowings and Money Markets	3.558.284	39.925.762	9
Interest Expense Paid	256.815	3.335.239	8
Trading Transactions	230.617	5.570.530	4
Trading Transactions Expenses (net)	127	261.669	-

3. Information regarding benefits provided to the Bank's key management:
Salaries paid to the Bank's key management amount to YTL17.580 thousand in 2006.

IX. Explanations And Notes Related To The Domestic, Foreign, Off-shore Branches And Foreign Representatives Of The Parent Bank

	Number	Employee number			
Domestic Branch	607	13.463			
			Country of Incorportation		
Foreign Rep. Office	3	8	1-Germany		
Foreign Rep. Office	1	-	2-Russia		
				Total Asset	Statutory Share Capital
Foreign Branch	-	-		-	-
Off-Shore Banking Region Branch	1	7	1-Bahreyn	5.046.489	-

X. Explanations And Notes Related To Subsequent Events

1- As of 1 March 2007, the Bank received external financing which consisting of two parts and amounting to USD400 million according to the securitization program based on diversified payment rights of future cash flows with the leadership of the Standard Chartered Bank and Bayerische Hypo-und Vereinsbank AG. The maturity of the both parts is eight years which amounts to EUR115 million and USD250 million, respectively. With the external financing, fifth part of the transaction made in 2006 with a five-year maturity amounting to the USD310 million was repaid.

2- Based on the "Fintur, Superonline and Digitürk Purchase-Sale agreement" signed between the Bank and the Çukurova Group companies at 28 September 2005, the date set for the transfer of the Superonline shares was extended for an additional three months on 26 February 2007 in order to complete the share transfer.

3- Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım with all its rights, receivables, liabilities and obligations to one of the Group's subsidiaries, Yapı Kredi Menkul and the consequential dissolution without liquidation were held on 29 December 2006 the merger was approved on 12 January 2007. As a result of the merger, the Bank's share in Yapı Kredi Menkul has decreased from 99,99% to 64,70%. However, share of Bank's risk Group in the aforementioned company is 100%.

4- Extraordinary General Assembly meetings regarding the transfer of the Group's subsidiaries, Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. to another subsidiary of the Group, Enternasyonal Turizm Yatırım A.Ş. were held on 5 February 2007 and the merger was approved on 8 February 2006. As a result of the merger, the Bank's share in Enternasyonal Turizm Yatırım A.Ş. has decreased from 99,99% to 99,96%.

5- In the meeting of the Board of Directors held on 28 February 2007; it was resolved that YTL6.632 thousand of current year's profit related to proceeds from sale of an investment will be added to the Parent Bank's capital according to Corporate Tax Law No.5422 Part No.12 of article 8 and YTL7.308 thousand of current year's profit related to property sales income will be transferred to a special fund according to Corporate Tax Law No.5422 Part "e" of article 5 and the remaining current year profit will be offset with prior years' losses.

6- As of 26 February 2007, UCI transferred 50% of its shares in KFS to the Bank Austria Creditanstalt AG ("BACA"). This transfer is subject to the permission of the CMB regarding the amendment of an indirect shareholding in terms of Yapı Kredi Portföy Yönetimi A.Ş. Since BACA is a company under the management of UCI, the share transfer does not result in an amendment to the management or the control of either Yapı Kredi or Yapı Kredi's equity participations. Consequently, BACA plans to apply to the CMB in order to be exempted from the permission requirement as a result of other publicly held shares.

7- With the decision of the Constitutional Court No. E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No.26479 dated 31 March 2007, paragraph 1 of temporary article 23 of the Banking Law No.5411 containing the provision related to the transfer of banks' pension funds to the Social Security Institution explained in Note XVIII. of Section Three, was annulled and its execution was suspended as of the publication date of the decision.

Section Six

Other Explanations And Notes

I. Other Explanations On Groups's Operations

1- On 4 April 2005 the auditors of the CBRT sent an audit report dated 31 March 2005 to the Bank. The report includes critiques on the calculation methods of reserve requirements and liquidity obligations for various liability items. On the other hand, on 16 November 2005, the "Communiqué regarding the reserve requirements" numbered 2005/1 was issued in the Official Gazette numbered 25995. According to this Communiqué, if CBRT auditors conclude that the reserve requirements were understated for a specific time, twofold and threefold of the understated TL and foreign currency denominated amount, respectively, can be placed in the CBRT as interest free demand deposits for this specific time period. Otherwise, penalty interest will be charged regarding the understated amounts. The Bank management plans to use the option of placing interest free deposits in the CBRT, if any liability occurs against the Bank as a result of this process.

2- Ensuring the liquidation of foreign companies and funds that are direct or indirect shareholders of the Group's non-financial investments and associates and Enternasyonel Turizm Yatırım A.Ş.;
- The 85,2% shares of Enternasyonel Turizm Yatırım A.Ş. held by Havenfields Tourism Investment N.V., which the Group indirectly owns, have been purchased by the Bank.
- Azur Tourism Investment N.V. shares within the portfolio of Sun Investment Fund, which the Group directly and indirectly owns, have been purchased by the Bank for USD17.783.875 (YTL24.501 thousand).
- The 6,77% of shares of Yapı Kredi Sigorta A.Ş. with a nominal value of YTL5.418.266, the shares of Yapı Kredi Finansal Kiralama A.O. realized as 5,40% after the merger with a nominal value of YTL21.048.664, and the 3,19% of shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklı¤ı A.Ş. with a nominal value of YTL1.275.872 that were in the portfolio of Anatolia Investment Fund, which the Bank directly and indirectly owns, have been purchased by the Bank as of 28 December 2006 over-the-counter with no intermediary institutions.
- The participation shares of Anatolia Investment Fund and Sun Investment Fund in the fund have been redeemed parallel with their liquidation process.

Section Seven

Explanations On Independent Auditor's Report

I. Explanations On Independent Auditor's Report

The consolidated financial statements and notes as of 31 December 2006 have been audited by Başaran Nas Ba¤ımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the auditor's report dated 12 April 2007 was presented prior to consolited financial statements.

II. Explanations And Notes Prepared By Independent Auditor

None.

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